Deep-rooted change in the reinsurance industry presents opportunity for Bermuda reinsurance market, says PwC

Bermuda, November 2010 - Macroeconomic factors such as increased and prolonged economic growth volatility and the potential for a longer soft cycle continue to put pressure on the reinsurance industry as a whole. A report by PwC entitled 'Unfamiliar times displacing familiar strategies' explores whether the industry is at a point where innovation, growth and strategic action represent not just options but imperatives for long term survival.

PwC interviewed leading Bermuda reinsurance CEOs and asked them to comment on the threats, challenges and opportunities faced by the industry, to find out if, indeed, the industry (and in particular, the Bermuda reinsurance market) is now at an historic inflection point.

Speaking on the opportunities and challenges the industry faces, Arthur Wightman, Partner, PwC commented, 'The number and complexity of the issues that reinsurance CEOs now face compound the challenge of earning a return in excess of cost of capital. But these issues also represent opportunities for those companies that are able to adjust their business models or strategies to capitalize on the evolving reinsurance landscape.'

'We are seeing many reinsurance companies hunkering down, applying discipline and maximizing the effectiveness of existing capital return mechanisms. They are also, however, waiting for another major event to remove the excess capital and turn around another soft cycle.'

'Complementary strategies, which include capital investment and innovation during the soft cycle, do not have to undermine the strength of underlying businesses. Given the changes the industry is experiencing, decisive and well-executed business model transformation strategies may be the only way for a reinsurer to ensure that they emerge as a winner as the markets harden.'

Arthur Wightman concluded, 'Given a constantly evolving landscape of risk, those business models that will be successful will be the ones that are nimble to demand and opportunity and can consistently define and execute the full risk transfer proposition to an entire spectrum of stakeholders: customers, investors and regulators.'

ENDS
Notes to editor:

A copy of ‘Unfamiliar times displacing familiar strategies’ is attached to this release. For additional copies, please contact Erica Martin on +1 441 299 7275 or download a copy from our website www.pwc.com/bermuda.

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