Reinsurance

Peter Le Beau

Reinsurance used to be a simple business. Companies would set a retention which equated to what we might now refer to as their risk appetite, and then pass the surplus from that risk onto another organisation which retained the risk or retroceded it on, if necessary, around the market. But that was forty years ago and as market size, product type, tax regime, financial structures and myriad other things have emerged, the business of reinsurance has changed substantially from both the perspective of the reinsurer and providers who spend a lot of time and intellectual energy on devising the optimal reinsurance structure.

We began this year's look at reinsurance by asking the participants in this most competitive and sophisticated market whether, as reinsurance has strayed necessarily from its roots, the traditional business has been subsumed by other more complex deals.

Damien Bartlett of SCOR was the first to answer, and felt that we were likely to see a mix of both:

> "*I think we will see both! Reinsurers will certainly look to continue to have a strong focus on writing significant volumes of traditional business. This is the area that most reinsurers have their core expertise and there is little to suggest that providers will reduce cession rates in the short term. We obviously have Solvency II around the corner and this could potentially change providers purchasing requirements although my own view is that this will not happen quickly as it will take time for providers to understand what an optimal Solvency II reinsurance program will be and this will vary significantly by provider and is clearly dependant on the market level of pricing which a number of capital optimisation tools ignore.*
>
> *This is the key area where reinsurers can help providers and feed into their capital management strategy by offering financial solutions to optimise the reinsurance structure. All reinsurers are pretty active in the area of financial solutions although their particular risk appetite will vary. As with any market reinsurers are looking to grow a develop their business and so a key part of this is innovation and utilising their skill sets in order to develop solutions that are attractive to providers, distributors etc… So I do expect more innovation in terms of the structures used but not at the expense of traditional business in the shorter term."*

Stuart Hill of Hannover Life Re feels that the reinsurance market is inherently flexible:

> *"A variety of reinsurance structures have been around for many years and these have constantly evolved and developed as the needs of insurers have changed. Reinsurers have always therefore provided a range of reinsurance solutions to insurers to meet their financial needs.*
>
> *The recent past has perhaps been overly dominated by the move to higher and higher quota share structures and it remains unclear as to whether this will continue in the post Solvency II*

world. This might lead to the growth of reinsurance structures and solutions that have recently been less 'traditional'."

Russell Higginbotham of Swiss Re saw room for both traditional and less traditional approaches:

> *"I do not see these options as mutually exclusive. Reinsurers will continue to write traditional business as new entrants emerge and the regulatory environment supports the need for traditional insurers to diversify. We will also continue to look for innovate ways to manage risk and capital efficiently. There is no denying however that the market will remain a competitive one with a backdrop of low interest rates and a challenging economic environment."*

Simon Wainwright of RGA took a similar line to Russell:

> *"I don't see this as an 'either/or' question: both are true and will continue to be true for the near future. Supertankers take a while to turn, so reinsurers will be writing significant volumes of traditional business for the next few years. However, this market remains under pressure, with longer term threats from a stagnating primary market and the fact that cession rates can only really go one way. This has led reinsurers to diversify and innovate around their reinsurance propositions to fuel growth. For example, at RGA we have been writing longevity swaps and underwritten annuities for over eight years now and executed our first 'asset intensive' transaction last year, while maintaining a strong position in our traditional protection lines of business."*

Peter Temple of Gen Re feels that change will not be rapid:

> *"In the short to medium term our expectation is that the market structure will not change significantly and the reinsurers will continue to write significant volumes of traditional business. However, innovation is part of business and so reinsurers will also be seeking new avenues for revenue and profit enhancement."*

Roger Edwards, a leading protection consultant, took a perspective from outside the industry and asked a big question:

> *"Do reinsurers WANT to continue to write significant volumes of traditional business? Is there enough margin in it for them? The mortality price war in the adviser space continues unabated. We are still locked into a downward price spiral because all the institutions of the market back up the belief that consumers must have the cheapest price and nothing else.*
>
> *Reduced protection prices never increases demand though. And yet every provider in the adviser space is locked in a never ending cycle of re-tenders to allow them to appear in the top rankings on the portals.*
>
> *Not everyone buys the cheap as chips range of staples from supermarkets. Why do we perpetuate the myth that this is what people want in protection?*
>
> *It's time we made it acceptable to charge for add ons like Best Doctors and Helping Hand. They are worth it. Say so. It's what advice should be about.*
>
> *As they protect their margins, reinsurers have added to the illusion that price is king. The reality now is that in order to sustain the low headline price we end up rating 1 in 4 cases -*

maybe more. This is not acceptable. We raise customer expectations when we quote, and then hit them with a price increase when they apply.

I feel that reinsurers do not see the adviser focused providers changing their MO any time soon and therefore they are keen to explore different distribution and different proposition models away from the constraints of the adviser space.

But as they do so they should also ask themselves who has been partly responsible for those constraints."

David Howell of Pacific Life Re sees reinsurance as a well-established service for capital optimisation:

"Demand for 'traditional' reinsurance of mortality and morbidity business in the UK remains very strong and I expect this to continue. In the past 'non-traditional' structures have tended to emerge in response to loopholes in regulation or anomalies in tax treatment. These have been largely eliminated in the UK regimes now in place which I see as a positive development. Insurers now use reinsurance as an efficient way to manage and transfer risk and, as a direct result, of optimising their use of capital. Innovation in product and process remains very important and the leading reinsurers have become increasingly influential in driving forward changes which benefit insurers, distributors and, manufacturers.

It would not have needed a crystal ball to detect the likelihood that reinsurer said might cast envious eyes towards the direct market as their original market contracted. During a large part of my career in reinsurance there were a number of accounts which made little sense in terms of profitability. Looking at time needed to service them set against the range of products and the heterogeneity of reinsurance systems, many accounts were part of a frankly unattractive but unavoidable legacy that had developed in simpler and gentler times. Massive consolidation and market rationalisation has changed that situation. With a seemingly ever- shrinking direct market we asked our experts if we could expect to see reinsurer said venturing more often into the direct market ...or if they did could this backfire on them as they potentially cannibalise or reduce the attraction of their natural market?"

Stuart Hill felt the drive was coming from providers rather than reinsurers:

"The development of direct propositions in recent years has largely been driven by the interest of providers. Whilst the headlines may have been taken by the growth of new entrants, most existing providers either already have or are looking to develop different degrees of direct propositions as part of their overall distribution mix. That said, whether existing provider or new entrant, the shared goal is to engage unserved consumers through 'informed self-service' models and drive market penetration. It is no surprise therefore that reinsurers have shown increasing interest in this development."

The growth in direct propositions is undoubtedly set to continue and the question is perhaps more as to what proportion of future protection sales they will account for.

For our industry it is vital that we better engage with consumers in a variety of ways to ensure that they are aware of the need to protect themselves and their families against unforeseen events. In this respect the growth of direct propositions should be welcomed as a means of stimulating interest amongst consumers to purchase the protection that they need. In this context it would perhaps 'backfire' on those reinsurers who chose not to support providers wishing to offer direct propositions.

Damien Bartlett sees the two areas being complementary in the foreseeable future:

> *"There is certainly a lot of noise and activity in the direct space and this is an area where nearly the entire market is expecting to see growth. At this stage the direct market has not kicked off but I'm sure that this will happen at some point in the future provided we overcome some of the key stumbling points such as customer engagement. There have been a number of developments between reinsurers and distributors which we largely view as positive as they are increasing innovation and offering new propositions that can target certain sectors of the market which are currently not being served. I think this should be beneficial to the market as a whole provided it is growing the cake and not competing for existing business. The traditional market, currently dominated by the IFA channel, is still absolutely key to our business and so any involvement we have in direct propositions will look to complement current distribution and provide more choice for consumers in how they engage with the industry and specifically target those not currently engaging."*

Russell Higginbotham felt that evaluation was important if we are to sell more protection:

> *"Our aim is to help close the Protection Gap. This is an area in which we have been vocal for a number of years and believe strongly that the insurance industry has a duty to society. To do this, it is important we understand emerging forms of distribution and offer solutions to clients and distributors where appropriate in order to grow the market."*

Simon Wainwright believes that the emphasis should be on developing new ideas:

> *"Reinsurers developing 'me too' direct propositions is, in my view, a road to nowhere: this market does not lack life insurers right now. However, new ways of working are required to stimulate the innovation needed to grow the primary market. Reinsurers have a role to play here: helping innovative tech find a place in our industry by connecting them with insurers; leading product development in partnership with insurers, like we did recently with our mobile life insurance journey; or solving problems that one insurer alone cannot, such as underwriting journeys that involve multiple carriers. But these activities muddy the distinction between insurers and reinsurers. The questions to ask are around intent and access: what is the reinsurer trying to achieve and will their current clients get access to the resultant innovation?"*

Peter Temple was adamant that Gen Re will not compete with its clients:

> *"Some reinsurers have elected to pursue the direct route and have effectively set themselves up as competitors with their clients. Gen Re does not want to compete with our clients as we prefer to partner with our clients and help them strengthen and grow their businesses."*

Lee Lovatt of Munich Re took a wide-ranging view of the question:

> "*This question could be interpreted in two different ways, so I will cover both options. Firstly the direct to consumer (D2C) market remains the area with most growth potential and provides the opportunity to bring new customers to the protection market; Munich Re along with other reinsurers are actively supporting insurers seeking to grow this sector of the market.*

Alternatively, the question could be asking about reinsurers effectively becoming insurers – clearly any strategy that sees reinsurers effectively competing with their clients needs careful consideration and is high risk, but in a very competitive market it is perhaps not surprising if reinsurers diversify their proposition as they seek profitable growth and blur the lines between reinsurance and insurance. It should be remembered that this has already happened in other markets around the world and must be considered a likely consequence of the competitive pressures for UK reinsurers. It is worth reflecting that some insurers also own intermediary firms and captive reinsurers, so the lines between segments of the market are already somewhat blurred."

Roger Edwards added:

"I don't think it's just direct propositions. For the first time in years I believe that reinsurers are just looking to do something different to repeating the same 'cut prices and add illnesses' strategies we've followed for years. In addition to direct, I think that they are open to 'Distributor Led Protection Propositions'.

This might mean cutting out the traditional provider if they can find the right model. Obviously if someone came along and asked for 'cheapest premiums, highest commission, no underwriting and guaranteed 100% claims paid' then they'd get short shrift.

But a distributor, even in the adviser space, that was willing to buck the current trend, come up with a new proposition, and could invest into promotion, could find a reinsurer eager to talk.

As far as backfiring is concerned, this shouldn't be an issue. In fact I'd love to see some experimental propositions launch to the market in a live test. As long as the customer is taken care of, and they build in fair and explicit exit strategies should it not work then there should not be a problem.

That said I still think direct to consumer protection needs investment into marketing. Not necessary vastly expensive TV advertising, because arguably this doesn't work anymore. But video in the right channel can be very effective.

Build it and they may not come.

Build it, tell stories about seven thousand families, and they might."

David Howell says:

"We and other leading reinsurers have invested significant resource to build strong capability in all aspects of risk management and improved use of technology. We see huge potential in applying this expertise to help improve propositions to customers but, very importantly, by working in partnership with our clients, not in competition."

The importance of increasing consumer awareness of protection products and providers may seem obvious, but it was driven home by *The Syndicate Report 2015*. The research, which was centred around the theme of 'Certainty', looked at why consumers chose certain brands when they look at and purchased insurance. Of the cited reasons recall from advertising shared top spot with trusting the reputation of the brand.

We asked our panel of reinsurers what they saw as the most gratifying development in the protection market in the last year

Stuart Hill began by praising attempts to reach consumers:

> *"Attempts by various providers to engage consumers in a different way to stimulate awareness and interest in the need for protection is therefore very gratifying to see. Most notable are perhaps Vitality Life and Beagle Street campaigns along with the Seven Families initiative.*
>
> *Educating the public has been a recognised step to grow the market for many years, but to engage them in the first place we have to pique their interest and make ourselves relevant to them."*

Russell Higginbotham was one of a number of people to mention Seven Families:

> *"The Seven Families initiative highlights how the industry as a whole – insurers, reinsurers, intermediaries, third parties as well as charities, can come together to highlight the importance of insurance at the time of need – focusing on proposition instead of product."*

Simon Wainwright liked the spirit of adventure that he senses:

> *"Seeing insurance companies (including reinsurers) trying new things, whether this is around proposition development, distribution, underwriting or claims, there seems to be a real sense of commitment to modernise the industry for the benefit of consumers."*

Damien Bartlett thought real progress had been made in one particular area:

> *"My view would be the developments offered by Niche Health in terms of providing an efficient provision of electronic medical evidence has been a big step forward. We are still at the early stages and there are a number of obstacles to overcome but the potential is clearly there to modernise and automate how we collect medical evidence which has numerous upsides for all of us involved in protection. As well as niche health some of the work that the Seven Families initiative has been carrying out is very admirable. There are mixed views as to whether the initiative will have the desired impact on sales however, the way the initiative improves understanding of the risks that people are running can only help improve customer engagement and ensure that more people are benefitting from the financial comfort offered from our industry. So from that perspective the Seven Families initiative is to be applauded."*

Peter Temple also praised the willingness to embrace innovation:

> *"It is good to see some insurers trying to find new product designs and new markets for their products. These insurers are not happy with a flat risk protection market and are seeking to increase the market size through innovation and this is very pleasing to see."*

Lee Lovett believed that awareness was a key area of focus:

> *"Given that our research has shown that lack of awareness is one of the key barriers to life/protection sales, a general increase in TV and other advertising by companies as diverse as Aviva, Royal London and Beagle Street must be a positive for the industry as a whole, so long may this continue. For the IP market, the Seven Families initiative is a real first and uses*

real people to illustrate the value of IP insurance – I sincerely hope it provides a much needed boost for the IP market."

Roger Edwards was another to cite Seven Families:

> *"I'll probably be the 100th person to say this but it has to be Seven Families. Finally after many false starts the protection industry clubs together on a series of real life stories highlighting the amazingly positive effect income protection can have on families blighted by illness.*
>
> *There have been critics of the initiative and quite frankly I'm staggered by this. The industry is knocked for not working together on a generic campaign but is equally lambasted when it comes together as it has with Seven Families.*
>
> *The idea of telling stories fits with the digital marketing world we now live in. Everyone is a storyteller. Advisers have many claims tales they could tell. Providers have hundreds if not thousands. Everyone in the industry should be telling more stories either in video, text or audio form and promoting the hell out of them using not only traditional marketing tools but social media as well.*
>
> *Seven Families points the way to the future. We need everyone to contribute to Seven Thousand Families - or let's call that seven thousand stories. The more positive stuff like this we get out there the more chance we have of overcoming the negative perception the public still have of protection.*
>
> *If at the end of Seven Families we don't continue the initiative either separately or as a collective - that is when our critics can be justified in knocking our efforts."*

David Howell also felt that Seven Families was a very important initiative:

> *"The Seven Families initiative has been encouraging as it has demonstrated an ability and willingness within the industry to put aside competitive differences and work together to achieve a collective objective, in this case raising awareness of the need for and benefits of income protection insurance. There is still a lot of work to be done to make this initiative truly successful, not least changing behaviour among advisers to ensure income protection needs are consistently identified and addressed for their customers. However the participating organisations and, in particular the Income Protection Task Force members who have led and coordinated this initiative deserve credit for getting this off the ground."*

One huge area of development has been the growth in longevity-related insurance. As mortality improves, the corollary is that longevity creates its own issues, particularly if that longevity results in keeping people in poor health needing expensive care living longer. We asked what our experts saw as the likely future for longevity insurance.

Stuart Hill believes that longevity is already integral to reinsurers' business:

> *"By pure premium volume longevity has already overtaken 'conventional' reinsurance if one considers the combination of underwritten individual annuities and bulk arrangements for pension fund buy-outs.*

The key unknown at the moment is the true impact of the 2014 Budget changes on traditional annuity volumes once the initial excitement and the 'dash for cash' has passed. It is likely that we will see a variety of new solutions come to market but annuities, of various forms, will continue to be part of the market. In such a scenario the need to underwrite potential annuity purchasers is more essential to avoid anti-selection.

Overall the longevity market is here to stay and is likely to continue to grow in the future."

Russell Higginbotham believes that reinsurers have a key role to play in this market:

"Despite Pensions Freedoms and the potential for the annuity market to diminish from a new business perspective, there are significant books of in force annuity business as well as pension schemes wishing to de-risk their position through various longevity structures. This market will continue to grow alongside traditional reinsurance. Ultimately there is more longevity risk than the reinsurance market has capacity, so a wider capital market solution needs to be developed."

Simon Wainwright is another who believes that longevity reinsurance is a key point of the overall mix:

"By many measures it already has. And there is still a huge amount of longevity risk out there. But despite the growing deal numbers, reinsurance capacity is finite. As such, there needs to be the development of new structures and potentially a tradable market to deal with the volumes expected in future decades."

Damien Bartlett agrees:

"There is a huge amount of DB pension liabilities in the UK and clearly a demand to de-risk and similarly plenty of capacity from reinsurers and other parties and so I would certainly expect this to continue to grow significantly. The total amount of pension liabilities are clearly finite and so eventually the supply and demand dynamics could lead to a contraction of the market although the key reason for a change in the shorter term is if the market price and view of longevity risk materially rebalances. If we look at individual annuities then there has been a big impact following the budget last year although general views are that the underwritten part of this market will continue to grow from the reduced base position and overall there will be demand in this sector due to more flexible needs at retirement and similarly the requirement for innovative products to meet these needs which will all need a longevity element."

Peter Temple also feels that involvement in the longevity market will grow for reinsurers:

"Longevity reinsurance will remain popular as insurers look to minimise their tail exposure risks. Under Solvency II, longevity risk will also be more capital intensive for many insurers and this is therefore likely to lead to more insurers looking to off load this risk."

Lee Lovett thinks size wise comparisons are difficult:

"I am sure the longevity market will continue to grow as organisations seek to de-risk their annuity business/pension schemes, but I am not too clear on how you would compare the size of this sector of the market with conventional reinsurance. The reality is that both

segments are, and will continue to be, material reinsurance markets that provide opportunities for reinsurers to grow and diversify their business."

David Howell believes that longevity reinsurance is a key part of reinsurers' futures:

"We see great potential for sustained growth of the longevity reinsurance market, which we view as a natural extension of conventional reinsurance. There remains enormous demand among final salary pension schemes to transfer longevity risk from individual corporate balance sheets (where it can often be a dominant factor dwarfing 'core' business activity) to the insurance sector where it can be managed much more efficiently. Reinsurers have been the principal ultimate carriers of this risk and I expect this to continue as the market grows."

Each year we ask the same question, as the provider market contracts is there enough business to go around? This question provoked some interesting thoughts.

Stuart Hill thinks that market need will drive demand:

"The question would seem to imply that without the traditional providers the market will continue to shrink. Given that the protection needs of the UK population remain the key is for the industry is to seek ways to engage more and in different ways with customers and potential customers to ensure that these needs are met. We have seen new entrants and increased focus in the direct proposition space and the potential future growth in this area should provide the opportunity for the industry as a whole to continue to meet the needs of its customers in the future."

Russell Higginbotham also takes the view that the protection environment still offers many challenges:

"There are many reasons to believe that this will not be the case. New entrants continue to emerge. State benefits are reducing and the push for individuals to take more responsibility for themselves. As such, we are in an ideal position as an industry to grow the market through understanding consumer needs and engaging with individuals to help them provide for their families."

Simon Wainwright believes there is ample business potential for the existing market:

"If we simply stick with the current tender-driven reinsurance market, given the trajectory of the primary market the answer is no. But as with longevity, there is a huge unfulfilled need for protection (re)insurance. So the real question is: how do we create and grow markets? A narrow view sees this as a distribution problem, but in reality it's a whole system problem: getting the front and back office, product and process, systems and engagement methods fit for purpose in new and immature channels. There is certainly enough potential business out there for reinsurers who can contribute to the many potential solutions."

Peter Temple is another pointing to consumer need as a potential driver of growth:

"Protection insurance is still undersold in the UK and therefore there must continue to be opportunities for all parties involved in the protection market."

Lee Lovett believes the obvious answer is not necessarily the right one:

"A recurring question for a number of years now and one that most reinsurers will consider in their annual planning and strategy reviews. Of course the simple answer has to be 'no', a market with no growth and similar numbers of reinsurers and insurers does not seem sustainable. However, I would have answered the same way three years ago and not much has changed in the interim, so perhaps there is enough business after all?! Of course, reinsurers (like ourselves) that offer a diverse proposition across protection, longevity and financial reinsurance are better positioned for long term survival and success."

Roger Edwards throw an interesting light of how the market could grow:

"I recently took a speech out on the road entitled – 'The Only Hope for Protection Market Growth is the Social Financial Adviser'.

In a nutshell, my contention was that whilst providers play the 'price and adding illnesses' game, the protection market will not grow unless advisers take on the challenge themselves to talk to more people and to promote positive stories.

In fact historically the protection market doesn't vary massively up or down year by year - nor does it respond to exogenous shocks.

Stories are the future. Everyone is a publisher. Everyone is a broadcaster. This is how we will grow the market.

Without growth then however many providers remain they'll continue to use price and illnesses to chip away at each other - so there's probably enough business to support the status quo. Any more and providers need to change tactics."

Damien Bartlett believes that there is huge potential to increase the size of the protection cake:

"If we are talking about market volumes then yes the UK market has been pretty flat or even in slight decline however there are a number of developments in the market which are aimed at trying to grow the overall size of the market and reduce the proportion of people who are currently without protection in place.

Whether this is through direct proposition developments, greater awareness achieved through initiatives such as the Seven Families or even the numerous developments to improve the efficiency of the process by which people purchase insurance. These are all aimed at growing the cake for all.

A validation of this is the number of new entrants coming into the UK market which only serves as a vote of confidence, and a view that there is plenty of room for others to develop propositions. The reinsurance market is dependent on the size of the provider market by premium rather than the number of providers within it. Current cession rates remain high, providers continue to look to diversify exposure and also gain access to multiple skills sets offered by reinsurers. So all in all yes I think there is plenty of business to go round and there is a positive outlook!"

David Howell is another to emphasise how growth in the reinsurance market has not been conditioned by a similar rise in the provide market:

“Consolidation has been a feature of the life insurance sector for many years. Throughout this period, the demand for reinsurance has grown. If anything the largest and most successful providers see greatest value in reinsuring high shares of mortality and morbidity risk. I believe this reflects the excellent value, not only in terms of ‘pure’ price for risk, but also in the increasingly broad and complex range of value added services the leading reinsurers are able to provide.”

We ended with a provocatively worded question. What do the reinsurance leaders think has been the most dangerous trend in reinsurance in recent years?

Damien Bartlett felt that it was a focus on the short term:

“This is a difficult question but I think overall the most concerning trend is that of SHORT TERMISM.

I think this applies more broadly than just reinsurance but it is certainly there. Whether this is a short term focus on product development, a focus on additional rating factors to improve risk selection at the expense of shrinking the overall market, or continuing to compete on price for a larger market share. In particular the focus on price has continued to flow through to the reinsurance market which has led to some extremely competitive and questionably sub economic pricing in certain instances which provides short term success through increased volume but is not sustainable in the long term.

In addition this encourages provider firms to base their business model on unsustainable reinsurance rates, which begs the question what happens when the reinsurer is no longer prepared to support these terms? Price is always going to be a key determinant, but how do we move the focus away from short term deliverables in order to grow a larger market for us all in the longer term which allows all stages of the value chain to earn a sustainable return whilst servicing our end customers.”

Stuart Hill feels the partnership concept could be compromised:

“The UK reinsurance market is among the most competitive in the world. Whilst not dangerous in and of itself, this competitive landscape has led to a widespread primary market focus on deriving risk pricing advantage as the main benefit of reinsurance. Annual or biennial re-pricing through tenders and the ceding of ever higher quota shares diminishes the opportunity to develop long term partnerships where each party can really gain deeper insights into their shared business and collaborate on innovation and distribution developments, as we see happen in other markets.”

Russell Higginbotham highlights two key areas:

“One answer might be the risk of underpricing business, particularly health lines of business, where something changes dramatically almost overnight. Another thought would be access to data. Traditionally, data has aggregated at the reinsurance level. In the future, it is likely to aggregate at the front end of the value system, which could undermine much of the reinsurer's value add.”

Simon Wainwright fears that the pace of evolution may not be fast enough:

"What concerns me most is a pervading sense in the life insurance industry that we are incapable of developing or pushing boundaries to better meet the needs of consumers; we are not evolving at a fast enough pace. The world appears to be full of 'human financial' risks which (re)insurers are well placed to quantify and mitigate; but a combination regulator, shareholder and industry conservatism seems to deaden the enthusiasm to innovate. If we let this continue, we'll simply let others into our traditional market and get the fate we deserve."

Peter Temple sees danger in a new approach to reinsurance:

"The trend that insurers are seeking to reinsure 100% of their risks is the most dangerous trend. It means that insurers are effectively operating as insurance agents and not primary risk takers. Over time this is likely to mean that insurers will spend less time and resource on risk management and more time and resource on sales and distribution. That in turn will likely mean a deterioration in the experience of those insurers taking this route."

Lee Lovett believes general trends are the most threatening:

"I'm not sure I see any dangerous trends that are specific to reinsurance, but given that we take the vast majority of risk in the market, some of the more general trends that are of concern include:

- *Insurers losing the ability to underwrite properly (e.g. what happens to CI underwriting if family history couldn't be used?).*
- *Too much focus on increasing STP rates and not enough checking of applicant disclosures.*
- *Insurers having limited ability to manage and investigate claims – are we becoming powerless to detect non-disclosure?*
- *Ability of consumers to self test for genetic conditions and then select against insurers*
- *The ongoing CI conditions race – are we confusing advisers and consumers and moving away from the original intent of CI cover?*
- *Offering long term guaranteed rates given all of the above*
- *The ongoing downward trend in IP new business"*

Roger Edwards believes we need to see more pro-activity:

"It's not a dangerous trend - but once upon a time reinsurers were always pushing new ideas and trying to stimulate the market.

As tendering became more competitive this behaviour gave way to a complete focus on commercials.

Perhaps it's time for the reinsurers to take a proactive role again to try and steer the market out of its stagnation. But who's going to be brave enough to say, 'Enough. We aren't supporting a tender that continues to reinforce the status quo'.

RGA under Richard Verdin has an innovation house in the deepest South. I hear great things. Perhaps they'll reverse this trend?"

David Howell has concerns about the frequency of re-tendering:

“On the whole I believe the UK life reinsurance market, which is among the largest in the world, is in good shape and I expect it to continue to thrive. It is a highly competitive market and the focus on price can be dangerous in driving margins to unsustainable levels. However I think the bigger danger is that some providers may be tempted to re-tender their business very frequently to try to maintain the cheapest possible prices rather than building more durable partnership-based relationships which, in the longer term, may deliver greater value.”

The reinsurance market has defied gravity and a certain amount of conventional logic and wisdom for many years through a number of things – risk aversion, a willingness to innovate, switching from mortality to longevity and a raft of technology that may fundamentally change operational and even distributor perspectives. This marks a healthy and positive change, and one that has seen some reinsurers widen their skill-set and their strategies and others focus much more on their pricing and operational capabilities. 2015/16 will be a fascinating challenge for them all.