

News Release

Contact:

Jennifer Ainslie

Guy Carpenter

44.20.7357.2058

jennifer.ainslie@guycarp.com

Ed Dixon

Guy Carpenter

1.917.937.3118

edward.dixon@guycarp.com

Baden-Baden Reinsurance Symposium Explores Market Impact of Global (Re)insurance Composites

London, 22 October 2018 – Guy Carpenter & Company, LLC, a leading global risk and reinsurance specialist and a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), hosted the Reinsurance Symposium in Baden-Baden on 21 October. The tenth year that Guy Carpenter has hosted the event, the theme of the Symposium was “Back to the past: a return to global composites”.

Senior industry figures provided a range of insights into the factors contributing to the drive by major insurance groups to extend their underwriting remit and considered the implications of the resurgence of the global composite model on market dynamics as well as the ramifications for customers.

In his opening remarks, James Nash, CEO, International, Guy Carpenter, said that current market conditions were putting increasing pressure on returns with some companies viewing consolidation as a potential solution. He highlighted how certain market participants were also looking to achieve greater vertical integration by establishing more control over the entire value chain from policyholder to capital provider. In his final comments, he said: “The capital to risk value chain will continue to evolve but in the short run sellers are open for business offering more capacity and innovative solutions to solve strategic capital and volatility issues. We are seeing supply-driven demand.”

While acknowledging that consolidation is not a new market phenomenon, Pina Albo, Group CEO, Hamilton Insurance Group, pointed out that several of the factors influencing the strategic thinking behind it had changed. She said: “We’re watching the M&A movie again, but this time around we’re seeing different plot twists. There are three developments that I believe are currently influencing M&A activity today. First is the impact of alternative capital, second is the InsurTech phenomenon, and third is the entire digital revolution.” Addressing the question of whether bigger is necessarily better, she added: “You don’t have to be big to be beautifully relevant or financially successful, but you do have to be focused.”

Steve Arora, CEO, AXIS Re, called on the industry to embrace change to tackle current market challenges, highlighting the need for adaptation and to focus on the client. He said: “We are undergoing a period of unprecedented change and we must all adapt. We know that one of the biggest challenges we face is the price equilibrium dynamic and we must tackle that. But there is also a reason for optimism as trends over the long term are favourable for the industry.” He concluded that he was bullish on the prospects for the global reinsurance sector. “It is a difficult time for our industry as we enter a new era. It will require all of us to have the courage to address the short-term dynamic and the vision to succeed in the long term.”

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In the final presentation, Charles Goldie, CEO, Property & Casualty, PartnerRe, said that M&A activity would be driven by the demands of the buyer. "M&A in the reinsurance space will eventually go where the buyers of reinsurance want it to go," he explained. "Increasingly, we see the buyers of reinsurance looking to concentrate their relationships with a smaller number of core reinsurers that they can consider as both capital and strategic partners. Ultimately, this points to both further consolidation in the number of truly global reinsurers as well as need for dedicated, independent reinsurers that have the ability to be strategic partners on a meaningful scale."

TAGS/KEYWORDS

Guy Carpenter, Baden-Baden, Reinsurance, Consolidation, M&A, Composite, Nash, Albo, Arora, Goldie, Hamilton Insurance Group, AXIS Re, Partner Re

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