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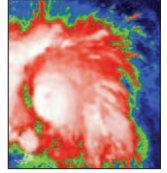
Introduction

By Jason Groves, editor of *The Review*

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Of all the things written about changes in the reinsurance industry over the last few years, the increasing complexity of the renewals season is the most noticeable. It has changed the timing of the season and also the way in which negotiations are held. Overwhelmingly, these changes are positive.

More than ever before, underwriters have at their disposal an array of tools that make comprehensively understanding business more possible. What can differentiate companies these days is not so much how much science informs the art but how well integrated that science is to the whole underwriting decision-making process.

It is little wonder that CEOs want to emphasise the moves towards disciplined underwriting and return on equity. But on top of all this remains competitive pressure in certain markets and cedants will be going to their reinsurers equally well-informed.

This first-ever cedants' guide to the renewals season is the most comprehensive guide to the market yet provided and details the key issues that companies will face in the upcoming renewals season. The way it delves into the intricacies of the drivers of price and terms and conditions in the market will inform many negotiations. Its insight into market conditions as they stand now will prove invaluable.

It is said that the market is undergoing a change in how it approaches risk. The cycle, thought by some in years gone by to be on its last legs, is generally acknowledged to be a permanent fixture. But the severity of the cycle – catastrophic losses notwithstanding – is unlikely to delve the depths or soar to the heights it once did.

As Timothy Gardner says about last year's season in the opening chapter: "renewals were competitive and aggressive in pursuing business that was perceived as adequately priced". He forecasts that the result of the current weather activity in Florida will not produce the same highs the market saw in the wake of Hurricane Andrew in 1992, even though their

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quantum of losses could well exceed the total loss for Andrew. Much of it has to do with the increased complexity of the market.

Likewise, the casualty market has been the subject of many changes over the last year alone. No longer can prices in this sector of the market be said to bear any particular relation to the property side. The issues it faces by line and by country are many. Pricing risk adequately will be a challenge for underwriters this year. But as Andrew Marcell says in this guide, the casualty market these days is: “characterised by relatively stable pricing”.

Having said that, in but one example of why specific market knowledge is required, Mr Marcell makes the point that, in the UK: “increasing accountability of directors continues to challenge insurers, and has a consequent effect on premiums”. However, this differs elsewhere: “It is difficult for individual shareholders to bring actions against directors and officers of a company on continental Europe.”

Increasing accountability of directors continues to challenge insurers, and has a consequent effect on premiums

The other key issues affecting the market right here and now on a practical level are how the proposed accounting changes are going to affect the renewals process – and how the well-prepared company should adapt, and the issue of terrorism, still being considered by the US Congress.

What really has made a difference to the whole industry in recent years is the impact of modelling. A chapter on recent advances in some of the areas of crucial industry need will also be invaluable.

I am very grateful to Guy Carpenter for making this information available to our readers. I trust you find it practical and useful in your upcoming negotiations.

Jason Groves
Editor
The Review