SIRC DAILY

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Monetary Authority of Singapore managing director Ravi Menon

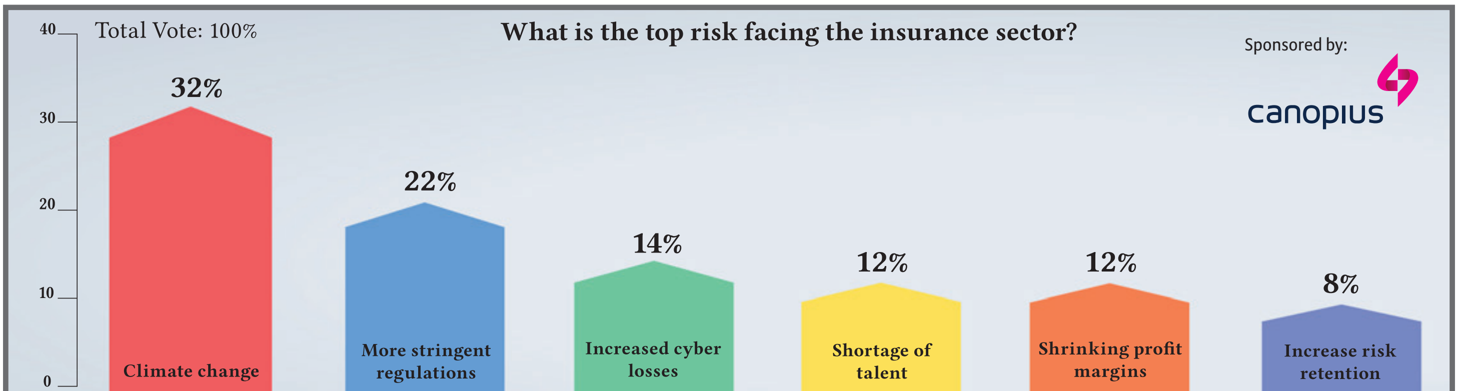
We painted a vision in 2013 for Singapore to become a global insurance marketplace in 2013. We have made good progress in most areas but need to double down on others. We have made some progress in improving demand through expanding the availability of high-resolution data but sizeable data gaps remain for Asian risks. Singapore has also enhanced the business environment for the insurance industry through sound regulation but needs to do more in talent development. We are still short of talent with good familiarity of growth markets in Asia, especially Southeast Asia – a prerequisite for regional leadership roles. We need a stronger industry-wide effort targeted at these gaps.

Singapore Reinsurers' Association chairman Marc Haushofer

The standard of this event is reflected in the calibre of attendees, as it brings together leaders from across the regional and international reinsurance sector. It provides an excellent forum to showcase both the strength and diversity of our industry. We have almost 2,800 delegates from over 70 countries – the once regional conference has now become one of the most prominent global insurance events.

Hannover Re chairman of the executive board Jean-Jacques Henchoz

I am not sure where M&A is going in the future. The smaller players might merge and build the scale to have a global reach. I can see a few significant mergers in the industry over the next three years. However, I don't see the larger players taking this route – even acquisitions are costly, and its preferable to grow organically from within. The main source of growth for the reinsurance industry would be to continue with this reset and to make sure that Nat CAT risks are adequately priced.



This infographic was produced by surveying *Asia Insurance Review*'s website users.

Sizeable data gaps still a problem in Asia

Asia's demand for insurance protection has grown, with growing ageing populations and climate change feeding into the hardening of the reinsurance market. During the opening address on the first day of SIRC 2023, Monetary Authority of Singapore's Mr Ravi Menon and Singapore Reinsurers' Association's Mr Marc Haushofer spoke about the prevailing uncertainties in the re(insurance) industry and the progress that has been made to combat them.

By Reva Ganesan

Being at the tip of a major (re) insurance revolution – with the market hardening, rates increasing and terms tightening – speakers at the 19th Singapore International Reinsurance Conference (SIRC) spoke about some of the challenges the industry is facing. They discussed the context of the prevailing uncertain and volatile risk landscape illustrated by prominent inflation, rising interest rates, economic depression, political tensions, cyber crime and costly climate-related disasters.

"On the brighter side, we are welcoming the overdue return to underwriting discipline and its implications after enduring years of weak performance and soft market conditions," said Singapore Reinsurers' Association chairman Marc Haushofer.

Singapore now serves as the APAC hub for 12 global insurers and reinsurers. The country plays host to the deepest regional concentration of underwriting teams across complex property, casualty and specialty lines.

Monetary Authority of Singapore managing director Ravi Menon, during his keynote address as SIRC guest of honour, said that progress has been made and demands have improved within the industry through expanding the availability of high-resolution data.

"Since 2013, gross premiums for direct general insurance in Singapore have grown by almost 80% to reach S$12.9bn ($9.44bn) in 2022," Mr Menon said.

"With healthy economic growth, additional urban centres and industrial centres have emerged in Asia and risks have evolved," he said.

In Singapore, total reinsurance premiums have grown at an annual average of 13.6% since 2013 to reach $15.4bn in 2022.

Global reinsurers are developing their digitalisation, data analytics and sustainability solutions for Asia out of Singapore which includes cyber underwriting, end-to-end digital underwriting and straight through processing of life insurance policies.

"Asia is expected to become the main contributor to global economic growth, eventually overtaking the advanced economies," Mr Menon said.

APAC's reinsurance premiums are projected to grow at an annual average of 7% from $171bn in 2021 to $246bn in 2026.

"More lives, wealth and assets will need protection as Asia remains the world's most disaster-prone region, with significant protection gaps," he said.

Natural disasters in the APAC region resulted in economic losses of $80bn in 2022 – of which only 14%, or $11bn was covered by insurance. Asian economies are most exposed to cyber risk, given the rapid pace of digitalisation, with the APAC region accounting for 31% of all cyber incidents globally in 2022.

"The cyber insurance market in the APAC region is expected to triple by 2025," he said.

New risk and opportunities

"US-China geopolitical tensions and the Russia-Ukraine war continue to shape supply chain risks across the food, energy, commodity and technology sectors," he said. The current Middle East war adds another layer of complexity to global geopolitical risks.

Era of low interest rates is over

"Reinsurers' investment portfolios are benefitting from improved returns in the higher interest rate environment but on the liabilities side, reinsurers face inflation-driven increases in current claim amounts," he said.

Effects of climate change

Globally, natural catastrophe losses amounted to $110bn in the first half of 2023, well above the 10-year average of half-year losses of $98bn.

"Insurers have become more selective in the risks they underwrite, with some shunning lines which have experienced higher losses, such as those related to California wildfires and Australian floods," he said.

Addressing data gaps

"There is not enough up-to-date, high-resolution data on economic exposures to perils in Asia," he said.

"Data is in different formats, not cleaned, not standardised and hard to use and access. Data gaps are particularly acute in newer areas such as pandemic and climate risk, which are complex, evolving, and less understood," Mr Menon said.

Flood losses

Flood losses accounted for more than 60% of the total economic loss from natural disasters in the APAC last year.

"These losses are likely to get bigger with urbanisation, as cities are more vulnerable to flooding due to lower ground permeability. "Climate change will make matters worse, with more intense rainstorms," he said.

He suggested that deeper partnership between the insurance industry, the cyber security sector and policymakers can help improve cyber security and reduce cyber loss.

"The reinsurance industry is an important partner for helping Asia realise its growth opportunity by helping to manage risks, through effective risk financing solutions and risk mitigation insights. With strong collaboration across the insurance ecosystem, policymakers, businesses and academia, we can secure a more resilient future in Asia," he said.

Reinsurers: Much cooler than bankers

After years of losses, the reinsurance industry is undergoing a reset that, once finished, will positively impact society.

By Sarah Si

The theme of the 19th Singapore International Reinsurance Conference was '(Re)insurance Reset'. According to Hannover Re CEO Jean-Jacques Henchoz, the theme encapsulates one of the core themes of the (re)insurance industry. "The reset was due to a number of years of losses for the industry. COVID-19 also happened and was a huge event at the same time," he said.

The reinsurance industry has reset in terms of correction of prices, particularly in short-tail businesses and property and casualty, which has driven an expectation of profitability for the industry. All this, Mr Henchoz said, meant that the outlook was relatively good.

"I think the reinsurance industry has proven, despite the lacklustre performance in the past few years, that it looks at underwriting profitability, diversification of exposure and remains disciplined.

"Nevertheless, climate change was a big driver of losses, which took the industry, to some extent, by surprise. But there were not so many bankruptcies in the reinsurance industry. It was a very special five years where the industry could continue to deliver and offer the capacity to the market," he said.

Other events that led to the reset

It is difficult for reinsurance providers to change tack from one year to the next due to client relationships. "Reinsurers want to build partnerships over time, but because of this, it is sometimes very difficult to adjust portfolios in the short term," Mr Henchoz said.

The COVID-19 pandemic was another reason. "The industry had to contribute through significant losses, plus CAT events and climate change became very big drivers of losses for the industry," he said.

Other factors such as Nat CAT, manmade catastrophes, geopolitical tensions and violence have also led to the present climate of uncertainty, which has contributed to economic turmoil. "Inflation has been very high. Vladimir Putin's invasion of Ukraine has led to an increase in energy prices and the economic climate has not been very smooth, to say the least. This has had both direct and indirect impacts on the reinsurance industry, such as an increasing number of trade barriers and cost of doing business," he said.

L-R: Messrs Rico Hizon and Jean-Jacques Henchoz

Despite these events, he said, the (re)insurance industry made it. "Maybe not with the best returns across industries, but that is the testimony of the robustness of the reinsurance business model," he said.

Growth post-reset

According to Mr Henchoz, the main source of growth for the reinsurance industry would be to continue the reset. It means making sure that that CAT risks are adequately priced and exposures are taken into account. "Looking into the long tail sector, casualty generally has not seen very much of a correction. I think it will take more than just a year or two," he said.

He also said that the decarbonisation of society would trigger a big industrial transformation. "This is a big opportunity for insurance on the one side, to control exposure to fossil energy.

"On the other hand, the industry needs to encourage new forms of energy and new technology to comply with the needs of decarbonising society for the next 20 or 30 years," he said.

Reset shows true value of reinsurance

Despite its accomplishments and dynamism, Mr Henchoz said that the reinsurance industry was too modest to show its relevance to society. He believes that reinsurers must show how critical reinsurance is to the future soundness and robustness of societies.

He said, "There is societal value in reinsurance. The industry just needs to make a big effort to train and educate the young generation in underwriting or other areas and bring them in. Once they get it and see what it implies, they are interested. I've always said reinsurers are much cooler than bankers."

Committed to the long term

The APAC insurance industry has gone through turbulent times recently, but Everest Re's Mr Himanshu Garg maintains a positive outlook.

The reinsurance industry in Asia Pacific continues to face multiple challenges such as climate change, high inflation, increased geopolitical uncertainty and higher costs of capital.

While the existing challenges are expected to continue, we maintain a positive outlook to reinsurance in Asia Pacific so long as we continue to work with our partners and other stakeholders to find viable long-term solutions to these issues.

Clearly, Everest's positive outlook was affirmed when in May we completed a $1.5bn equity raise . Committed to growing with our core partners and cedants, capital from our equity raise, combined with an already strong and well-rated balance sheet, allows Everest to provide the necessary capacity to best support our core clients and brokers and the wherewithal to address the critical issues of the moment in the interest of all.

Recent renewal woes

Over the last few renewals, not only have we seen premium rate increases, but also higher retained exposures in real terms of our clients due to various direct and indirect factors such as:

- Increased retentions/deductibles in treaties
- Reduced reinsurers' appetite for property proportional treaties and a move towards gross account excess of loss
- Removal of natural catastrophes coverage from property proportional treaties
- Imposition of loss participation clauses
- Tightened event limits/loss caps
- Significant reduction in appetite for aggregate covers
- Very high rates in line on lower layers making them effectively second or higher event covers
- Reinstatement costs higher than 100%, particularly for lower layers
- Increased annual aggregate deductibles
- Structured deals for bottom layers becoming more expensive than before
- Reduction in reinstatements and back up covers becoming very expensive
- High inflation environment
- In some cases, increased credit risk

In Asia Pacific, the intensity of such changes has differed from country to country, but overall, the changes are directionally similar.

Many of these changes were necessary as a result of reinsurers suffering from years of sub-optimal underwriting performance, largely due to increased losses (both frequency and severity) from natural disasters, and large risk fire losses.

Insurance woes

Insurers feel the pain because of rapid increases in their retained exposures, and worse, with no sustainable solutions in sight to transfer or share that risk with reinsurers or alternate capital providers.

Furthermore, in the current high interest environment, raising debt doesn't offer viable economics for the clients and capacity via alternate instruments such as CAT bonds has been very limited in Asia.

Hence, we believe that clients are looking for a reasonable response from the reinsurance industry to address these pressure points, rather than avoidance or apathy.

The divergence between clients' needs and reinsurers' appetite on this matter is so significant that fresh thinking, smarter analytical approaches, and improved data quality are required to design suitable reinsurance solutions and bridge this divergence.

Regardless of the market, at Everest our approach doesn't change. We are committed to underwriting excellence and providing the necessary protection, as long as it's within the right terms, conditions, and price, and we are also transparent, collaborative and fair in how we conduct business.

Over the years, the reinsurance industry has proven its value again and again as its clients and brokers encountered new challenges and they rose to address them. We are again at an inflection point and in the face of this uncertainty, we at Everest are here to be the steadying hand and uphold our commitment to underwrite opportunity for our partners. And we hope others in the industry are prepared to stand with us and do the same.

Himanshu Garg is the vice president of underwriting at Everest Re.

How AI/ML helps (re)insurers

AI and machine learning are spreading rapidly to every aspect of our lives and the business world. Every business will be affected and (re)insurers will benefit greatly when they adopt AI. Trans Re's Mr Otakar Hubschmann writes.

We already use AI in several areas. Each project improves a business process to aggregate disparate data and standardise data quality. We outline some of our use cases here to offer ideas on where to focus on impactful projects that add greater value to our clients and their customers.

How we use AI/ML

We have spent a lot of time developing our integration roadmap for AI applications. Our AI applications fall into three areas: We seek to automate manual and repetitive aspects of a job; we use machine learning both to improve data quality and make it easier to extract value from that data; and we use the improved data to help us make predictions.

These three areas apply across all our business processes, including underwriting, actuarial, claims, legal and accounting.

Automating data inputs

AI applications that help increase automation mean fewer errors compared to data that is manually entered or omitted. Our automation applications also free employees to devote more time to more useful and more interesting aspects of their work. For example, we have built AI-powered applications that transcribe and transpose invoices directly from PDFs and send the information to our data warehouse.

Improving data quality

Data comes to us in all sorts of formats and structures. To improve the usefulness of the data we receive, we must first standardise it. One of the main ways we use AI to help improve our data quality is by applying algorithms and generative AI to a process we call named-entity recognition. Different clients use different names for corporate customers: Disney, Walt Disney Co, Disney Corporation. All mean The Walt Disney Corporation.

Our named-entity process seeks algorithmically to extract, classify and match entities to establish one true agreed upon entity. By doing so, we more confidently understand our aggregate exposure to any one entity.

Enhancing output predictions

Having first worked through our AI assisted data input automation and enhanced data quality, we are able to harness the speed and scale of machine learning predictions. We seek to use AI to augment our teams' capabilities, by merging our employees' domain expertise and expertise with the computing power and pattern recognition of machine learning models.

We are already able to predict different aspects of frequency and severity across several lines of business. In one example, we predict the likelihood of a publicly traded company to be sued in the next 12 months. In that one line of business, we make over 8,000 predictions per day (2m predictions per year) with an accuracy above 80% already.

AI and the wisdom of crowds

The wider application of AI/ML tools across the (re)insurance industry will deliver several benefits. Over time data quality will improve as the algorithms optimise for more standardised, cleaner and usable data. This will ultimately lead to industry-standard uniform data sets. Adoption of AI will also help reduce and ultimately eliminate biases that exist in historical data, as algorithmically-aided data cleaning will help recognise those biases and outliers. Finally, by collectively adopting AI, (re)insurers will harness the increased computational speed and underwriting pattern recognition to make more informed, more profitable decisions, improving the collective returns of our industry.

TransRe is excited about the future of reinsurance and the opportunities that will come from AI-enabled products and processes. We look forward to what this future brings for us and our clients, as we work together to achieve it.

Mr Otakar Hubschmann is the head of applied data at TransRe. He is also the author of a popular AI blog that you can follow https://theaiunderwriter.substack.com/. Otakar can be contacted to discuss any aspect of the application of AI/ML to (re)insurance.

Reinsurance pricing and affordability

We caught up with Munich Re's Dr Achim Kassow to talk about pricing and affordability.

By Paul McNamara

Pricing, capacity, retentions and terms and conditions for reinsurance business have become the core mainstays of discussions during the opening rounds of the renewal discussions during Les Rendez-vous de Septembre. This year was no different.

We caught up with Munich Re member of the board of management Achim Kassow to pick his brains about the upcoming renewal season. Dr Kassow recognises that renewals must make sense for all parties.

"The perspective of the primary insurer is the most crucial," said Dr Kassow.

He points to the discussion amongst the Australian public about affordability of insurance. "That's where primary insurers have the first discussion," he said. "What do they feel is a sustainable pricing level that is technically necessary, but is also acceptable to the public, by the market, by the environment they're operating in? That's the first question.

"The second question is how much capital would I be willing to dedicate to my basic loss expectations? And how much peak scenario do I want to cede out to my reinsurers? Do I, as a primary insurer, believe that my shareholders would be happy to accept more volatility to get a higher return? Or would they expect me to deliver very stable returns so that I need to cede out whatever is there in terms of volatility? I need the reinsurance market for that.

"Structurally, over the last two years, the prices for ceding out volatility have increased and so you need to compare the price of ceding out against your own cost of capital."

For Dr Kassow, considering all of these perspectives is essential.

"That is why I start looking at primary insurance from a reinsurance perspective," he said. "The question of what you could do in your primary market is for my cedant to assess. The second question is between the primary insurer management and their investors, and what the risk-return profile should be. That is also not part of my business as a reinsurer.

"The third thing is what does that mean for the market and is it sustainable from a reinsurance perspective? That's my business," said Dr Kassow. "It could well be that in the coming months we will see some more primary insurers saying, 'I would rather retain business because I believe that the risk-return of this business is better if I keep it for my shareholders instead of ceding out of the reinsurance market'.

"Those considerations are made in every market by every single insurance player. There is no generic answer, the best solution is always a specific one. In our discussions we say, let's credit our cedents that they understand what they want to do and then we discuss what our contribution could be. This is what we want to leverage, to understand the demands of our clients.

"They may wish to increase their retention, or they may rather go for more reinsurance providers, that's a very individual strategic decision and this is why Monte Carlo is so important, because it's basically the melting pot to find out where each company wants to go," said Dr Kassow.

Affordability of insurance

Does Dr Kassow foresee a time when some geographies or some business lines simply become uninsurable?

"I would rather expect more intense affordability discussions," he said. "Uninsurable is very rare. That applies to some systemic risks. So the main question is not one of insurability, it's rather a question of affordability. My hope is that price signals by the insurance markets will help all stakeholders to take sustainable actions.

"I commit quite a lot of time advocating to officials that the effective and sustainable thing to do is to provide targeted rules and regulations as well as to focus more on prevention.

"There are multiple examples around the globe where people after a catastrophe have taken intelligent prevention measures and that has helped reinsurance premiums come down and overall insurance penetration to increase. The interest of insurers needs to be to help the societies to build sustainable solutions," he said.

To read the full interview, pick up a copy of the November issue of Asia Insurance Review.

Cyber insurance in Asia Pacific

The cyber insurance market continues to grow, even as the risks of cyber become ever more obvious. With most of the world becoming more reliant on technology, insurers must be able to deliver the right solutions to the market. Moody's RMS Ms Bethany Vohlers elaborates.

In terms of market growth, not many insurance sectors represent the potential of cyber. As businesses grow increasingly reliant on digital infrastructure and cyber threats become ever more sophisticated, current global cyber premiums are valued at $11.9bn, and by 2027, the market is set to reach $29.bn.

The growth potential is undeniable, but insurers remain unsure about systemic aggregation risks from cyber and last year's hardened market highlighted insufficient levels of cyber capacity.

This is because cyber risk presents some unique challenges. For example, vital risk diversification for cyber is difficult using traditional parameters such as industry, company revenue and country, with a minimal effect in certain cyber scenarios, as attacks may exploit vulnerabilities in common operating systems or cross-operating system platforms. A cyber attack can easily strike larger businesses in Taipei and Tokyo, as much as smaller businesses in Toronto and Turin.

Finding the right solution

For insurers looking to enter or grow their cyber insurance business in the Asia-Pacific region, it can be difficult to know what approach to take when examining the risk landscape and how to select and price risk to ensure resilience and profitability.

If the traditional routes of Nat CAT risk differentiation are found wanting, together with insurers having a lack of claims history and experience – how do insurers approach the market with its constantly evolving nature of cyber threats? To accommodate growth, cyber insurers need new, dynamic approaches and develop coverages that adapt and mirror this ever-changing cyber security threat landscape.

When navigating this complexity, insurers turn to two fundamental pillars of cyber risk management: Risk selection and risk modelling.

Risk selection

An essential cyber underwriting step, it typically involves a thorough examination of a client's IT network using questionnaires and external data sources, including 'outside-in' scans that detect network vulnerabilities, such as open ports that could expose a client to cyber threats like ransomware.

Scans and questions can reveal a client's current risk management practices but fail to predict future vulnerabilities or how a client might tackle them. Using retrospective views can lead to oversimplified models that overlook or misrepresent the continually evolving nature of cyber risk, from the volume and types of attacks to the shifting targets.

Risk modelling

Cyber risk modelling, akin to natural catastrophe risk modelling, aims to apply robust methodologies to quantify risk for technical pricing and the understanding of portfolio and catastrophe risk.

Avoiding overly prescriptive event definitions for broader definitions that encompass the risk, Moody's RMS approach adheres to the law of large numbers, exploring the physics and dynamics of the cyber ecosystem, allowing for more effective cyber risk modelling by smoothing over individual uncertainties and accounting for the 'unknown unknowns.'

Ever-changing landscape

The risk landscape has seen considerable evolution in the past year, especially in the realm of attrition risk which is in constant flux. Additionally, the IT industry's ongoing updates and evolutions in exclusionary language mean insurers need to use tools with the flexibility needed to experiment with insurance wordings and exclusions, thereby enabling them to explore a range of possible outcomes.

Viewed through a lens of system physics and broader data now allows modellers to capture the existing cyber risk landscape more effectively, with refreshed threat actor and vulnerability data in the model framework.

Ms Bethany Vohlers is model and product specialist in the Moody's RMS Cyber Solutions team.

Learn more about our at https://www.rms.com/models/cyber

Risk, reward and a healthy planet

We spoke to SCOR's Mr Thierry Léger about finding the right solutions for a healthy industry and a healthier planet.

By Paul McNamara

The hardening of rates that the insurance sector witnessed at the start of the year are perhaps best seen as a preliminary step in rebalancing the price of risk and the reward of covering it.

We caught up with SCOR chief executive officer Thierry Léger to find out how the business was developing – and how the next 12 months look from the reinsurer's perspective.

Pricing, retention and capacity

What are Mr Léger's expectations on pricing, capacity, retentions and terms and conditions at 1/1?

"In markets like Japan and Australia, there has been significant increases in retentions," said Mr Léger. "My view is that the biggest part of that move is done, with here and there maybe still some adjustments to be done to structures and to retentions.

"I still see a lot of Nat CAT activity and inflation is also driving the price increase. We are just generally in an environment of increased risk, so prices will go up to get to risk-appropriate levels. In other parts of Asia, I see similar things happening but just less extreme – but we need to focus on those as well.

"It's just the environment we are in, and I'm still not convinced we have yet reached the risk-adequate levels. Results have improved, but I feel that we really need more time to prove that we've got the right balance between risk and reward," said Mr Léger.

Uninsurable versus unaffordable

Does Mr Léger see a time coming when some lines or some geographies become uninsurable?

"The challenges of insurability are really close to my heart," he said.

"Driven by climate change and inflation, the price to insure a home, for example, can become prohibitively high, which occurs even before the insurance company says there is no capacity.

"Homes could also simply become uninsurable, with no available pricing anymore. It is increasingly common that, as retentions rise and insurance companies retain more of the risk, companies gain a comprehensive view of their exposures. In some cases, they may conclude that their balance sheet is not able to cope with certain risks. As a result, certain areas and risks could be declared uninsurable," he said.

No easy answers

Mr Léger thinks there is no easy solution to this conundrum.

"I believe that the risk is asymmetrical," he said. "The insurability or affordability challenge, for example, in Australia is an asymmetrical one – it is either neutral or it is getting worse. It is difficult to identify any factor that would cause the risk to decrease, and obtaining affordable coverage will not become easier for people.

"There are countries such as Australia that seem to be in the eye of the storm," said Mr Léger. "I say 'seem to be', because we need more time to for real evidence, but they seem to be impacted more by climate change.

"The issue doesn't primarily lie with major storms, as they are typically fairly well-modelled, showing a 1% annual increase in risk. The real concern pertains to other risks, including temperature extremes, heavy floods and prolonged droughts. These extremes affected by climate change are the ones causing the most significant harm to Australia"" he said. "China is also very much impacted, with many of the larger cities situated in flood-prone areas."

This is not something that the insurance industry can fix by itself.

"All this inevitably raises the question of the government's role – shouldn't it be to prevent construction in areas vulnerable to floods and fires in the first place? Some regions experience such frequent flooding that building there no longer makes sense. Building a house in an area that gets inundated every year or two no longer presents a risk - it becomes an undeniable certainty. And certainty cannot be insured because it is unavoidable," said Mr Léger.

To read the full interview, pick up a copy of the November issue of Asia Insurance Review.

Reinsurance profitability in the regions is back

Brokers that work in multiple markets may be in the best position to see trends developing that could end up affecting insurer-reinsurer relationships everywhere. We caught up with Guy Carpenter's Mr David Priebe to see what insights he had.

By Paul McNamara

Brokers are sometimes viewed as the 'meat in the sandwich' between insurers and reinsurers and so their skill, tact and wisdom can be indispensable at renewal time. At the annual reinsurer get-together in Monte Carlo this year, we caught up with Guy Carpenter chairman David Priebe to talk about business growth, pricing expectations and what might be required to make the cyber market take off.

Growth prospects

"Growth is going to come from a huge number of different areas," he said. "We think there's growth in virtually every part of our business.

"We probably see, in percentage terms, higher growth in Asia and in Middle East, South Africa and Latin America. We see those areas as future catalysts for growth in terms of product lines," said Mr Priebe.

In the middle to longer term, Mr Priebe also sees big opportunities in China.

"Guy Carpenter has participated in the China market for many years," said Mr Priebe. "We're the largest brokers serving the Chinese insurance community and are strongly committed to serving that market. I think it's a market that will continue to be important to the global insurance community and I sincerely hope that all the political tensions will abate. From our standpoint, our aim is to be as solid and supportive as possible."

Opportunities in cyber

The cyber market is starting to boom, according to Mr Priebe. "The challenge for cyber is, can we draw in enough capital to support the growing demand? We're now doubling down on how we develop tools to enable investors to have greater confidence in measuring cyber risk, feeling confident that they're getting adequate consideration for that risk and then being willing to commit capital to that risk.

"Ultimately, that market has huge potential and will probably have more potential if you develop a greater public-private partnership around the systemic risk nature of cyber, because once you put an umbrella over the top of that risk, the private market can grow and expand and serve the broader community."

Pricing, capacity, retentions

Mr Priebe brings a global view to pricing, capacity and retention at the upcoming 1/1 renewals.

"Last year in Asia Pacific, pricing moved up considerably," said Mr Priebe. "It went up 16% on the Guy Carpenter Rate on Line Index, which is the increased premium that's flowing into the market – it's priced up but offset by retention change. Retention change was meaningful and painful to insurers. Retention moved up about 20% on average or more.

"It varied in different geographies. Asia is a huge territory. Australia was more acute than Vietnam or Malaysia or Japan – but 20% on average. Pricing probably up 10% to 30% risk adjusted excluding retention moves, but 16% according to our rate online index," he said.

"As I look at this coming 2024 period, it feels like sufficient capital is there. In discussions with reinsurers, they feel good about the structural and pricing changes they achieved in 2023. Global profitability is back. Profitability in the regions is back. I feel like we're in for a more stable 2024 set of renewals," said Mr Priebe.

"Based on current conditions, pricing is expected to be relatively stable," he said. "I'm not going to say it's going to be down or up. It will become very client specific - and how the client's portfolio shifted and how they treated their reinsurers and who maybe got treated more unfairly or fairly at 2023 - and will right all those ships at 2024," he said.

To read the full interview, pick up a copy of the November issue of Asia Insurance Review.

Hong Kong September floods add tension to reinsurance renewals

The overall impact of the September floods in Hong Kong is expected to affect insurance companies' earnings rather than their capital adequacy.

By Reva Ganesan

In what is being described as a one-in-500-year event, the September floods in Hong Kong are reported to have major implications for the upcoming reinsurance renewals.

Describing the event that occurred on 8 September 2023, AM Best said the major rainstorm hit Hong Kong and the Pearl River Delta area (including China's Guangdong Province and Macau), which dropped a quarter of Hong Kong's annual rainfall total in 24 hours – more than 600mm – or 23.6 inches.

According to the Hong Kong Insurance Authority, the gross losses on property and auto lines will not be quite as severe but could come close to rivalling the HK$3.1bn ($400m) in losses that typhoon Mangkhut caused in 2018.

Insurance losses will stem mainly from property losses, with some motor losses, while good risk management of the city's drainage systems and contingency planning should help minimise impacts, according to a report by AM Best titled 'Hong Kong 1-in-500 Year Flood Likely to Have an Earnings Impact'.

"Property damage accounts for 13% of total general insurance net premiums (21% on a gross basis), while motor damage constitutes over 10% on a net basis (8% gross). Comprehensive motor coverage, which would cover the damage from flooding, accounts for a slight majority of motor premium over third party, which would not cover damages from flooding," the report said.

The economic losses are likely to be even higher, as they will include the cost of damage to infrastructure, businesses, and homes that is not covered by insurance.

The overall impact of the rainstorm is likely to be more of an earnings event for insurance companies than a material hit to capital adequacy.

However, the impact on reinsurance pricing, which is already elevated, could make it too costly for some smaller companies or if some larger players decide to take on more risk, according to AM Best.

Offsetting factors include lower inflation in East Asia as compared with many other parts of the world, and supply chain normalisation, which continues as the region recovers from the pandemic.

Insurance earnings to be impacted

The total insurance claims due to the heavy flooding that inundated Hong Kong recently may be higher than those caused by typhoon Mangkhut.

Hong Kong businesses and vehicle owners might face higher insurance premiums in future, with claims after massive flooding in the territory on 8 September likely to top the HK$3.1bn ($395m) paid out in 2018 for damages caused by typhoon Mangkhut, reported South China Morning Post quoting industry executives.

"Whenever a huge number of insurance claims is made for a natural catastrophe, the reinsurance companies will increase the charge for reinsurance with the direct insurers and, hence, the cost of insurance is set to rise next year," said Asia Insurance CEO Winne Wong.

Ms Wong said she expected a record-high number of claims from car owners, as well as owners of shopping centres and other properties.

"It is highly likely that the total claims for car insurance, property insurance and business interruptions due to the black rainstorm and super typhoon Saola before that might be higher than those caused by typhoon Mangkhut," she said.

The 8 September floods were because of Hong Kong's heaviest rainstorm since records began in 1884 that inundated streets and subway stations, forcing the stock market to scrap trading that day. The downpour was caused by the remnants of typhoon Haikui.

27th AIIA winners highlight the importance of innovation and agility

Eighteen winners were recognised for outstanding performance and contributions to the (re)insurance industry at the 27th Asia Insurance Industry Awards (AIIA) gala dinner organised by Asia Insurance Review in Marina Bay Sands, Singapore. The event was held, as usual, in conjunction with the Singapore International Reinsurance Conference.

This year's winners exemplified the best of the industry, showcasing efforts to improve sustainability, groundbreaking digital capabilities and market-leading innovations and solutions.

The Life Insurance Company of the Year is Cathay Life Insurance, which impressed judges due to its industry leadership and guidance when it comes to social and climate issues. Beyond just financial performance, this insurer also prioritised the wellbeing of its agents and customers.

HSBC Life (International) is the Health Insurance Company of the Year, for its unwavering support of its customers, developing gamified solutions to improve health insurance knowledge, establishing medical centres to improve preventative healthcare and helping customers achieve a healthy lifestyle.

Bajaj Allianz General Insurance won the General Insurance Company of the Year, exemplifying a culture that caters to the unique requirements of its customers with customisation and innovation. This focus has helped it to standout from competitors and deliver value to customers.

The Life Reinsurer of the Year went to Reinsurance Group of America due to its innovative, yet pragmatic approach to business, and developing a suite of custom digital solutions.

Munich Re won the General Reinsurer of the Year award, due to its excellent financial performance and its market-leading expertise in understanding and mitigating cyber risks.

Marsh Asia was the Broker of the Year, for advancing the industry with its ability to develop and innovate solutions to help partners and clients alike, alongside its active development for solutions in the emerging risk space.

The Sustainability Award went to the Insurance Council of Australia for its climate change roadmap, which proved to be an important milestone for the domestic insurance industry, providing a solid framework for insurers to cut emissions and reach their net-zero targets.

bolttech once again won InsurTech of the Year, enabling insurance and non-insurance partners to aim for opportunities that would otherwise be out of reach. Its growth over the past year and its ability to add value to its customers made the decision easy for judges.

Allianz Asia Pacific's Ms Anusha Thavarajah is the Woman Leader of the Year, a passionate leader dedicated to nurturing talent and upholding social responsibility and impressed judges with her achievements and contributions to the industry and community.

There were two winners for Innovation of the Year. The first is FM Global and its initiative to educate risk managers across Asia on solutions and investments that would minimise financial losses. The second is RGA, receiving its second award for the night, for its nationwide project to help the industry increase product sales and manage losses.

Finally, the Lifetime Achievement Award was won by MSIG Asia's Mr Alan Wilson. His four decades of experience and expertise, dedication to his craft and his track record in executive management made him the clear winner of this award.

Roll of Honour 2023

Life Insurance Company of the Year
Cathay Life Insurance

General Insurance Company of the Year
Bajaj Allianz General Insurance

Health Insurance Company of the Year
HSBC Life (International)

Digital Insurer of the Year
Go Digit General Insurance

Educational Service Provider of the Year
The Australian and New Zealand Institute of Insurance and Finance

Life Reinsurer of the Year
Reinsurance Group of America

General Reinsurer of the Year
Munich Re

Broker of the Year
Marsh Asia

Sustainability Award
Insurance Council of Australia

InsurTech of the Year
bolttech

Technology Initiative of the Year
BNP Paribas Cardif, ONESystem

Innovation of the Year
(Joint Winners)
FM Global Centre
Reinsurance Group of America

Service Provider of the Year
PERILS

Corporate Risk Manager of the Year
Ms Suriati Asmah Bt Abdullah
Tenaga Nasional

Young Leader of the Year
Mr David Padin
Cocogen Insurance

Woman Leader of the Year
Ms Anusha Thavarajah
Allianz Asia Pacific

Lifetime Achievement Award
Mr Alan Wilson
MSIG Asia

A night to remember

It was a night of glitz and glamour as members of the (re)insurance industry gathered to celebrate the winners of the 27th Asia Insurance Industry Awards.

The differentiating factor

Check out the interview with Aon's Mr George Attard on his expectations for the 1/1 renewals and his outlook on 2024.

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