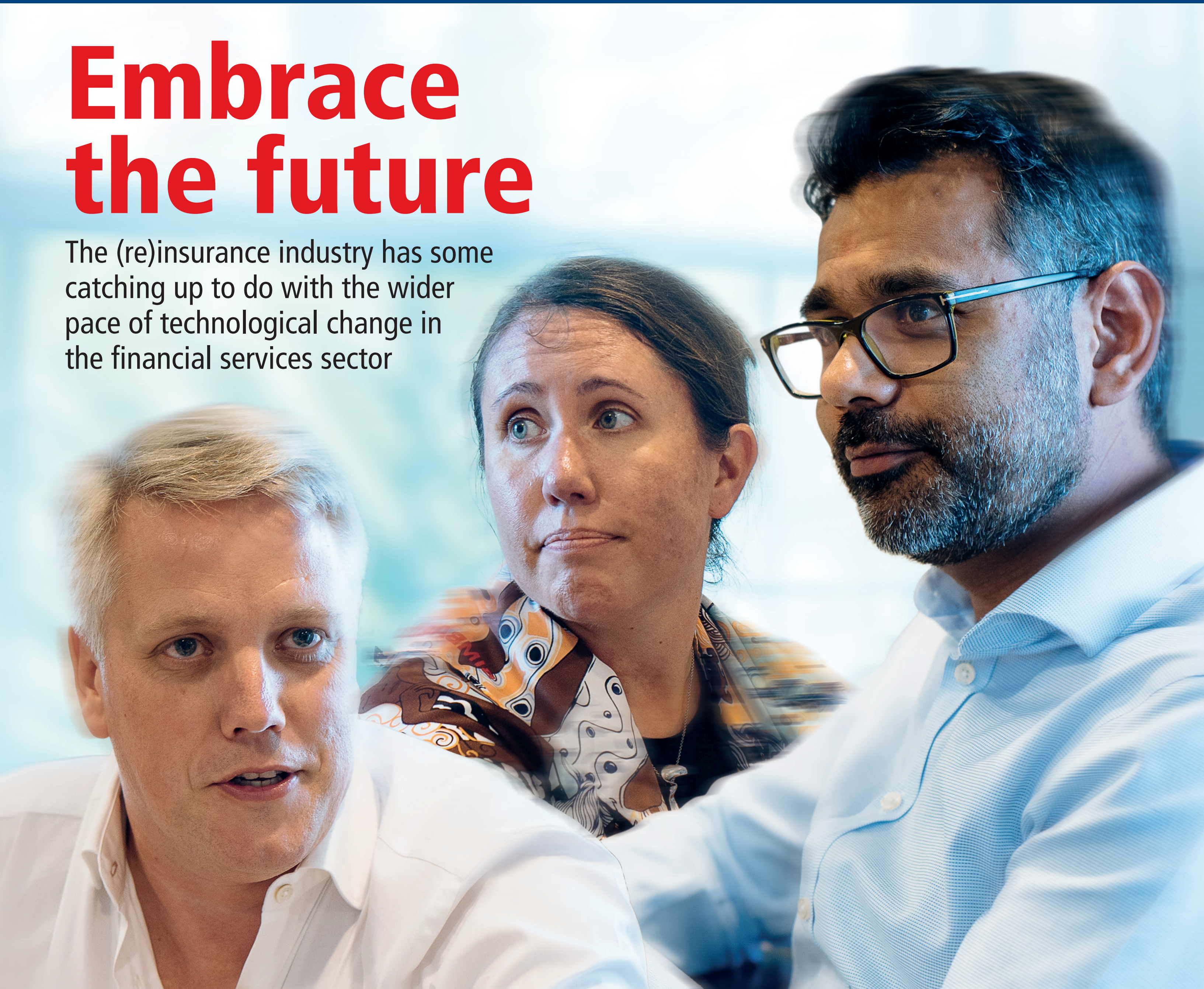
Autumn 2019

THE INSURANCE Insider

BERMUDA (RE)INSURANCE ROUNDTABLE 2019

Embrace the future

The (re)insurance industry has some catching up to do with the wider pace of technological change in the financial services sector



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On its toes

The pace of technological change within the global (re)insurance industry has ramped up in recent years, with the advent of the InsurTech space keeping many in the market on their toes.

But technology is not only shaping how the end-customer interacts with carriers and brokers, it is also transforming the back office by streamlining functions and processing data far more quickly than before.

This was just one of the topics discussed during a roundtable in Bermuda, hosted by *The Insurance Insider* in partnership with software specialist Phinsys.

"For those who work in the (re)insurance industry, the embracing of technology has been a welcome development"

For those who work in the (re)insurance industry, the embracing of technology has been a welcome development – market professionals now have far easier access to high quality data than in the past. But the industry still has some catching up to do, especially when compared with the banking industry which has been embracing new technologies for decades.

The (re)insurance market is well aware that calculating expected losses takes time, and even then exposure estimates are notoriously fluid – initial numbers issued are rarely accurate and can shift significantly as time progresses.

That is in stark contrast to the banking community which expects as close to real-time updates as possible on its investments and risk exposure.

One interesting dynamic is in play in the areas of the market where the banking and (re)insurance industries collide, for example in the ILS space. Are investors getting the up-to-the-moment data and information they need, or is there still a time lag? If so, is that stymying the growth of the ILS space?

Aside from issues around reporting, the roundtable participants considered what the (re)insurance company of the future will look like. There has been considerable industry talk about matching the right capital with the right risk, and some roundtable participants felt that the (re)insurance carrier of the future would have a dedicated platform that can tap into the ILS market.

As the discussion took place in Bermuda, it was only fitting that the topic of the island's position in the global (re)insurance landscape was also considered. Bermuda remains the pre-eminent jurisdiction for ILS, but its hold on the crown is under threat from domiciles such as London and Singapore, to name but two.

As such, participants agreed that Bermuda could not be complacent and there was an acknowledgement that the moves being made by the island's regulator are a step in the right direction towards it retaining its position of strength in the global (re)insurance industry.

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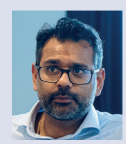

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Bermuda (re)insurance Roundtable 2019

Christopher Munro
The reinsurance industry has seen a real increase in new forms of capital coming into the market, the most notable example being in the ILS market in the growth of catastrophe bonds and similar ILS structures. How do you think this area is evolving, starting in the catastrophe space?

Elizabeth Breeze
After two years of significant losses, the trend we are seeing is a pause and a reflection from our investors. They are looking at the asset class and some of the challenges that have materialised over the past couple of years, such as the stability of NAV valuations and how rates have shifted after significant catastrophe events.

The second thing I would say is there is a flight to quality. They are looking at the quality of the ILS manager they are investing in – how they prepare their NAV valuations, how they go about providing insight into the strategies being undertaken – and really trying to assess more rigorously where they are allocating their money in the asset class.

"At the end of last year we estimated there was about $100bn of capital in the ILS space. Now, with trapped collateral and industry losses, that's probably down to about $90bn"

Anup Seth

Christopher Munro
It's interesting that you talk about a flight to quality. David, what are your thoughts on that development?

David Brown
To a certain degree it is a natural evolution. The initial phase of ILS included a number of years without significant catastrophe activity or catastrophe losses, so now you're getting people looking at the risk more closely and you're going to get more attuned investors in the space going forward.

Looking forward from an investor perspective, we're going to see growth in products as well, but part of that is trying to look at the tail risk on other products. We've had the issue with trapped capital and to a certain degree that has driven the rate increase in the broader market.

Hinal Patel
The 2017/18 losses have changed investors' thought processes and behaviour. They are trying to understand the risk much more, and looking for differentiators.

When you think about how you access a business, the question is – are you getting access to the good business or are you just one of the following markets? Is there a differentiation within your underwriting process, especially in terms of the tools you use? Have you got the capabilities to analyse risk on a live basis? When you get a risk in, does it suit your portfolio and can you optimise that risk-return trade-off? Investors are now wanting to see a greater alignment of interests through the fee structure and through ownership.

Anup Seth
At the end of last year we estimated there was about $100bn of capital in the ILS space, out of around $650bn. Now, with the trapped collateral and the losses the industry has incurred, that's probably down to about $90bn.

Last 1 January a lot of funds reloaded, whereas that wasn't the case in 2019. I would also bifurcate the investor classes. One set sees this as purely an asset class and they're reviewing the risk-adjusted returns. If those are still attractive, they will continue to invest. The second sees it as a long-term business. They are beginning to invest in infrastructure and they're making sure they have the right underwriting, origination and distribution.

Christopher Munro
Talking about property cat and the losses in the past couple of years, there's been a lot of scepticism about whether, once the market has been tested, it's going to go away and not come back. But there seem to be a lot of investors around for

the long term. There's been a lot of talk about moving into casualty, with non-damage cyber cover and the demand for a cyber ILS product. Are you seeing demand for that kind of innovation – and a broadening out of the sector?

Anup Seth

There's certainly interest and they're looking to diversify with pure nat cat. However, when you look at nat cat itself, there's still a huge amount to be done – whether it's weather-related or non-modelled – and those are areas where we're seeing investments. We haven't seen meaningful investment in the standalone non-property cat space as yet, but the industry will develop outside the property cat cul de sac. It has to because it's such a large area of investment – they will naturally look for diversification.

Scott Watson-Brown

On the concept of a pause, I don't see a massive rush of capital going into that market. Outside traditional cat, we see a lot of activity in the run-off P&C space – that's where we're seeing endowments and private equity groups come in and make allocations. But there are still some challenges around the concentration risk and due diligence on those books; having the right teams to undertake due diligence across a variety of insureds and navigate the regulatory risks is essential. A poor acquisition can sit in the portfolio for quite some time.

There's still a lot of work to do in that area, and governance policy, procedures, independence, non-executive directors and so on are a big piece on the operational side. Once you move away from the strategy there is a focus on investors pushing that institutional expectation about how they behave on to the managers.

James Ferris

That's an interesting comment about catastrophe and [insurance-linked] securities. We are seeing interest from the market in exploring establishing vehicles and buying businesses that are doing that. As a classic consultant, I'll answer by asking a question. It was interesting to hear about the diligence that's going on in terms of new investment. So I wonder what people are seeing in terms of all the trapped capital and whether anyone is pushing to see whether more can be done to get that capital released. Or are the investors just accepting the fact that this is trapped for a number of years?

Elizabeth Breeze

Our investors understood the class they were investing in and that trapped collateral would materialise post-loss. They also understand that they are likely to get returns from that side-pocketed trapped collateral. At the moment, they are not willing to give up the value that is contained there. If you were to sell it off you would be doing so at a significant discount. We've been approached by a number of parties on the island who are interested in trying to do something in this space, but the reality is that it's an investor-led decision, and there isn't really the appetite to do that at the moment. That may change over the longer term.

Ritendra Roy

We talk to a lot of large asset managers and they want to allocate more capital to the ILS space for two reasons. First, they are over-concentrated in private credit and would like to diversify their portfolios. Second, especially in the US, they're thinking that the life cycle of any ILS investment will be less affected by recession because insurance markets are not closely tied to economic cycles.

The reason they're not allocating more capital to ILS revolves around the question of whether they are going to be fairly compensated for the risk. The issue of being properly compensated relates directly to the quality of the underwriter and whether the losses are quantifiable in a short period of time. If investors are comfortable about getting money back within a reasonable amount of time and the underwriter they are picking is differentiated, more money will be allocated to the sector.

David Silver

We're also seeing a lot of interest on the life ILS side. Apollo is reportedly raising $9bn for its various strategies, of which more than half will reportedly be directed towards ILS investments, including a portion towards life settlements. It was [recently] announced that private equity firms Reverence Capital and RedBird Capital had acquired Vida Capital, an ILS manager heavily focused on life settlements. So we're seeing a lot of PE interest as well in ILS and insurance-related assets. Private equity returns are starting to get squeezed as PEs are having to put more equity into their trades to be competitive so they are looking for niche opportunities where they can generate returns, one of which is insurance-related investments and ILS.

"After two years of significant losses, the trend we are seeing is a pause and a reflection from our investors"

Elizabeth Breeze

"If you look outside the ILS asset class, the pressure is building to raise the level and frequency of information disclosure"

Ritendra Roy

Christopher Munro
Reinsurers are increasingly using various forms of capital within their own operations as they try to match the right risk with the right capital. However, capital markets are used to up-to-the-minute mark-to-markets on positions. How are reinsurers keeping on top of the reporting criteria required of them?

Hinal Patel
Investors clearly want more up-to-date information. A lot of them want at least monthly NAVs and we try to explain to them the volatility associated with that. For example, if you look back to 2017 and the initial estimates that came out for Hurricane Maria, AIR estimated $40bn-$80bn of losses and then a couple of months later they were down to half that. Last year we had Jebi where initial estimates were $3bn-$4bn. By the end of the year they were probably nearer $7bn-$9bn, and now the market is talking about $13bn, $14bn or even $15bn. So, with more frequent NAVs and even monthly NAVs there is a risk of losing investor confidence through constant revisions in estimates.

Elizabeth Breeze
Our investors demand and expect monthly NAVs and I do not see this changing. However, I do think it is important to manage expectations and be clear on the uncertainties that exist in those valuations.

The quality of the ILS manager and the benefits of an aligned model also come into play. Because of our longstanding relationships with our cedants, the quality of claims insight you can get makes the NAV you can produce much stronger. You're shortening the information flow from the actual loss point to feeding it into that NAV, so you can respond more quickly.

Equally, history helps in terms of projecting how and where claims will develop, so you can build a cautious view of how to manage that investor's expectations.

Reeva Bakhshi
Is anyone is under pressure to give NAVs more frequently than monthly? Because when I was doing this three years ago, they were settling on monthly but frankly we saw it as a benchmark expectation, and managing that two-monthly was an exercise in itself.

Anup Seth
We haven't moved from more frequent than monthly. But what we have seen is investors demanding a more robust valuation or reserving process and an actual valuation policy. Before they invest they want to understand the valuation policy and have an independent review. The other point is having robust exposure management software and a strong technology base. When you look at how quickly you have to do these calculations, it's not really a true reserving analysis, it's more an exposure management analysis. It's really important that you've got the right technology to map your exposures.

Reeva Bakhshi
That was all very much part and parcel of most of the due diligence assessment and the education process of bringing investors in. You're competing with asset classes giving clear valuations on a daily basis and they're used to that flow of information. As an industry we've speeded up – we can do reserving quarterly or annually and roll that from month to month – but we're uncomfortable with the degree of uncertainty within those. However, there is a point at which demand will outpace [our ability] to compete

Scott Watson-Brown
That's where keeping discussions real and making an investor aware of what risks are inherent in the valuation process is important. They need to understand that uncertainty. When people get it wrong, we've had investors are on the phone getting irate – whether new side pockets have been created, or [there are] adjustments in NAVs for events some time in the past. To the point about robust policies and procedures, with the valuation process there are even requests about who sits on valuation committees now and whether they open that up a bit more. There is keen interest in how you go through your valuation process and how you're applying it.

David Brown
There will continue to be a demand for timely and accurate information. We are working with a number of the ILS players on developing automated solutions related to valuations which is not only going to improve the frequency and accuracy of information but also the corporate governance around it.

Martin Maringi
From a regulatory point of view, we see ILS as a hybrid

between asset management and insurance. When we examine the insurance vehicle, one of the questions we ask is – how credible is the information the insurance company is providing? We are interested in understanding the robustness of the valuation processes and the insurance vehicle's process for judging whether it is producing credible financial data in line with robust reserving practices and standards.

Ritendra Roy
If you look outside the ILS asset class, the pressure is building to raise the level and frequency of information disclosure. Clearly, the job of the industry is to explain, if monthly is the right standard, why that is, and then to stick to it. So long as a consistent message goes to investors, with the support of the regulator, we'll be fine. However, pressure from investors is going to increase.

Richard Tyler
We supply an ILS provider with the systems that allocate IBNR to the right level of detail, and changing the reserving process to be more frequent than quarterly is unlikely to happen. So what we're looking at is how we get IBNR more accurately assigned to the risks it's truly protecting and how you change that allocation as more information comes in to give a more accurate assignment. From there you get into the allocation to fund from within those risks. So it's more from that perspective that people are saying we're not able to do this more frequently but we want it to be better in terms of how we produce the NAV from that data at a point in time.

Elizabeth Breeze
The NAV I'm most focused on is when any investor is subscribing or redeeming from our funds and that's the most critical point. But we involve an actuary every single month in our processes because we believe in the quality of that NAV we're issuing. And we have a valuation policy and a valuation committee that meets every month.

Richard Tyler
That's different from the rest of the insurance company? It's interesting that you potentially have different practices for the ILS side than for the insurance company. Do you end up mirroring that across the insurance company ultimately?

Elizabeth Breeze
I wouldn't have thought so. There's a distinction between a property book and a casualty book, and when the rest of your business is casualty, anything more than quarterly makes no sense. I don't see the practice changing globally for an insurance company. But certainly on the property side, for the ILS investors, that's what they are demanding and it's what we provide.

Christopher Munro
We're seeing growth in alternative forms of capital coming into the industry, and few reinsurance companies don't now have some sort of capital markets offering. Does that put pressure on companies to have separate types of reporting, depending on who their capital providers are?

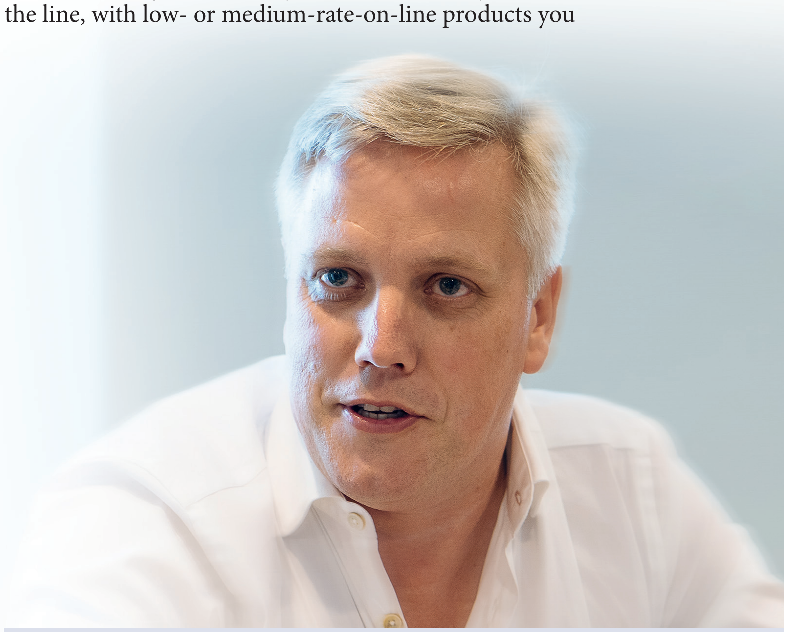
Anup Seth
Scott mentioned the side-pocketing. There are mechanisms available to address the accuracy and ultimately you're concerned about whether you're going to trade or not on the basis of that NAV. If you're concerned that certain policies are going to be exposed, once you've side-pocketed them you can't trade them for a certain period of time and that gives time for the claim to develop. Then you are able to develop an estimate with more accuracy that you can trade on after a certain period. So the industry is coming up with solutions for that type of challenge and more and more companies are using this hybrid approach.

On the other side, ILS investors have looked at the challenges of the fully collateralised model and they have evolved, and are setting up their own rated reinsurers to compete with the traditional model.

David Brown
It's positive for long-term growth that we're seeing a lot of reinsurance companies in the marketplace continuing to focus on ILS-type products, especially with strategic partnerships.

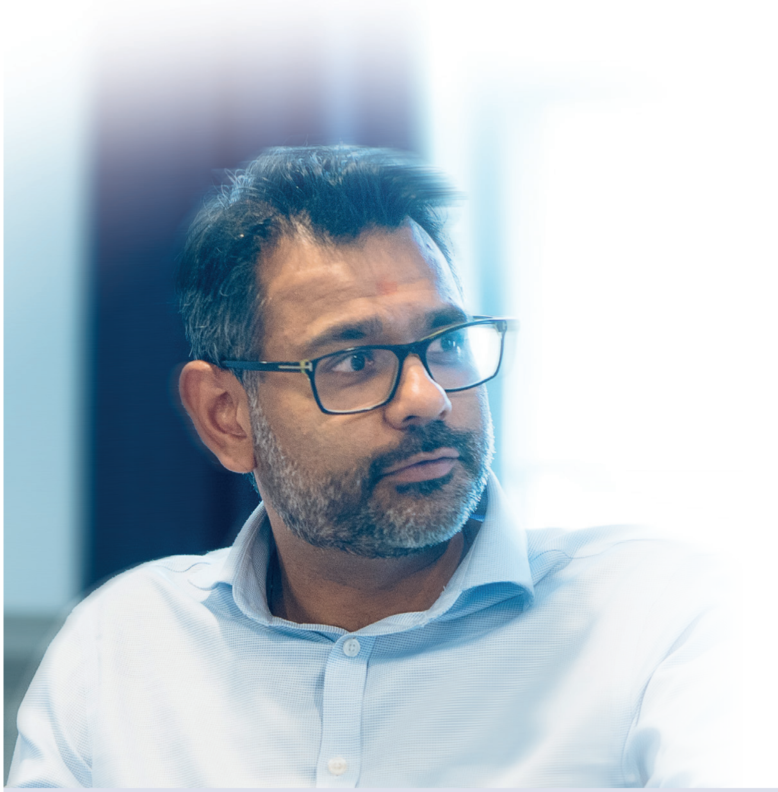
But related to the combination of reporting, you have to look at the different investors involved and how you report to them. Convergence is an old word but, at the same time, when we think about the industry – especially with strategic partnerships – we think about it in total because reinsurers have come to look a lot more like ILS and ILS is certainly looking a lot more like reinsurance.

Hinal Patel
On the convergence side, if you look five or 10 years down the line, with low- or medium-rate-on-line products you



"Changing the reserving process for an ILS provider to be more frequent than quarterly is unlikely to happen"

Richard Tyler



"The ILS market will develop into other areas of cat and other lines of business, and more carriers will have an ILS-dedicated or market-facing vehicle"

Hinal Patel

still need a rated balance sheet because of the tail risk. That is going to limit the size of the ILS market because, at some point, there's going to be too much tail risk going on to a rated balance sheet. When you look at how AM Best have changed their rating process, even though their BCAR model uses up to the 1-in-250, when they do their rating notching process their ERM criteria look further out on the scale – they're looking at 1-in-500. So that tail element is going to be very important. The two have to co-exist and it's not going to be the case that in five or 10 years we see ILS replacing reinsurers.

Christopher Munro
That's a nice segue onto the next point which is what will the insurance or reinsurance company of the next five to 10 years look like?

Hinal Patel
The ILS market will develop into other areas of cat and other lines of business, and more carriers will have an ILS-dedicated, market-facing vehicle or other access to third-party capital, along with their rated carrier. But as I said, the two have to co-exist.

David Brown
When you look at the evolution of the market, you see a lot of capital that still wants to come into the industry in some form or another. And then you have some pretty significant under-served markets. ILS or alternative capital is probably going to be a big part of filling that void. When you look at places in the world that are just under-insured, or areas such as flood in the US, and you look at all these other exposures from a technology perspective – and cyber is just one aspect of that – there are opportunities for growth. Matching the right risks with the right capital sources will be key.

James Ferris
We've got a number of emerging insurance markets and emerging capital markets. Singapore is becoming bigger. China hasn't yet made the moves it could. So the question is – what risks will they be covering? What will the capital markets that come into this industry look like? And, bringing it to Bermuda, what will the ILS business look like because ILS is a big player in Bermuda and we punch well above our weight, but there are people looking to take that crown. So we need to be looking to the future and where we'll be in five or 10 years' time. We need the regulators and the industry onside and the capital markets to come in to make sure that Bermuda stays ahead of its game.

Christopher Munro
Singapore has been keen to develop its own ILS market and has been pushing for regulation. London did so the year before last. There has been a lot of talk about Bermuda's role as the pre-eminent market for ILS. Martin, what are your thoughts on what Bermuda can do to make sure it is the home for this?

Martin Maringi
We have been tracking developments in other jurisdictions. We also recognise that Bermuda continues to be a leader in insurance risk securitisation, but we cannot be complacent. We are committed to continuing to be at the forefront of innovation in ILS. For example, we spent the past 12 months having in-depth discussions with the ILS industry to explore how we should shape Bermuda's regulatory regime to accommodate recent innovations that we have seen in the ILS sector. The outcome was the introduction of a dedicated ILS class called the collateralised insurer.

This class has the operational flexibility to accommodate the continuing transformation of ILS products, structures and origination models. With it, Bermuda will have the licensing infrastructure to cater to the full spectrum of the differing and evolving needs of ILS capital such as structured legacy covers, life and casualty-ILS deals.

Richard Tyler
As a software provider, and from a London perspective, we're interested in some of the things that John Neal is saying about follow-only syndicates, where in effect they're not going to have to set up insurance companies. The question is how that goes in terms of the investment that comes in – is it another vehicle that ends up having alternative capital invested in it?

Suddenly, we end up with more of a managing agency piece that is processing the writing of risk, premiums and claims, and then you apportion the result out to whoever has done it and pay a managing agency fee. That's quite a change in the market, potentially separating out the insurance capital provider and the processing people.
Do you see those changes from Neal as trying to get a chunk

of that alternative capital going into Lloyd's rather than into Bermuda?

Martin Maringi
Yes, we are watching that. Our job is to listen to our stakeholders and provide prudent solutions to address the needs of the ILS sector. The Bermuda market, including the regulator, has innovation in its DNA and a record of meeting the needs of ILS-capital. One of our key success factors is a fit-for-purpose and flexible class regime that recognises sectoral differences. For example, the new collateralised insurer class offers more operational flexibility, but there is a trade-off; risk management, governance, and the operational infrastructure will need to be in place to support the higher risk profile.

Scott Watson-Brown
The listening part is key. Because the regulator is not there as a business development agency but it is up to the industry bodies to lobby hard, especially when there's product innovation coming through. They also have to educate the regulator because there is a lot of expertise out there in the marketplace and they need to draw upon that if they want to explain to the regulator why this is good for the jurisdiction and how they can help regulate the risk.

Christopher Munro
What are the material shifts and changes in the (re)insurance regulatory environment, and how are they changing the landscape?

James Ferris
The regulator has set up an insurance sandbox, which is there to support the industry to develop products. The FCA in the UK has a sandbox with a wider financial services scope and some big companies use it to try things out, and most of this isn't insurance-focused. What I would like to see from the BMA is an expansion of that sandbox to get the best use out of it and see the market using it more. The FinTech industry should be taking advantage of the sandbox and coming to Bermuda, and start working alongside insurers and reinsurers to develop products.

Reeva Bakhshi
One of the things that's made Bermuda more successful is its location and the proximity of everybody, but also its adaptability. When other jurisdictions come in and take on more available structures to respond, Bermuda responds in a different way again and a new class or a new area opens up. So over the next 5 to 10 years Bermuda is probably going to be the first place where those areas are kept in mind. While in other jurisdictions it takes a long time to do anything. Bermuda's massive advantage is that it doesn't.

Martin Maringi
In the technology space, we are spending a significant amount of time developing a number of regulatory solutions including the digital asset framework. Similar to the convergence of insurance and capital markets in the form of ILS, we envision the next frontier will be the convergence of insurance, capital markets, AI and distributed ledger technology such as blockchain, both with and without digital assets. Accordingly, the BMA has created a new category of insurance intermediary – the insurance market place – as well as an insurance regulatory sandbox to position its insurance regulatory framework to address these innovations.

Christopher Munro
Do investors tend to lead the charge for changes in reporting, which regulators then follow?

Ritendra Roy
The next generation of companies going into reinsurance are going to have both alternative capital capacity as well as traditional reinsurance. From an M&A perspective, reinsurers are acquiring alternative asset management capabilities and vice versa. Lot of consolidation has taken place already, so for the next generation of Ed Noonans setting up vehicles it is not going to be pure reinsurance or pure alternative capital, it will be a hybrid. For a hybrid vehicle, the reporting challenges will be more timely reporting, more data and having systems that communicate seamlessly with external counterparts.

Anup Seth
Another trend we're seeing is investors driving to get closer to the end risk. It started with the retro play and then moved on to reinsurance; now some investors are saying they want to be the direct writer. So we're beginning to effectively combine investors with MGAs, and a significant amount of investment has gone into Aon's MGA business. They will retain most of that risk and the challenge there is making sure there are sufficient risk-adjusted returns.

"When you look at the evolution of the market, you see a lot of capital that still wants to come into the industry in some form or another"

David L. Brown

Ritendra Roy
The other metric being used is unit cost of risk on the balance sheet. Traditionally, it's costing a lot to get closer to that unit of risk, in terms of all the processes required to bring it onto the balance sheet. Investors can go much closer through an MGA or a fronting company. Aon or a reinsurer then places it onto their balance sheet and it's the same unit of risk, but acquired at a much lower cost.

Christopher Munro
Moving on to InsurTech, the majority of InsurTech solutions have been targeted at personal lines and primary markets. What has been offered to the reinsurance industry and what do you think the industry should be looking to get from InsurTech in the future?

Anup Seth
One of the areas where we've seen a few companies develop – though none have taken off yet – is a trading platform for ILS solutions or policies. That would add to the liquidity of the marketplace and take it to another level if one of those platforms goes live and gains traction.

When you set up an account with this entity you define your risk appetite. At the front end the entity acts as a reinsurer and reinsures some risks. It then bifurcates that risk to allocate those exposures based on appetite to those tradable accounts.

The concept hasn't taken off yet but if it did it would change the way you're accessing or putting together capital and risk, and would be a great way to take the ILS industry to the next level.

Hinal Patel
From an insurance company point of view, having InsurTech to reduce expense would be great in terms of helping with the back office, but also in trying to produce data to enable underwriters to make better decisions. There are InsurTech companies who use AI to mine data available on the internet to find out more information about a particular risk. But the key thing is whether that data is reliable.

The second point is, once you have the data, how do you use it? InsurTech companies can take that data and use machine learning and AI to produce pricing models to help underwriters with making those decisions.

James Ferris
We can't get away with not talking about blockchain. In five or 10 years' time we'll see it as a big cost saving to the industry – a bit like spreadsheets in the day – and something everyone uses to make life easier. Think about the amount of money that's wasted in trying to ensure that information that comes from the insured all the way through to the reinsurer is accurate. Using blockchain technology, there will be one version available to everyone, and we see that as extracting billions out of the cost of the insurance industry.

David Silver
A lot of InsurTech has been focused on processes and driving efficiencies in the value chain. What InsurTech is also going to do is generate the opportunity and ability for new types of insurable risks – one of which will obviously be cyber. Another opportunity is the gig economy and the new types of risk that are coming and will come from this arena. We are familiar with a start-up that provides a technology platform whereby consumers can share a risk with one another directly instead of taking out an insurance policy – one example of where new reinsurance opportunities will come about.

Scott Watson-Brown
The reinsurance industry is ripe for a shake-up of technology. Consider non-standard forms and agreements, and the time wasted on that. If you look at the capital markets, once that was developed it took a lot of pain and suffering out of the admin around managing swap agreements and stuff like that overnight. But it really needs an aggregation of all the available technology into a usable form for the industry to take advantage of.

David Brown
When we talk about InsurTech a lot of it is at the front end on the primary side. But when you look at the underwriting side, at the way some of the AI can explore what's in the flood plain and the drone technology reinsurers can use to validate data they're seeing from cedants and so on, it's going to play a big part. There are also significant opportunities to improve accuracy and efficiency in processing and other back office functions.

Richard Tyler
There's still a big opportunity for (re)insurance companies to channel a lot of the risks they want to access through an exchange and share the direct risks they're trying to cede to other people without the need for a big reinsurance brokerage pass-through. There's a lot of efficiency to be gained in that market.

There is still a place for the reinsurance broker on complex risks, to manage the whole claims process and the cycle, but a ton of reinsurance could be written directly between players.

Ritendra Roy
The one thing that is under-emphasised from the innovation perspective is the reinsurers' ability to partner. Reinsurers are never going to be the best venture capital investors. The incentives are not right for companies in Silicon Valley to sell to reinsurers. On average, the investments will have average performance and you're not going to be able to spend enough money internally on technology to innovate across the value chain. The ability to partner with technology companies is going to be the key differentiator. Partnering is a somewhat alien concept to the insurance industry today – suddenly it's no longer a closed eco-system.

When AM Best talks about innovation, they tend to focus on how much you're spending on technology dollars and that's a short-sighted way of looking at reinsurers. The reinsurers of tomorrow that can partner effectively are the ones that will stand out.

Christopher Munro
I think that might be a good point to bring it to a close. Thank you very much for your time everyone.