



News release

Date: November 13, 2013

Contact: Jonathan Hicks, PwC
Tel: 1-441-299-7182/1-441-505-6050
e-mail: jonathan.p.hicks@bm.pwc.com

Pages: 2

First day of PwC and S&P Bermuda (Re)insurance Conference explores the future landscape of the reinsurance industry

- **A key point in time in reinsurance market's history**
- **Influx of alternative capital: 'No question that the cost of bearing the most intolerable catastrophe risk has gone down'**
- **Concern over low insurance penetration in Philippines, other emerging markets**
- **Challenge of entering China, industry consolidation discussed**

Hamilton, Bermuda – With limited growth in traditional markets and a range of disruptive new threats on the horizon, (re)insurance leaders agree that a number of major trends will influence the industry over the next five to ten years:

Matthew Britten, PwC Bermuda's Managing Director, Insurance, moderating a panel at the PwC and Standard & Poor's Ratings Services 2013 Bermuda (Re)insurance Conference, began by asking whether today's market conditions are already driving such significant change and innovation, that this point in time may be reflected upon in the future as a key period in the market's history.

"There seemed to be broad agreement that while this particular point in the (re)insurance market's history may be remembered for the influx of alternative capital into the market, there are a number of other major forces that will influence the shape and future landscape, including, but not limited to: Customers expectations and distribution; Government intervention and regulation; Access to emerging markets; Advancement of technology and data analytics," Mr Britten said.

"The key to success is going to be keeping one step ahead of the market by sustaining an edge in analytics, innovation and the development of new markets and the coverage of new risk types."

Discussion on how reinsurers can best partner with governments and support the opportunities in emerging markets with low insurance penetration was particularly topical as underscored by Montpelier Reinsurance President, Christopher Schaper, as he touched on Typhoon Haiyan.

"Who's going to take care of Philippines?" Mr Schaper said. "Having uninsured losses like that are very significant."



The panellists agreed that ILS is clearly driving change in the market.

"What's interesting is that previous game-changing points in the market have been the result of events," Jeff Sangster, Executive Vice President and Chief Financial Officer, Validus Holdings, said. Whereas this is more of an organic change in the market.

"In a lot of ways it is probably one of the most innovative - it is not reactionary," Mr Sangster said. "It is almost more proactive change in the market to more interesting products that suit the buyers' needs more so than the traditional market."

Addressing concerns about regulation, Andre Perez, Chief Executive Officer and Founder, Horseshoe Group, said: "The beauty of Bermuda is we've always fostered innovation and always made innovation possible and simpler, and that I think is going to continue being one of our main strengths here."

In an earlier panel moderated by Taoufik Gharib, Director, Standard & Poor's Ratings Services, the panellists discussed whether convergence was a structural shift or transitory phase.

Commenting on how the influx of alternative capital has affected the industry over last few years, Bryon G. Ehrhart, Chief Executive Officer, Aon Benfield Americas, said: "It has brought more choice to clients. There is no question that the cost of bearing the most intolerable catastrophe risk has gone down."

Kean Driscoll, Chief Executive Officer, Validus Reinsurance Ltd, said: "From our perspective it allows us to bring additional solutions to our customer base." However: he said, the traditional reinsurance product was ultimately more compelling to the vast majority of the company's clients.

The panel also discussed the challenge of entering China, with Kevin H. Kelley, Chief Executive Officer, Ironshore Inc., commenting: "That region changes as we speak, therefore you have to be very committed in my opinion to building a business there and not many have done it from the West. What we are seeing is that most of the Chinese insurance companies are clearly beginning to develop a clearer focus to the West."

He added: "Now you are seeing a very clear desire to participate in Western markets but that still is principally in London as opposed to Bermuda and the US." Mr Kelley went on to say that Hong Kong was a market that suited the company better and Ironshore was likely to open an office in Hong Kong probably in early 2014.

On the potential for consolidation in the industry, Mr Kelley said: "I really believe the new dynamic today is execution, in that there is no right size - as long as you can effectively compete."

He added: "For consolidation I think to be successful has to create some sort of leap for the two companies involved in order to ultimately be a 'positive game changer', and I don't think we've seen that yet..." He concluded: "But I do know in order for a company like ours to succeed we have to be extraordinarily good at what do."

The Conference is being held at the Fairmont Hamilton Princess.



-ENDS-

About PwC Bermuda

PwC Bermuda helps organizations and individuals create the value they're looking for. PwC Bermuda is a member of the PwC network of firms with over 184,000 people in 157 countries. We are committed to delivering quality in assurance, tax and advisory services for both Bermuda and globally. Tell us what matters to you, and find out more by visiting us at www.pwc.com/bm.

© 2013 PricewaterhouseCoopers Ltd. (a Bermuda limited company). All rights reserved. PwC refers to the Bermuda member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.