

Catastrophe risk: lessons learned

Endurance recently expanded its property catastrophe team in Europe, what's driving that expansion?

We continue to take a thoughtful and measured approach to our expansion in Europe. To further develop our relationships with our European reinsurance clients we have recently hired Stefan Beine as Head of International Property Catastrophe Treaty Reinsurance and relocated Christopher Powell, Vice President of Property Catastrophe Reinsurance, from Bermuda to provide expanded cat expertise to this market.

How prepared is the global market if another cat event or series of cat events occurs?

I believe the global market can sustain another large event or series of events, but not without adjustments occurring at the next renewal cycle. Right now, the market is at its tipping point relative to increasing rates, although the magnitude of any increase is subject to debate. Given the changes that are now impacting the European wind model and the financial impact of recent cat events, if additional losses are encountered the global market will likely react quite significantly at renewal time, potentially creating a demand and supply imbalance resulting in rate increases and new clearing prices for cat limits.

Not all reinsurers are created equal, and in this climate insurers need to partner with a reinsurer that will work with

them to ensure fair pricing relative to the risks covered – and not just at renewal season. At Endurance, we take the time to understand our clients' business and risk exposures, enabling us to provide solutions and pricing that best address the exposures in our cedants' portfolios.

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Has underwriting changed in either insurance or reinsurance in reaction to the catastrophe events of the last year?

How underwriting has been impacted is an intriguing question. I believe underwriters are now more cautious when considering their positions. How can an insurer or reinsurer create a profitable portfolio recognising that major loss has, can and will occur anywhere in the world? The more successful underwriting teams will be those who create portfolios which incorporate multiple strategies that contemplate the downside of taking risk locally, yet still create value on a broad scale and take advantage of opportunities

when they arise. This is easier said than done and requires focused risk assessment and an organised approach to the deployment of capital to create a global portfolio. Any shifts in underwriting philosophy have been a re-affirmation that truly assessing the business must remain a core focus before capital is deployed.

What do you expect the impact of the new European wind model to be on 1/1/2012 renewals?

At this stage, many reinsurers are beginning the work necessary to digest the changes associated with the European wind model and insurers throughout Europe are evaluating how this model will affect their portfolios. As far as the 1/1/2012 renewals, I anticipate that the changes will have a significant effect with many insurers reassessing their business portfolios and the capital necessary to support them, most likely translating into greater costs for reinsurance. However, it will likely take several renewal cycles before the full effect of the model changes are realised.

Endurance is consistently seeking to provide companies with our perspective on how the models affect their portfolios as we believe these insights can be valuable to insurers as they strive to meet their business needs.

What are the short term expectations and long term prognoses for the global market overall?

Short term, we should expect

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the market to react at the next renewal cycle with a heightened focus on rate movement. My prediction for the long term is that the market, through a better understanding of the loss events that have occurred, will be more knowledgeable and thus will take a healthier approach toward capital deployment.

Is there a single takeaway or lesson learned from the first half of 2011?

Always keep your eye on the underlying risk regardless of the market cycle. It is the key to surviving in the short term and thriving in the long term. Our clients seek partners that endure during all cycles and events. As such, we keep a diligent eye on our business risk to consistently provide the benefits and security that they have come to expect. ■