



# Q&A: SAILING UNCHARTERED WATERS

Gerardo García, President & CEO of Barents Re, spoke to GR about some of the challenges and opportunities to navigate in today's specialty reinsurance market.

**H**ow do you view the current market dynamics in bonds and energy which have been core to Barents for many years?

National government investment in infrastructure projects, including airports, railways and roads, presents significant bonds opportunities in regions such as Latin America and MENA. In terms of the market landscape, we are seeing an increase in the number of reinsurers and banks collaborating on complex transactions which we believe will be an important facilitator for large-scale projects. The bonds rating environment has been arguably more rational than other lines of reinsurance business over the past year with market players being able to set premiums more sensibly and adequately.

Energy insurance is complex and highly specialised with market players needing to grapple with inherently hazardous risks in challenging environments. Each country tends to have their own strategic oil and gas interests which has historically provided a global spread of risk. The trend however continues for national oil companies to become supra-national and independent oil companies to grow in scale. This has led to large concentrations of risk and the potential for large vertically integrated losses. In turn the demand continues to exist for substantial responsive composite and specialist underwriting capacity.

**How do you think the marine and property markets have responded to the major catastrophe events of 2017?**  
There was considerable surprise and

disappointment in many quarters that the multiple events of 2017, most notably Hurricane Maria, did not produce an upturn in Marine market pricing and a change in restrictions on terms and conditions. The final loss figures for Hurricanes Harvey, Irma and Marina are still unresolved, however estimates for insured losses are expected to be circa USD100bn. Although the yacht/pleasure craft book in the region has been essentially wiped out for many years to come, capacity in the Marine market appears largely unconcerned by the events of 2017.

In a similar vein to Marine, the unprecedented windstorm and flooding events related to Hurricanes Harvey, Irma, and Maria coupled with the two Mexican earthquakes suggested that the Property market was overdue some sort of market correction. Despite the damage caused, the market has remained relatively stable to date despite many property markets reporting a combined ratio in excess of 100 for 2017.

Property accounts with CAT exposures and losses are undoubtedly facing renewal situations with increased pricing, potentially narrower terms and perhaps less available capacity. If in fact the industry moves in the direction of increasing property premiums across the spectrum, it will remain to be seen whether this approach will be sustainable over any sort of extended period.

**What are your thoughts on trends in longer tail business such as financial lines?**

The market conditions for financial lines business are generally stable although there remain localized areas where the market is extremely difficult.

Rate increases have been evident in specific sectors in the past year following year-on-year reductions for almost all financial lines insurance, notably professional indemnity, directors' & officers' liability and crime. In addition to these nascent signs of market hardening for prices and rates, deductibles have been also on the climb and underwriters are more bullish in imposing restrictions on coverage.

Despite these encouraging indicators, a number of major players, including long-standing Lloyd's syndicates, have withdrawn from the market underlining just how important risk selection is regarding achieving success in financial lines. In terms of the outlook, further retrenchment is expected in the financial lines insurance market with carriers continuing to streamline their appetite and narrowing their sector and product line focus.

**Where do you see the opportunity in life and accident & health?**

Although smaller in market size to non-Life, at an estimated value of USD76bn and expected to grow in the mid-single digits in the coming years, Life is a reinsurance market offering plenty of opportunity.

The growth markets of Latin America and Asia present opportunities. Latin America, with its population growth coupled with evolving regulatory environments, such as those in Mexico and Brazil, is witnessing increased demand for Life reinsurance protection. Asia, and notably South East Asia, benefits from favourable conditions for Life reinsurance given the rapid growth in population and wealth alongside improving mortality rates. ■