Re/insurance leaders weigh in: The Next 40 years

Reactions speaks with a variety of P&C re/insurance leaders to reflect on the last 40 years and, even more importantly, get their perspective on what the next 40 will look like for the industry.

Q1:

What aspect of the reinsurance business has changed most over the last 40 years, in your opinion?

Q2:

What significant change(s) do you expect between now and 2061? Will the re/insurance industry even be recognizable?

Dominic Christian

Global Chairman of Aon's Reinsurance Solutions business

All parts of the value chain are more informed – be this capital, clients, carriers, and intermediaries. Far higher levels of risk analysis are demanded of all of us, brokers are data agents not dating agents, underwriters are often seen as assets managers as well as risk selectors; and there are thankfully more women in the business, but more are needed. The variety and diversity of background is improving but everywhere more work is required. Insurance is relevant and is needing to make itself central to the great risks of the age: be these cyber, climate, biodiversity and/or intellectual property. There will always be risks ancient or modern that we need to understand more (don't we know it, recently) but the tools and commitment to do so are greater than when I started. Some things have not changed: integrity is at the heart of our business; relationships haven't changed; our industry remains as engaging and critical as ever; suits, sadly, are still worn.

Risk will have continued to grow in complexity and magnitude, and the so-called middle of risk would have gone – insurances/(re)insurances will either be complex and sizable with huge expertise applied, or simple risks assessed and transferred within seconds. The understanding of what is simply short-term and transactional, and what is long-term and fundamental will be clearly understood. Just in time, insurance/(re)insurance will be purchased and indeed 10-year cover not uncommon; secondary and tertiary markets will thrive. Insurance will have changed its name to "risk" unless its brand is transformed; the participants in it will reflect society; those working in this sector will be seen as making a more central contribution to society, addressing nature's ever more challenging risks and bringing expertise to the biggest class of insurance of the age – that of protection of intangible assets. It will be a great business to be part of. ■

Stephen Catlin

Chairman & CEO, Convex

The basic insurance product probably will not change much over the next 40 years. I follow the principle that if something isn't broken, don't try to mend it. Insurance has been around for hundreds of years, so I doubt if there will be substantial fundamental changes within 40 years. The need for risk transfer will still be present, and I think the concept of "the many pay for the few" will still hold true.

There will obviously be changes within the industry. The use of algorithms and other forms of technology will, of course, increase, while human intervention will decrease. The way we buy insurance will change. For instance, a person may only purchase insurance for the time he or she is actually driving a car, not for the entire year. The principle will be the more you use something, the more you pay for coverage.

There will be greater clarity regarding that which is insurable as opposed to that which is not insurable and, therefore, must be covered by the government. Pandemic and cyber risks certainly come to mind. We cannot have the few paying for the many.

Climate risk will become a real issue for the industry, not one to which we simply pay lip service. ■

Peter Hearn

CEO, Guy Carpenter

At Guy Carpenter and Marsh & McLennan, our purpose is to "make a difference in the moments that matter." If we reflect on the most challenging situations and the defining events of the last 40 years, the re/insurance industry should be proud of its ability to rise to the occasion and "make a difference." The asbestos and liability crisis in the 1980s, Hurricane Andrew in 1992, the World Trade Center attacks in 2001, and the global financial crisis in 2008 all provide examples of the industry's ability to evolve and improve itself to meet the continuously changing nature of risk.

The embrace of data, analytics, modelling, and actuarial science has proven to be dramatically beneficial. An improved understanding of risk has attracted vast new sources of capital to the space, and enhanced the financial resiliency of re/insurers that has proven itself time and time again.

At the beginning of this century, in the wake of the tragic events of September 11, 2001, we gained a deeper understanding of the impact of systemic risk. We also learned the critical importance of supporting new products and solution innovations that can ensure businesses around the world are protected from new systemic risks.

The industry's focus on tail risk and prudent financial management was borne out in the financial crisis in 2008, and again during the global pandemic to start this decade. The industry continues to adopt new risk evaluation tools, embed more rigorous risk governance approaches, and expand and utilize broader forms of capital to help distribute risk.

In all of these cases over the decades, the industry rose to the challenges and came out stronger and better prepared to serve our customers and the global community.

Just as we saw over the past 40 years, the next 40 years will see many new risks and hurdles, and I believe the re/insurance industry will most certainly rise to the challenge. As the types of risk expand from those that are physical to those that are intangible, the re/insurance industry will need to respond by providing new and essential financial protection and risk mitigation services.

We will also need to recognize that certain risks are beyond the capital capabilities of the re/insurance industry alone. I see the industry embracing climate change and becoming an active voice in establishing sustainable public-private partnerships that ensure the resilience of our global communities.

As in the current times, innovation will be critical to provide products that comprehensively meet the needs of the end consumer, both individual and corporate. In addition, the re/insurance industry needs to modify and enhance distribution to reduce frictional costs for the customer, as well as upgrade the overall customer experience. Therefore, I foresee an increase in the number of hybrid solutions for complex risks, including prevention consulting, protection coverage and financing, which may encourage the banking and insurance sectors to come closer together. The structure of the industry will change and segments within the industry are likely to become more embedded within the broader financial community, or distributed across other service providers. ■

Pete Chandler

President and CEO, BMS Re

The utilization of technology, data and science have all had a tremendous impact on our industry over the past 40 years and will undoubtedly continue to do so for the next 40. It is, however, the dramatic increase in both the supply of and demand for capital, in its various forms, that has driven the greatest amount of change.

Where insurance and reinsurance were once dominated by Lloyd's as well as a few very large, direct reinsurers, the market now includes all aspects of Wall Street, Sovereign Wealth Funds, Private Equity firms, Pension Fund Managers and SPACs as capital providers in addition to "traditional" reinsurance companies. These developments have all taken place in BMS' lifetime: our company is now 40, and as a business we have had to adapt alongside the market.

The evolution of capital provision, in particular, has created differentiated products, sophisticated trading platforms and fiduciary responsibilities for those that construct, advocate and distribute reinsurance capacity that simply did not exist 40 years ago. In turn, this has made our industry smarter, more efficient and far superior at data utilization than ever before. Fundamentally, however, we have never and must never lose sight of our mandate and social obligation: to always be prepared to pay claims when they occur.

There is no doubt change will continue at pace. We have seen how the COVID-19 pandemic has prompted further digitalization and encouraged the market to transact business in more efficient, technologically enabled ways. With Lloyd's determined to continue its reform program in Blueprint Two and other major markets adapting to new ways of working, the reinsurance industry of tomorrow will certainly be different to what many of us would have been familiar with for the past decades. Capital provision, for one thing, will be more granular, and I expect the sophisticated platforms in development now to truly come into their own in the coming years.

Whether the market will be recognizable? I certainly hope so, but there are several key changes that we can now expect with some confidence: the market is trending to a much greater use of "private" placements, which will strain our historical mandate of concurrency. Electronic trading platforms, inclusive of auctions, for capacity will continue to grow and evolve as the efficient trading of risk for capital frequently does when one views the product being traded as a commodity. Hopefully, this generation, and those that follow, continue to recall, and are able to articulate, that reinsurance – and the placing of reinsurance – is anything but a commodity. ■

Matthew Fosh

Executive Chairman, Optio Group

Implausible though it may seem to many observers of the insurance industry, the most striking difference between 1981 and 2021 is the step change in sophistication and professionalism in the industry. Of course, technology has become more advanced – one would expect that after 40 years – but the levels of competition in the industry have driven businesses to improve their service and up their game beyond recognition compared to 40 years ago.

It is also interesting to look at the levels of margin enjoyed across the industry, and how that has changed. On one hand, competition and sophistication have driven out many inefficiencies that prevailed 40 years ago, and this is no longer the easy ride that it perhaps was for some in the 1980s. On the other hand, this is still an industry that enjoys attractive returns, particularly on the broking side, illustrating just how much further the industry can still go in delivering efficiencies to its clients.

With regards specifically to the increased sophistication of how business is done, there are legitimate questions to answer as to why we are behind some other financial services in our adoption of technology over the last four decades. I would argue that it is far easier to automate the buying and selling of shares than a 12-month insurance policy contract with a 20-year tail – but the fact remains we still have a long way to go in how we adopt technology to provide the best service to our clients.

Perhaps the biggest change I foresee to the industry over the next 40 years is the change in the nature of the risks we will be asked to accept. As recently as Y2K, the cyber insurance sector was in its infancy ... 20 years

later it is now facing its first serious bump in the road, and yet the development of "cyber risks" are only now beginning. To date, the cyber market and its claims experience have been dominated by issues such as data breaches and, more recently, the growth in ransomware.

However, these are only early manifestations of the "intangible risks" that will emerge over the next 40 years, of which our cyber market experience to date will ultimately prove to be but a small part. The fact is the global economy is at but the early stages of creating new risks for the industry to protect. The growth in the global economy is now less driven by the makers of aeroplanes and houses, and more by the Amazons, Googles and Neflixes of this world, creating whole new sectors of risk that our industry will need to learn to protect. Business interruption, reputational harm, brand theft and others yet to develop are only just beginning to emerge as serious risks, for which the industry must find solutions, and it is this emergence of the whole "intangible risks" sector that will be one of the most significant changes between now and 2061. ■

Steve Levy

President, Munich Re U.S.

The greater reliance on and sophistication of quantitative tools resulting from the rapid development of computing technology is the one aspect of the business that has changed the most over the last 40 years. This development has significantly enhanced our ability to model most risks on both the asset and liability sides of the balance sheet. Catastrophe modelling is one important example of this development. Our understanding of the risks of natural catastrophes and their potential financial impacts were fairly primitive 40 years ago, and many, if not most, re/insurers had a poor grasp of the implications of their property exposures. The evolution of catastrophe modelling over this time has enabled re/insurers to much more effectively manage this risk. The rapid development of catastrophe modelling also significantly facilitated the growth of the ILS market.

Catastrophe modelling, however, is just one example of how the much greater sophistication of quantitative tools has revolutionized the industry. Other examples include our significantly improved ability to price and model other insurance risks as well as quantify the correlations between insurance and investment risk. The latter has dramatically improved the industry's financial modelling capabilities, allowing us to model the full range of key financial metrics and consider a vast number of alternative scenarios, which was not possible 40 years ago. This last development has also greatly enhanced our enterprise risk management and capital management capabilities. Finally, the rapid development of data analytics over the past decade has also had a hugely beneficial impact on a number of different core functions, including pricing and marketing.

The growth and sophistication of quantitative tools will continue over the next four decades, perhaps even at a more accelerated pace than over the past 40 years due to the evolution of AI and similar technologies that will occur over this time. This will also further facilitate the securitization of insurance risk and the growth of ILS, which is likely to affect other segments of the business in addition to catastrophe risk.

The most significant change in the industry, however, will come in the area of diversity. I fully expect that women and people of colour will make up a much larger percentage of the industry than they do currently, particularly at the most senior levels of management and on boards of directors. My expectation is that the demographics of the industry will more closely reflect that of our society at large across all levels of insurers. This change will have a tremendously positive impact on the industry and will allow us to sustain our relevance in the future.

I do believe that the industry will still be recognizable, as its core function – helping individuals as well as corporate and public entities better manage risk – will remain largely unchanged. Furthermore, human nature changes very slowly, despite technological and other developments, so I also expect it to remain very much a "people business" with all of the advantages and disadvantages associated with that. ■

James Vickers

Chair, Willis Re International

In the late 1970s the global reinsurance market, though centered on London, was highly fragmented. There were more than 400 Lloyd's syndicates, a multitude of London market companies and underwriting agents representing a wide range of insurance companies from all over the world seeking to secure a slice of what was perceived to be a highly profitable money making machine. Bermuda was still a domicile purely for captives and longstanding continental reinsurers were largely wedded to their historic direct models. There were no computers, and all underwriting and risk management calculations were either done by calculator or on manual spreadsheets. The skill of the broker was very much based on transactional ability, navigating the complex web of capacity where contracts with large limits often needed more than 250 individual underwriters to complete a placement.

Several hard-market cycles and harsh lessons costing tens of billions of dollars have transformed the business into the far more consolidated and professional model that we see today. At the heart of this transformation has been the adoption of complex analytical and actuarial tools

unleashed by the power of accessible cheap computing and encouraged by far more sophisticated regulation and shareholder pressures. The increased sophistication has driven a demand for a wider range of skills and associated costs, which has led to dramatic consolidation in the number of reinsurers – but an equally dramatic increase in the size of individual reinsurers' balance sheets needed to effectively compete.

In this transformation, London – which was effectively a conglomeration of small businesses, rather than a few large players – has lost its pre-eminent position to other domiciles, notably Bermuda and to traditional continental reinsurers who more adroitly repositioned their businesses utilising their strong balance sheets. The role of the brokers has expanded from purely transactional to encompass a whole range of analytical services to help clients measure, manage and mitigate their risks based on quantitative analysis and advanced scientific research.

Ultimately, the role of insurance is to match risk with capital to help individuals and entities of all types manage and mitigate the risks inherent to their operations more efficiently and effectively than they can do by retaining the risk themselves. This basic role will not change, but the way in which the insurance industry can position itself as the nexus between risk and capital will have to evolve or the industry's role will be diminished by other business models who can more effectively bridge this gap.

At the same time, there is a growing understanding of the key role that the insurance industry can play in helping society as a whole understand and manage key risks such as climate change. The value offering will have to morph from one based on a pure monetary premium level to one of holistic value to the client where the cost of premium can be clearly matched to improved financial metrics and wider stakeholder goals such as ESG criteria. This will require the insurance industry to move more toward a consultative and knowledge-sharing model with financial reward better aligned to this element than today's largely transactional-orientated reward model. The ability to exploit both its own data and drawing in other parties' data to present clients with insight and an understanding of complex risk drivers in an easily understood and actional way will be key. This will drive a more collaborative model between the insurance industry and organisations with different skills, data sets and insights.

There is a risk that if the insurance industry can't build on its strengths to deliver client value, other nimbler organisations will seek to replicate and ultimately replace the insurance industry's role. Whilst this is a risk, however advanced analytical and risk insights become, there is always the element of fortuity that is at the heart of any insurance transaction that remains the bedrock of insurance risk transfer and a challenge for other non-insurance entities to match. ■

Steve Arora

CEO, AXIS Re

Over the course of my involvement in reinsurance, the industry has evolved significantly. My three observations:

1. The most notable change has been the flattening amplitudes of the market cycle. Once very reactionary to supply and demand shifts, today the sector has a very stable capital base with price equilibrium changes reliant on the collective level of discipline from the Reinsurance community.

2. In addition, the advent of sophisticated models and analytics have led us to be more science-driven. This has been beneficial in many ways, both externally (product development) and internally (aggregation management).
   One risk factor is that we drift from core underwriting skills, which remain critically important, reinforcing that a balance between model use and expert judgement remains the right formula to arrive at the best decisions.

3. Perhaps the greatest challenge now facing the reinsurance community is climate change, which has increased in both frequency and severity of catastrophic events. It is our responsibility as an industry to develop a thoughtful and considered response to this global challenge. This is not a one company issue – reinsurers, insurers and brokers all need to work together to create a sustainable, long-term solution. We have an opportunity to upgrade our current awareness, technology, and product offering to provide a more long-term sustainable environment for this centrepiece of the Reinsurance market.

The reinsurance sector will remain relevant, playing a pivotal role in society in the coming decades. Reinsurance plays a vital part in the resilience value chain and will remain necessary in allowing industries to innovate, individuals to pursue their ambitions, and communities to bounce back.

At times, we fear commoditization of the space, but the need for specialist underwriting expertise to underwrite complex commercial risks will likely grow in scope as the need for risk management will remain key to success for various industries.

Inevitably, technological advancement will mean the product distribution will evolve. Technology will provide underwriters with new tools and will create the ability to offer bespoke and flexible products, leading to closer interaction with end customers.

Reinsurance will adapt, as it always has – and will remain a vibrant and important sector for many years to come. ■

John Jenkins

CEO, P&C Reinsurance Operations – The Americas, SCOR Re

Analytics based and more disciplined underwriting:

- Forty years ago, reinsurance operations were not profitable. Underwriters relied on their personal experience rather than data and analytics to make decisions. Reinsurers relied heavily on investment returns to offset underwriting losses.
- Commercial insurance premiums skyrocketed during the liability crises of the 1980s. Liability and malpractice premiums increased by multiples. I still have a copy of a 1986 issue of *Time* magazine with the cover story of "Sorry America: Your Insurance Has Been Cancelled."
- The reinsurance industry is now much better equipped to underwrite and price risk.

Reinsurance capital and complimentary alternative capital

- The 2001 hard market resulted in a number of new traditional reinsurers entering the market. The 2007 financial crises resulted in a new phenomenon of alternative capital entering the reinsurance industry. Traditional reinsurers have a long-term horizon and can carry long-tail lines. The investors in alternative vehicles have a shorter-term investment horizon, which has resulted in these entities focussing on short-tail lines.
- Reinsurers have used the alternative capital vehicles opportunistically to expand their capacity and balance their credit exposure. The ability to work with alternative capital is now viewed as an enhancement to the offerings of traditional reinsurers.

The reinsurance industry of 40 years ago was a real-life version of many of the cliches that are part of business folklore. As a young underwriter 35 years ago, I opened a renewal file to find a napkin with terms and conditions included as part of the file documentation.

Value chain transformation:

- Historically there was a division of labour across the risk-to-capital value chain with insurers specialized in distribution and reinsurers focussed on risk management.
- Globally the insurance industry is becoming more concentrated. This has resulted in more reinsurance programs being purchased on a global basis. There is also a trend of global insurers developing reinsurance capabilities to optimise their capital base.
- At the same time, the number of reinsurers truly able to act globally has reduced. This requires the remaining global reinsurers to take larger lines across all lines of business.
- The above factors have led to a blurring of the historically clear separation between insurance and reinsurance. This trend is likely to continue as reinsurance needs more insurance expertise to address client needs for new products, knowledge and advice. Large insurance operations will be able to leverage reinsurance knowledge of portfolio risk and their placement into the expanding broader financial market.

Cost efficiency and automation

- Many low value-added tasks are still done manually in insurance and reinsurance companies.
- As SCOR Global P&C transforms, our goal is to modernize these tasks to allow us to do more business with our current organization and focus our attention and energy towards value adding activities. Automation and the use of artificial intelligence will create better operations and provide growth and learning opportunities to our employees.
- Data analysis through the use of new processes and systems will transform global reinsurers into a forward-looking mindset that will allow us to predict trends to maximise returns and act as risk consultants to clients.

Reinsurance continues to contribute to economic resiliency

- Much of the developing world continues to be uninsured. New technology and systems will allow reinsurers to create platforms to expand the use of insurance. This will assist developing economies to grow and create an enhanced quality of life for much of the world population.
- Reinsurers will be important contributors in the fight against climate change.
- The Paris Agreement paves the way for a historical collective effort to finance the effort to address this issue. This will be done through a combination of mitigation and adaption with reinsurance making important contributions.
- Reinsurance has an important role to play in adaption as we incorporate new sources of data into our modelling.

Digital transformation creates the use of new skill sets

- Over the past 40 years, the industry has attracted high-level actuaries as the industry became more analytical in the decision-making process.
- In the future there will be an exponential increase of cyber risk and the acceleration of digital transformation. The industry is turning to data scientists, data architects and InsurTech companies to help it adapt to this new environment. These changes are already helping us attract new talents and working cultures that bring positive change across our industry.

Regardless of the changes that time brings, relationships are still a large part of the value exchanged between all parts of our industry. Relationships allow us to create stability through turbulent times. Relationships create a deeper understanding of our trading partners which results in better and creative solutions that can be a win for everyone. The relationships with clients, brokers and yes even peers at competitors has made this a great industry to work in and I hope that this will continue be the case 40 years from now. ■

Dan Malloy

Chief Executive Officer,
Third Point Re

Walking into an office 40 years ago bears little resemblance to today's environment. Everything has changed, from the locations where we work to the people around us and the technology we use.

I started my career as a broker at the age of 20 in 1981, when telexes were considered a high-tech way for the industry to communicate, allowing one side of the world to talk to the other overnight. Most people today would not even recognize the chunky piece of machinery, let alone the ticker tape that it spat out all day long. I distinctly remember my boss scanning telexes to eliminate any unnecessary words to keep costs down.

Our office got a new fax machine right after I joined, which was the size of Volkswagen bus and needed two full-time employees to manage the process. But fax machines, which used phone lines to send messages, were a true revolution in communications, allowing us to send reams of documents, except we learned they faded away over time.

I knew some London brokers who refused to pick up the phone when called because they wanted face-to-face meetings – so some things have not changed that much! I remember talking to John F. Sullivan, the founder of our company, who regaled the young employees with tales of his annual trip to London, which entailed a 3,000-mile trip on the Trans Canadian railway, then boarding a boat for a weeklong cruise to London, placement of his business at Lloyd's, then the long trip back to Seattle. It took almost two months. The advances in telecommunications in the past 25 years have been astounding. Now, with the click of a button, we have access to pretty much anyone, anywhere in the world, and now we sit in our home offices and Zoom around the world.

If you went into an office in the '70s, no desk would have a computer on it and the only women in the office would be secretaries. In London, many offices had tea ladies, who would push giant trollies with teapots, teacups, and biscuits around. In my company, I was the first person to buy a PC (with 640k of memory) and a Lotus 123 spreadsheet program. This was in 1982 and it cost more than $3,000. The Guy Carpenter IT team tell me the receipt is framed and hanging in Seattle.

Meanwhile, interest rates were around 6-7%, so holding onto money was an important element for reinsurance brokerage earnings. Property catastrophe business was a sideshow – most of the revenues were in casualty before 1992's Hurricane Andrew exposed a substantial gap in coverage.

That was not the only aspect that Hurricane Andrew changed. The technology compared to today was archaic. Modelling as we know it didn't exist, other than the original fire charts, where companies would keep track of homes they insured, with pins on a map. Hurricane Andrew was 11 years in the future when I started, and the industry had never seen a $5bn event. The birth of the modern cat business was still a long way off. The effect that Andrew had on underwriting, such as recognising aggregation and exposures, was substantial.

The Bermuda insurance industry started in the 1950s, and Bermuda became a centre for captives. Today, it has built itself into the world's third-largest reinsurance market and a jurisdiction that fosters innovation for the risk management industry. The real growth in Bermuda's re/insurance industry started after the liability crisis in the mid-1980s, which spawned start-ups such as ACE and XL. The wave of start-ups on the island came after Hurricane Andrew. After 9/11, there was the class of 2001, followed by the class of 2005, which came in the wake of the capital crunch triggered by Hurricanes Katrina, Rita and Wilma. Now we are witnessing the birth of the Class of 2020.

I do not have my crystal ball handy but let me try and answer this!

- **The COVID effect:** The market is going through a dramatic change right now. The mandatory lockdowns caused by the coronavirus have created "new normal" remote-working conditions. The very concept of working in an office every day is now in question – it turns out that a lot of meetings really could have been an e-mail. The new working environment has forced us to reassess the way that we write risk. Prior to COVID-19, underwriters relied on personal interaction with clients and brokers. This allowed a level of comfort when conducting business and left us feeling like we had a nuanced view of the risk. The long-lasting change from this disruption caused by COVID will lead to an industry-wide re-think on our approach to writing reinsurance risk, and we may never be able to rely on relationships as heavily as we have done in the past.

- **Auto insurance revolution:** A large percentage of the global insurance industry underwrites auto insurance and reinsurance. This sector is on the cusp of tremendous change. The future of car ownership is under question (driven by technology and the gig economy), which will all need to be managed and insured appropriately. Children that are born today may never own a car, or even need to learn to drive.

- **The protection gap:** This subject will become more relevant as the years go on and emerging markets become more dominant. Public and private initiatives may be the way forward to close the coverage gap between economic and insured losses. We can certainly predict that there will be an increasing demand among governments, industry, financial markets and stakeholders to work together to provide cover for some of the least insured or hardest to insure risks in the world.

- **Sustainability:** Environmental, social and corporate governance (ESG) will become an even hotter topic than it is today, and we will see

initiatives to integrate sustainability into all business activities. This will undoubtedly drive cultural changes. We are already seeing progress in that area – for example, Lloyd's of London has set timescales to phase out insurance cover for fossil fuels. Climate change will also be a huge factor that will be a catalyst for change in the way insurance is bought and sold.

- **Expense ratios.** The percentage of the premium dollar that goes back to paying claims will be re-evaluated in the next 40 years, which has implications for how products are distributed, underwritten, and syndicated.
- **Top 10 reinsurance companies in 2061:** My bet will be that we will not recognise a single name of the top reinsurers in the industry in 40 years' time. The companies that are yet to emerge will come from areas that are currently under-served or considered "fringe," such as Africa and parts of Asia. Just think, there are cities in China that are bigger than any western capital – and most people can't name them.
- **Technology:** It is too difficult to predict the next developments in science and technology and how it will impact the industry, particularly for someone who clung to his Blackberry until three years ago. That said, I can already see that there is a need to develop better modelling for non-cat risks to allow underwriters to make better-informed decisions. We are just at the cusp of what is possible with artificial intelligence, machine learning and the Internet of Things. forty years ago, faxes seemed magical. Who would have imagined back then that everyone would have a mobile phone and the Internet would give us access to more information than we could use? There are predictions for brain-machine interfaces and robots that can do our bidding. Who knows how long we will live and what perils the world will face? The role of the broker and underwriter will change, but the human touch will remain. As a result, we will have to keep reinventing ourselves to stay relevant. Watch this space. ■

Alan Jay Kaufman

Chairman, President and CEO, H.W. Kaufman Group/Burns & Wilcox

First, the scale and footprint of companies within Property & Casualty Insurance business were considered boutique in the 1980s. Most competitors had a local or regional reach – unlike today where some of our competitors now have a national or international presence. The industry itself also owned a more collegiate environment where unity was more prevalent over competing.

Using new technologies to conduct business is another aspect that has drastically changed. The workplace in the 1980s was vastly different – there were no computers or e-mail. All business was transacted in person, on the phone, by Telex and facsimile machines or through mail.

Now, technology plays a significant role in every aspect of our operations. From how we analyse risk and issue policies to communicating and handling partners' transactions; new technology and efficiencies are continuously driving change in our industry. This transformation also ties to the rise in underwriting automation – the use of predicative underwriting models, catastrophe models and automated underwriting rules. These tools have streamlined the underwriting process and improved its accuracy.

The data we used to underwrite risks in decades prior was a combination of firsthand information provided by the agent and our company's internal resources. This form of communication relied on trust and market relationships. While we have come a long way as to how we capture data and information, deep market relationships and strong communication is still the backbone and core of the insurance industry.

Our society has become more litigious, which has led to an increase in lawsuits, judgments and settlements over time. From experiencing an uptick in significant weather events to nationwide social movements, insurance industry professionals are spending more time managing litigations to support their clients and partners.

If the past 40 years are any indication, the technological changes to come will likely be more than we can imagine. The cornerstone of our business will still be based on our relationships with clients, and while they may look different over time, we anticipate they remain equally important.

Another significant change will be shifting to more underwriting through data insights and artificial intelligence, leaning less on human evaluation. Where an individual risk was traditionally evaluated on several data points, we are now seeing risks evaluated using hundreds or thousands of data points – many of which were previously thought to be irrelevant to the insurance risk.

With more opportunities to leverage personalized data, coverage placement will be based on individual exposures and less on the law of large numbers. We are already seeing this shift in the automotive insurance industry. For example, insurance policies are rating individual characteristics to develop coverage, such as their location, how far and often they drive, and their safe-driving behaviours.

Looking ahead, we expect to see a continued push for federal regulation of the insurance industry in the U.S., but do not anticipate a movement. We have, however, seen major shifts in commerce over the years. As operations become more cross-state, nationwide and international business operations, these trends often lead to federal regulation.

Finally, we anticipate continued consolidation within the insurance industry. We have seen an increase between retail agencies and wholesalers over the past five years, and we expect the trend to continue. This business activity also compounds with an increase in carrier acquisitions, as the number of insurance carriers in the marketplace declines. Subsequently, we can expect to see more start-ups entering the space offering unique, specialized expertise. ■

Grahame Chilton

Chairman, Gallagher Global Broking

Having now been active in the business for 42 years I've seen many changes: some good, some bad and some just plain sad.

There is less emphasis on expertise and experience and more on stochastic analysis and models today. However, to really benefit in the market that we find ourselves today, derring-do using experience gained having seen it and done it through hard and soft cycles really does have its place.

Of course, both expertise and analysis are needed in equal measure – particularly in getting the very best results for the capital providers in our industry today.

Decision processes have significantly slowed down in the last 40 years, which has led to a much more tracker-type return with some exceptional outliers of success and failure.

I'm however pleased to see a much more diverse and open society than the industry that I joined 40 years ago.

Interestingly, the client concerns and real exposures have changed so significantly over the last 40 years it's extraordinary. But it's clear to me that the pace of these changes has and will continue to accelerate. But I have to believe that this will only just continue to speed up through the next decades through to 2061.

I've always believed that driving change is an extremely enjoyable and necessary business practice. I'd like to think that I've seen and been able to take opportunity in fast and decisive decision-making. Will the industry allow this in the future?

I suspect not; therefore, we can only expect to see a more homogenised result.

I'm a firm believer in broker distribution that adds significant independent advice to the customer. This will in fact become even more important in the future as contingent insurance underwriting capital will demand a more consistent reliable return. However, in exchange they must expect less control and a smaller return in exchange for the lower volatility. ■

Alfredo Alonso

Managing Director, Regional Unit London & Nordics, Allianz Global Corporate & Specialty

I began my insurance career more than three decades ago and have worked in both underwriting and claims positions. Since then, there have obviously been significant changes within the industry.

In underwriting, for example, the increasing sophistication is clear to see, whether this is through the use of CAT modelling, actuarial pricing models or risk engineering. There has been a shift from traditional case underwriting to more of a portfolio underwriting approach in personal lines and SME areas. This has led to the development of low-touch and even no-touch platforms for standardized risks and a different skillset need for modern underwriters handling either individual cases or entire portfolios.

In distribution, we also have evolved and expanded beyond brokers and agents to encompass MGAs, aggregators and direct to consumer models – all changing how the business operates. As a result, insurance has seen an increased specialization over time, both job-wise in the number of careers and locations available, but also for certain specialties; we have more experts covering niches, sectors and customer segments than ever before.

Wider changes have also affected the business, the most obvious being digitalization. Imagine the pandemic having happened 30 years ago: nothing would have worked remotely, and we would have all effectively shut down completely! And the volume and granularity of data that technology has enabled, both our own and third-party, is immense.

Regulation is yet another example of something that has had wide-reaching implications across insurance. Whether it relates to the protection of customers or capital requirements, it certainly affects how we conduct ourselves, day in and day out.

There's no doubt that technology and digitalization will continue to drive the evolution of the industry. Many of the new systems, processes, software and ways of operating that we're only now embracing were developed in the past five to 10 years, let alone 40! So it's hard to even conceive what future game-changers lie ahead, but there will be many.

Customer-centricity will increasingly become a focal point, fueled by the need to reflect the ever-increasing client and wider societal demands of insurance. Faster and faster speeds of transactions will be expected by consumers across the value chain, with increased desire for flexibility of coverage and products. Society will also continue to expect more and more from us as an industry to be a force for good – not just internally within our own companies but within the communities in which we operate and indeed across the globe.

Some central foundations, however, will likely endure. Market cycles may evolve in nature but they will still exist in some form, shaped by wider economic factors.

Ultimately, insurance was, is, and will remain a "people" industry that is built upon and driven by relationships. Technology and society may shape the relationships and how they are facilitated, but these relationships will remain at the heart of what we do. That's why I think insurance will remain an important, relevant and vibrant industry as well as a great career choice for anyone starting out on their own 40 years from now. ■

Jacques Bonneau

President & CEO, PartnerRe

The re/insurance landscape has transformed since the early '80s. Our industry has consolidated into a smaller group of better-capitalized reinsurers driven by changes in the severity and frequency of losses, changes in compensation culture and in the regulatory environment. For instance, today there are 80% fewer Lloyd's syndicates than there were in 1981 but they manage a total market capacity of 10 times the size; the relative trend for the Bermuda market is likely to be the same.

Over the years the re/insurance industry has evolved for the better into a more sophisticated industry with a more data-based approach to underwriting and claims handling; a more robust capital management process and a more rigorous assessment of appropriate returns on capital.

Forty years ago, catastrophe models were in their infancy and the use of actuaries in analysing property and casualty risk was only just beginning. Underwriting decisions were largely based on relationships and rudimentary measures and the concept that if you suffered a loss, you would be paid back over time. Today, our business is much more analytical and return-focused with emphasis on technical expertise. Although relationships still play an important part, there is now a much better balance between the two.

One thing for sure is that the core value proposition of reinsurance is as relevant today as it was 40 years ago as cedants look to reinsurance to offer protection from earnings volatility and to assist them in growing their businesses and expanding into new business lines. ■

Jason Howard

CEO, Acrisure Re

Forty-eight syndicates wrote a line on the first slip I worked on in the Lloyd's market, each with a small share of the risk. Since then consolidation has drastically reduced the number of syndicates at Lloyd's, creating much bigger businesses each wielding much greater capacity. In 1981, placing a $10m line was rare; today, $100m lines are placed regularly and it is unusual to see more than perhaps 10 syndicates on a slip.

As the world has expanded and modernised, economies, supply chains and businesses have become increasingly multi-national, interlinked and interdependent. New exposures are the inevitable result. Cyber-related exposures, unheard of in the 1980s, are now a major concern for governments, boards, and the risk management community. Our industry is still grappling to develop all the solutions needed to fill the protection gaps created by this and other perils that arrive as a consequence of an ever-changing risk landscape.

The sophisticated application of artificial intelligence and the industry's use of data and technology will drive some of the most radical industry change. There will be plenty of newcomers on the scene bringing new technology and ideas with them, and there will be winners among today's players. What they'll have in common is a brutal eye on the future and a complete lack of complacency.

As AI and the digitalisation of the market become more apparent in the longer term, we will likely see fewer people working in the industry. With efforts to drive efficiency and optimise capital deployment, companies will increasingly incorporate digital processes reducing head counts, and job opportunities in a number of traditional roles will all but disappear. But, opportunity of a different kind will exist, because many of the skills required to succeed in 2061 will be very different to the skills needed in today's market.

The insurance sector is gearing up for complex developmental changes as new distribution channels are created, new buying patterns develop, new products and structures emerge, and new capital mechanisms and sources appear. The opportunity for those whose skills can be applied in that systemic change is vast.

And finally, while the skilful use of data and artificial intelligence to deliver the best outcomes for customers and markets is central to Acrisure's philosophy, it is not just nostalgia that leads me to hope that some of the essence of what has made the London market and Lloyd's such innovative, responsive and appealing environments to trade endures. There are tangible benefits, unique to London, to the close, enduring relationships forged in a marketplace. ■

Gary Grose

Executive Vice President, U.S., Argo Group

Undoubtedly the biggest change and the most fascinating one to watch has been the multiple sources of capital coming into the market, and in turn seeing the effect on how capacity has been deployed – or not, as the case may be.

As markets became more volatile following 9/11, some of the capital started to move toward re/insurance as a safe haven. Previously widely considered "boring" from an investment standpoint for some

investors, re/insurance is now seen as a source of relatively steady returns – as a market less likely to experience giant swings, and to add consistency to a portfolio.

So capital poured in, partly creating the nightmare of low prices in re/insurance that has existed for so long. Top-line growth became a focus for many businesses, and profitability suffered. While we saw good interest rates for a while that helped to mitigate this, their reduction to nearly zero over the last few years has hit re/insurance firms hard. Combining that environment with an increasingly litigious situation across the globe means that profitable growth and/or reducing expenses have become the only options, and some re/insurers have really been paying the price for jumping into lines they didn't have the expertise to manage effectively.

Across all of these shifting circumstances, the change in capacity has been the main factor wrapping around them and impacting the insurance and reinsurance markets, as multiple sources of capital have entered in varying ways and with different approaches to how they want returns.

I think that a significant change in the relatively near term will be coverage becoming much more automated and insurers becoming less distribution driven as they focus on getting expenses to the right level.

That will result in underwriters becoming more comfortable with algorithms and insurers inserting their products into engines driven by brokers or other distributors where a business owner can select their coverage online.

Let's remember that small and medium-sized businesses are still a huge part of our business. Thinking from their perspective, a hair salon owner, for example, ought to be able to go online and buy their commercial insurance in the same way that they buy their auto insurance. I think that will become reality – with business owners able to choose from a series of packages offering a variety of coverage and cost options. For an additional fee, they may be able to choose to consult with a pop-up advisor who can help with more complicated questions. After all, this industry can tap into some fantastic actuarial expertise that can put a number on the risks of all these options and make this a viable approach. ■

Mike Consedine

Chief Executive, National Association of Insurance Commissioners (NAIC)

The aspect of insurance that I think has most changed over the last 40 years is one of its traditional pillars: risk pooling. With the wealth of data now available to insurers, from climate models to complex algorithmic-based underwriting and rating, P&C insurers are to the point where they're essentially able to underwrite individual risks. We're experiencing the early consequences of that already in places like the Western U.S., where many homeowners are having their policies non-renewed because insurers can assess wildfire risk down to the property level. That's a game-changer, because it fundamentally alters the notion of risk pooling where you might have a mix of similar risks that still fall on somewhat of a spectrum. It also potentially exposes more and more consumers to becoming uninsurable and widening the already existing protection gap that exists globally.

Over its 150-year history, the NAIC has seen the evolution of insurance in the U.S. But I think it's fair to say that evolution has accelerated exponentially in the last decade or so, particularly regarding how technology and data are used to underwrite and sell products. Today, you can literally purchase a policy with a swipe of your phone and have an AI do most of the underwriting and claims handling in the background. I expect we'll see even more of that in the next 40 years to the point where insurance on something becomes so interconnected with the thing that's being insured that the two are indistinguishable. Your self-driving car will just come with some form of coverage that's directly related to the traits and behavior of that car's owner (assuming such personal auto ownership models even exist). Similarly, your future smart house will have mandated AI-controlled features designed to mitigate against risk and minimize loss. Parts of this future excite me because I think they will make insurance more seamless, but I think they'll come with further losses to privacy and transparency. ■

John Huff

President & CEO, Association of Bermuda Insurers and Reinsurers

While still a relationship business, the industry has changed the most in the past 40 years in the use of data – for modelling, pricing, risk management and governance. The Bermuda market growth in providing coverage for natural catastrophes is a great example of using data to kick-start exponential growth in building the Florida market after Hurricane Andrew over 25 years ago. The use of this data in underwriting of risk has kept insurance affordable and accessible for consumers.

Yes, the industry will be recognizable. There will always be a need for risk transfer, for a premium, for a duration. I personally think the cyber model may be the future of insurance. Coverage will be more than indemnification for financial loss; instead, the industry may offer "protection" in the form of expertise of mitigation of risks before they happen and the offer of bespoke services when an event happens to help the insured recover. Much like insurers now offer experts after a cyber breach to protect customers and get an insured back up and running. This change will be transformational. ■