

Get on-board the tech train

Technological advances have changed the reinsurance industry, but, as Geoffrey Bromley explains, it is still a relationship business



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Many of us in the industry can recall when reinsurance transactions were discussed at the coffee shop with handshakes sealing each deal. The industry has changed over the past decade or more. We are more sophisticated in our approach, more global in breadth, more progressive in our attempts to manage knowledge as a competitive advantage.

While it is still very much a relationship business, our discussions are accompanied by vast information, risk and reinsurance models, and other technologies never imagined just 10 years ago. But what does all this technology mean? What impact has it had on our ability to understand and manage risk? Will the industry be transformed like others in financial services and become less personal?

Before we jump to conclusions, let's take a look at some of the more recent developments in the use of technology and the worldwide web.

Perhaps the most successful developments in technology over the past ten years have come in the modelling arena. Modelling has, in fact, become a significant business supporting insurance and reinsurance. We've seen great advances in the use of catastrophe modelling. Loss data is better. As the saying goes, "better input creates better output." Cedants are consequently better equipped to analyse their risk portfolios, and package them for placement into the reinsurance market.

Developments in catastrophe modelling were the foundation for the development of dynamic financial analysis. Using these tools, reinsurance buyers may now test various reinsurance structures against their own risk tolerance before pursuing and committing to a particular reinsurance approach. While we at Guy Carpenter pioneered this area with MetaRisk, we've seen others in the marketplace follow with similar approaches to potential outcomes of reinsurance solutions. Undoubtedly, we are at the early stages in the development of these applications.

Guy Carpenter has invested heavily in the area of modelling, further developing our analytical and actuarial capabilities in our INSTRAT unit. These resources are integrated more now than ever before. Speciality brokers at Guy Carpenter, for instance, are working closely with experts in INSTRAT to better define a variety of risks and use progressive approaches to modeling those risks to help clients assess their risk portfolios and reinsurance options. We're already seeing benefits from the convergence of these experts that we believe will shape the future in modelling areas other than property such as accident & health and D&O. We feel we've only scratched the surface in this area and expect even greater developments in the years ahead.

While modelling is very much an internal use of technology, the utilisation of the worldwide web is growing as well. While we've seen several award-

winning 'e-firms' close their doors in the recent past, a few others have been gaining traction. [Firms such as ri3K, eReinsure, Kinnect, and Xchanging have emerged to help shape the framework for transacting on-line business in the reinsurance marketplace.] We see increased interest in on-line placement of facultative and treaty reinsurance. As more insurance and reinsurance managers become comfortable with on-line services, the critical mass that spells success for on-line companies is more likely to materialise.

There is no 'magic bullet', however, for cedants and markets to be able to achieve the promise of more efficiency and better management information. Taking full advantage of developments in on-line technologies requires a commitment by senior management to a new way to conduct business. It helps to have established processes and in-house information technologies that support quality data collection. Managing one's own data is fundamental to managing and thriving in today's competitive environment. It also supports your ability to transact business on-line.

The acceptance of ACORD as the governing body developing the industry's data standards and implementation guidelines is critical to the success of on-line business-to-business transactions in our industry. Guy Carpenter has been at the forefront of the data standards issue for many years. As an active member of ACORD, we have been conducting on-line transactions with markets for 10 years.

While structured data requires ACORD-like standards, we've seen progress in the ability of business partners to share 'unstructured' data as well. In an industry that thrives on privacy and security, special care must be taken to protect data as well as knowledge and sensitive information. Through secured websites and e-mail, Guy Carpenter has been enhancing the ability for clients to receive and manage contract and claims information over the web.

The ability to aggregate data and information from experts and markets around the world is the new standard of performance. Better information enables us to monitor our processes, our business, and the performance of our business partners including facilitating better contract certainty. While we still trust the handshake of a trusted advisor, it is best to be an educated consumer.

With all the developments in technology, ours remains a relationship business. Perhaps we still want to feel comfortable with those we choose to do business with. At Guy Carpenter, we believe technology supports the value a broker can deliver its clients. For all the tools and applications that are deployed, the expert using them does make a difference. We still want to shake the hand of a partner we respect and trust, even if the handshake is done in cyberspace.

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