Browne Jacobson

Don’t have your head in the sand - Syndicates to assess reinsurance assumptions

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Lloyd’s managing agents have been asked to examine their outward reinsurance assumptions due to concerns around rapidly changing market conditions. Patrick Tiernan, Lloyd’s Chief of Markets, said, ‘[underwriters] can’t go around with their heads in the sand’.

Lloyd’s will maintain a close watch on the availability, structure, pricing and terms of upcoming placements in property and certain specialty classes. Tiernan went on to say, ‘experience tells us to judge the deals that are bound and not the warnings sounded, but at the same time we can’t go around with our heads in the sand…our expectation is that managing agents consider the feasibility of their planned reinsurance strategy with a reassessment of risk appetite, underwriting strategy and capital if [reinsurance] placement differs from plan’.

Lloyd’s has also recognised that hardening reinsurance market conditions present further opportunities, as a quarter of all of Lloyd’s GWP is ceded to reinsurers. Tiernan reiterated that Lloyd’s is looking to actively support those market participants who are looking to take advantage of these new opportunities, through the flexible catastrophe risk appetite capital requirements.

The above all feed into Lloyd’s overall focus on maintaining sustainable, profitable performance for the market.

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