

Q&A: Guy Carpenter's Dean Klisura

Guy Carpenter president and CEO Dean Klisura responds to questions that are top of mind for the company's clients as they navigate a volatile and ever-evolving (re)insurance landscape. Topics include risk-transfer capacity and pricing, cyber, and public sector management of risks that threaten communities' prosperity and security

Will the factors that led to the reinsurance market recalibration at mid-year renewals following the challenges experienced at January 2023 continue into the January 2024 renewals?

The recent adjustment seen in available capacity hinges on market expectations of supportable returns. With that, we expect the market to remain firm at 1 January and more stable conditions should carry forward. Cedant differentiation will remain a major factor as market drivers are expected to linger into 1 January 2024 renewals, and reinsurers' emphasis on quality programs will endure. Price adequacy across lines and supportable structures should drive sufficient capacity levels.

For cedants, greater retained risk across the business in 2023 may impact volatility in 2024, necessitating increased strategic portfolio management. Guy Carpenter uses our market presence, longstanding depth of experience, and industry-leading analytics to equip our clients with innovative risk and capital solutions.

As the cyber market becomes a more significant component of the global (re)insurance industry, what are the factors that need to be addressed to further the broad potential of this line of business?

In the last few years, cyber coverage has expanded and been refined with a wider availability of products. The market has rapidly grown on a global scale, but capacity constraints and lower penetration in certain regions and industry segments highlight the fact that there is much room for further growth.

Improvements in risk quality, a diversifying portfolio base, and advancements in cyber catastrophe models have been major contributors in attracting capital to the cyber market. The recent market cycle has expanded the range of cyber reinsurance structures to improve alignment of risk appetite with reinsurance needs. Event covers and nascent ILS structures have spurred alternative capital providers to begin supporting cyber risk.

Now more than ever, cyber industry participants need to utilise a technical, data-driven approach to assess the potential industry loss size. As the underlying data quality improves and modeling continues to evolve, so will the ability of the cyber market to create a more accurate view of an industry loss and ultimately draw new capacity into this sector.

We are at a juncture where, in order to unlock the potential of the class and take the essential next step to close the protection gap, we need to jointly solve the challenges around capacity. This means efficiently matching up risk and capital across the transaction chain, from insurance and reinsurance solutions to retrocession.

Guy Carpenter and Marsh McLennan have recently proposed a series of bold and innovative initiatives in the public-private sector risk mitigation and recovery arenas. What do you see as the role of the (re)insurance industry in shaping the public sector risk landscape?

We see ourselves as a key player in support of governments to address hard-to-manage risks that threaten the prosperity and

security of communities around the world. One recent initiative reinforcing that commitment is Marsh McLennan's effort to develop a war-risk pool to insure the reconstruction work required to rebuild Ukraine's infrastructure and shattered economy. The initiative applies the strategic advisory expertise of Oliver Wyman with the risk transfer expertise of Marsh and Guy Carpenter.

We expect the war-risk pool would allow a conventional property insurance market to function, enabling investment to flow at the proper levels. A key element would be the provision of a government backstop, for instance, by G7+ governments, comparable to the types of public-private partnerships developed by a number of G7 countries for various perils, including terror risk, albeit on a larger scale.

Our work in the context of Ukraine is just one example of the power of Guy Carpenter, and Marsh McLennan as a whole, to support the public and private sector in addressing critical global risks.

