

Navigating a Changing Reinsurance Marketplace

Captive Insurance Council of the District of Columbia
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BMS Re US

Presenting Today

Sean McDermott
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BMS has a 40 year track record as a independent specialist reinsurance broker.

Sean McDermott has 30+ years industry experience as a facultative and treaty underwriter as well as a reinsurance broker. He currently lead's BMS Re's US Specialty Casualty Practice and is its Healthcare Liability Practice Group Leader.

In his current role, he works with clients to design risk transfer structures that assist companies in protecting and enhancing their balance sheets via quota share, buffer layer, excess capacity and catastrophic, stop loss, ADC and LPT reinsurance solutions.



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Reinsurance Market Overview

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Reinsurance Market

- Reinsurance is capital
- Reinsurance is a global business consisting on many lines
- The reinsurance market had enjoyed many years of profitability but has been a losing proposition in the last 3-4 years
- Favorable property results from 2013-2016
- Casualty business had been underperforming, especially auto and med mal
- Other casualty lines such as D&O and excess umbrella have also been issues
- An uptick in global catastrophes in 2017 led reinsurers to evaluate their entire portfolio

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Reinsurance Market, cont'd

- Natural disasters in 2019 were manageable
- Natural disasters in 2020 are well above normal and causing concern in the market
- \$1.3 Trillion of CAT losses in past 30 years. 21% of that has been in the past 3 years.
- Frequency of severity in casualty lines continued in 2019 and into 2020
- Industry being hit with slowing reserve redundancies and in some cases reserve development
- Still an over capitalized market, but capital is acting prudently
- Underwriting returns are not adequate enough bringing agency and regulatory pressure

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Reinsurance Market, cont'd

- Lloyd's Corporation began scrutinizing business plans in 2017 causing some syndicates to close, others to withdraw from lines of business and others to reduce their premium capacity
- Moody's outlook for global reinsurance industry is negative, while A.M. Best's outlook is stable
- M&A activity is prevalent as organic growth has been difficult
- Retrocession market continues to be firm with and may drive some additional hardening in rates to reinsurers with additional capacity shortfall to insurers as a ripple on effect
- Low interest rate environment
- Covid – 19 Global Pandemic

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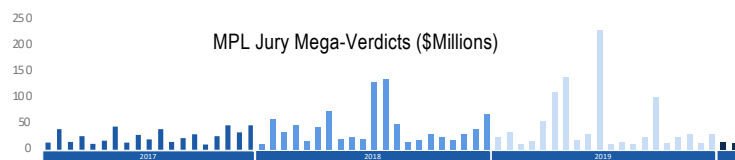
The Reinsurance Market is HARD

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Current Market Dynamics Inform Your Decisions

The MPL market has been impacted with uncertainty and change.

- Large verdicts nationwide, commonly known as “social inflation”, continued to disrupt the market in 2019



- Uncertainty from systemic exposures including **opioids, sexual misconduct, and COVID-19** remain key concerns

As a result, reinsurance **terms & conditions are tightening**, reinsurers' **appetites are changing**, **capacity is reduced**, and reinsurance rates need increases of **5-75%**, which often outpacing primary rate gains.

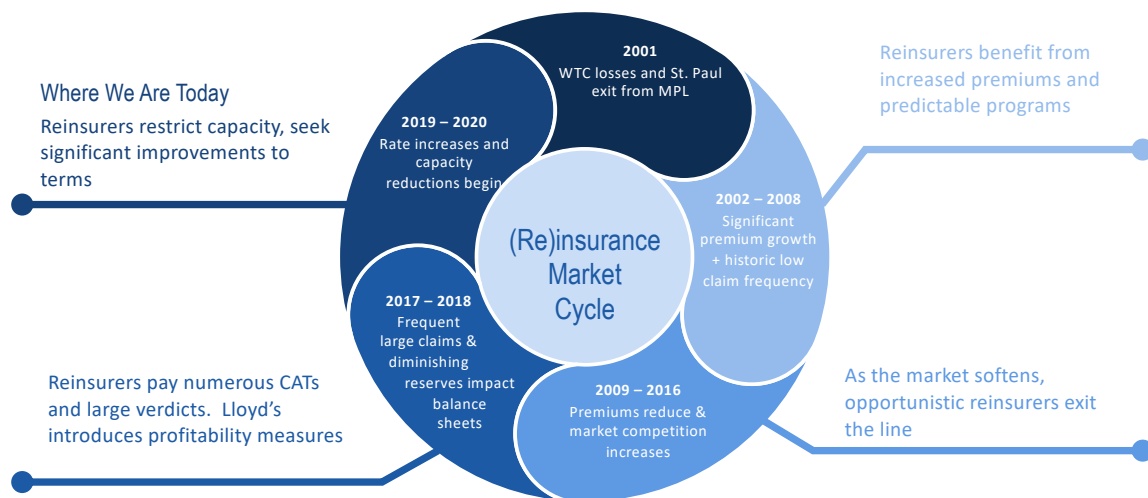
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Navigating Through the Cycle

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Navigating Through the Cycle

Market Cycles Drive Capacity Contraction and Expansion



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Navigating Through the Cycle

How to Manage Reinsurance Relationships

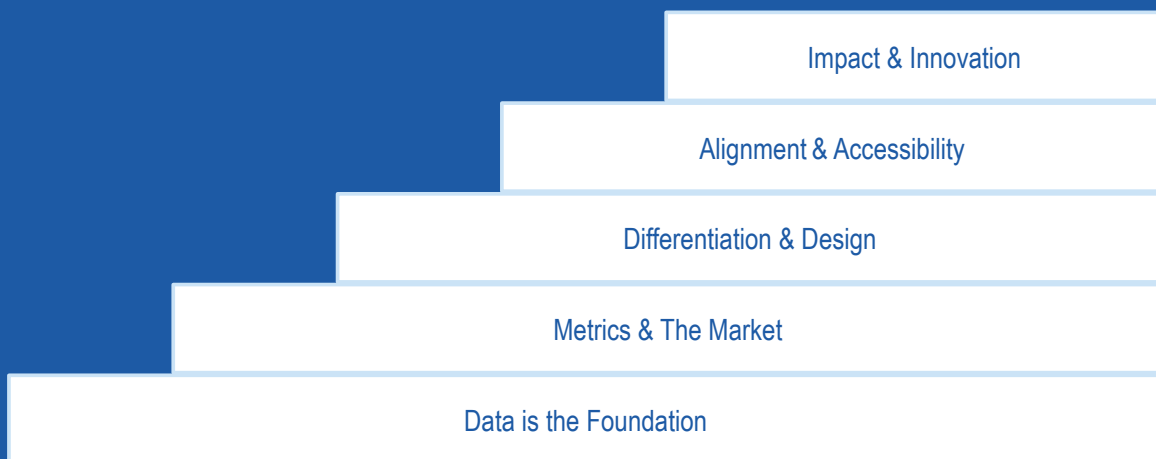
Leverages market knowledge and reinsurer relationships to **consistently secure reinsurance support & solutions** throughout the market cycle.



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Navigating Through the Cycle

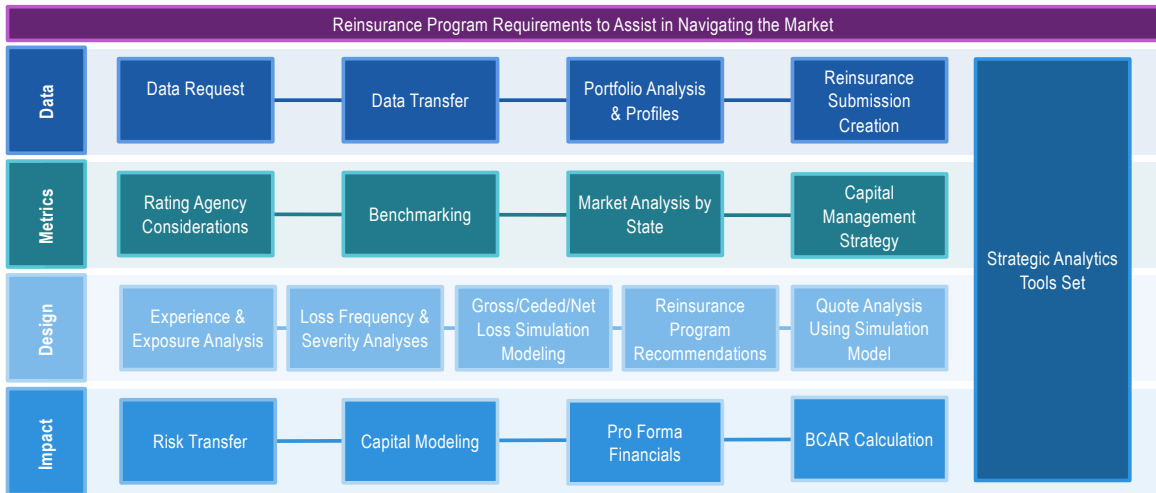
Leveraging Your Data - Analytics is More Important Than Ever



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Navigating Through the Cycle

Leverage your Data



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Navigating Through the Cycle

Achieving the Best Results

- **Differentiation**
- **Submission to the reinsurance market early**
- **Communication and transparency to solidify relationships**
- **Diversified panel**
- **Market to new reinsurers**
- **Ensuring strategic alignment of interests**
- **Have a well thought out back up plan**

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Question and Answers

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