A packed agenda

reinsurance caught up with Patria Re Director General and CEO Ingrid Carlou on the eve of the Rendez-Vous to ask what will be this week's main discussion points...

What do you think will be the key discussion points for this year's rendezvous, are there any specific areas you hope you will be able to address with the markets?

Of course pricing will always be a discussion point after all we are here to make money. Like any other business! Overlay a reasonable cat loss on wafer thin margins and limited reserves and an ugly picture could develop.

The impact of the Ogden ruling in the U.K. Motor market will also be interesting as active reinsurers in that segment will have to carry more reserve and push price going forward.

Expense ratios will feature prominently; there is much determination to reduce these since underwriting profit is now so little.

I still think other trends will be discussed such as:

- 2017 cat losses.
- The rise of Insurtech: Digital transformation affects so many aspects of our business – buying habits; risk assessment; claims handling; loss prevention & internal process.
- Reinsurers moving closer to direct and primary source of risk: There will be more customized solutions. Need to identify new clients and new players and provide them with expertise and advice on product development, not just capital protection and capacity.
- Reinsurers aiming to close the protection gap by developing new coverages, both in developed countries where risk is changing, and in growth areas to protect rising prosperity.
- Government intervention has big impact potential on Liability claims (example Italian Government and their handling of *Costa Concordia*)
- Broker facilities are not going away. Is underwriting being compromised?
- Acceleration in the creation of MGAs
- Widening terms and conditions.

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- Overcapacity, and price stagnation, with inclusion of lines normally written standalone.
- Impact of Sanctions and resulting impact on compliance. These are biting and hurting.

Much has been said about, the emerging risks the market faces do you view this as a threat or opportunity and is the reinsurance market doing enough to support the primary carriers in areas such as cyber cover?

Emerging risks are more opportunity than threat. As an example cyber is a growing concern for all original clients around the world regardless of company size. As disclosure obligations become increasingly mandatory, companies will seek risk transfer solutions. The insurance industry has a vital role to play in helping companies grapple with cyber risk - everything from identification to avoidance, mitigation and transfer.

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We have to be interested in developments of emerging risk in primary markets as this our blood supply.

But firstly you have to find the right horse, does the primary carrier have the expertise and knowledge to operate successfully in a class such as cyber and does the reinsurance solution give you the reinsurer a chance to make money.

The primary carrier has to have skin in the game and not operate as just an agent enjoying the fruits of inflated ceding/ profit commissions whilst reinsurers carry the bulk of the exposure and probably the losses!

Obviously opportunity – as above – as long as the risk is understood. Like cars in marine there is the potential for pilotless ships for example, with the range of insurance issues that brings. Energy technology is ever changing (going into deeper water for example) and the values are increasing. Shell's Prelude floating liquefied natural gas (FLNG) facility which has just arrived at its location off Western Australia is a good example of a new super risk. Its value is at least US$10billion.

Marine is relatively comfortable with cyber at the moment. Most original business has cl380 and the Hazards clause on the reinsurance. CABBIE on Energy is a bit more challenging with a lot of issues but the floodgates haven't opened. Until there are actual proven loss hits it will remain arbitrary low pricing. The insurers in my opinion should have the biggest worry because not only could there be a massive vertical loss through their programmes but there could also be a systemic sideways loss mostly uninsured.

With President Trump in the White House and the UK planning its Brexit, is political risk a concern for international underwriters given the size of the US and Europe as markets?

Stability in the developed world was always taken for granted. Today, political risk and trade friction is more of a reality. Politics and civility between nations do matter! Some of the dialogue today is fraught with incendiary language which is quite concerning. Insurance is truly a global business so political instability and lack of direction in the US and UK has an impact on GDP growth, investment decisions and business confidence. It's not all doom and gloom, my home country France appears to be headed in the right direction. Also there seems to be broad agreement amongst regulators in the US and EU on insurance matters. The TLC is under negotiation and it will be interested to see what will be the impact on our industry in Mexico.

Ex Lloyd's Chairman John Nelson is convinced that the new Lloyd's Brussels unit (with direct access to 27 states) will actually push more EU business into Lloyd's, and that any Brexit transition would be seamless.

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Where do you see the opportunities both product lines and geographically for Patria Re in the short to medium term?

I think the future is extremely bright.

Firstly in Latin America the company is already well positioned and given that insurance penetration is still relatively light in the region and therefore any growth will be to our advantage.

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Geographically a lot has to be said for digging deep into the emerging markets. Accessing the low hanging fruits in the US, Europe, China, India, Japan can be accomplished fairly easily but where do you go next? Africa particularly and parts of Asia and the Middle East where reinsurance purchasing is still traditional in its nature with the added bonus of being relatively light in catastrophe risk are attractive markets but very much built on the foundation of relationships - we have good people to expedite this.

As for classes traditional is best, stick to what you know and don't get into areas that sound sexy but could cost you a lot of money e.g. Cyber! The property / marine treaty offering at the syndicate is a good platform to build on. re