

Press Cutting

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'Surviving this tough market requires the ability to act quickly - and take a long-term view' - Advent's Fitzgerald

Our industry continues to evolve. Technology has allowed us to develop new platforms, streamline processes and provide a more effective and efficient service. It has also led to new risks. Nascent classes of business have become increasingly mainstream, while underwriters of more traditional classes of business now have to factor in the impact of new perils.

Markets have opened up and decades of double-digit growth in some regions have allowed insurers to broaden their focus and expand beyond developed markets. Clients' needs and requirements are also changing and insurers across the market are having to look closely and adapt their products.

All of this has taken place in the middle of a rating environment which may represent the "new normal". It is an exciting, yet very challenging time which, like many of last year's votes, may well produce unexpected winners and losers.

Survival in this market requires the ability to act quickly. Businesses which are untrammelled by bureaucracy and legacy issues will fare better. Consolidation was a theme across our market in 2015/16 and the effect of this will play out in the coming years. This will also create opportunities for businesses which are able to act swiftly. The importance of data and analytical functions will also continue to grow. In a highly competitive marketplace, they offer a means by which carriers can differentiate their

offerings. Investment in these capabilities will, invariably, be a key focus across the key market in 2017.

Persistently low interest rates have compelled investors to explore alternative homes for their capital. The recent period of relatively low insured natural catastrophe losses has allowed many of them, who had previously viewed the insurance as unattractive, to become comfortable with the sector and view our industry as just another investment asset class.

This has created a consistent and, at least when viewed historically, heightened level of interest. The impact of this has been felt across our market. It is difficult to see this dissipating in the short to medium term, although investors' patience is sure to be tested in the coming years, as the impact of a prolonged soft market begins to bite. With poor underwriting results and reserve deficiencies becoming evident, we foresee inconsistency increasing as new entrants try to establish themselves while existing markets try to re-underwrite loss-making areas of their portfolios.

Navigating these conditions will require the ability to think long term. However, this is a luxury which is not available to all. The manner in which capital providers view their investments is key. Those carriers which can rely on backers that have historical experience of the market are invariably better placed to make long-term strategic plays.

Even if the market recovers some of its margin, we expect mean performance to sit below profitability. With this in mind, there has never been a greater premium on the quality of a company's value proposition and its risk management strategies. Insurance companies need to be of the highest quality, proficiently integrating services and functions in order to compete for the customer's attention, yet also maintaining an acceptable margin for their shareholders. This level of adaptability and agility will be an opportunity and challenge for companies of all shapes and sizes.