



FS Club

News Events Partnerships

Insurance Carriers & Brokers: Parasitic Or Symbiotic Relationship?

Webinar

Wednesday 17 June 2020





FS Club
News Events Partnerships

A Word From Our Chairman



**Professor Michael
Mainelli**
Executive Chairman
Z/Yen Group





FS Club

Platinum Sponsors



Gold Sponsors



Silver Sponsors



Bronze Sponsors



Personal Sponsors



Agenda



FS Club

News Events Partnerships

- 12:00 – 12:05 Chairman Introduction
- 12:05 – 12:30 Keynote Address
- 12:30 – 12:45 Questions & Answers



FS Club

News Events Partnerships

Insurance Carriers &
Brokers: Parasitic Or
Symbiotic Relationship?



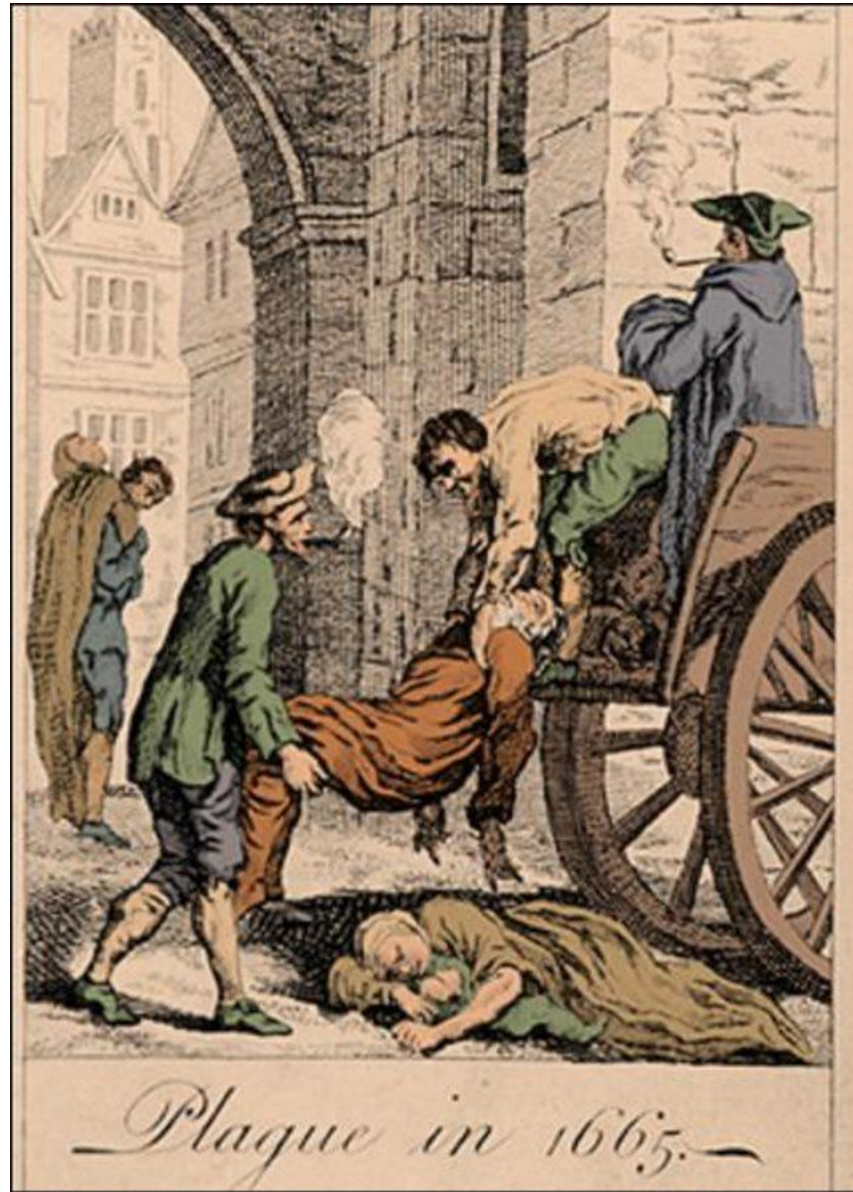
Dennis Mahoney

Insurance Industry
Veteran

Carriers and Brokers: Parasitic or Symbiotic Relationship?

Dennis Mahoney
Insurance Industry Veteran

London 1665



Lloyd's of London 2018

For whom the Lutine
bell tolls



Lloyds takes ruthless measures to reverse underperformance

Bottom 10 performers

Syndicate	2018 combined ratio
StarStone 1301	177%
Paraline 4242	168%
Nephila 2357	161%
Standard 1884	160%
Beaufort 318	136%
Apollo 1969	126%
Channel 2015	126%
Advent 780	123%
Skuld 1897	121%
Neon 2468	120%

Top 10 performers

Syndicate	2018 combined ratio
Chaucer 1176	31%
DL Dale 2525	83%
HCC 4141	85%
TMK 308	87%
Hiscox 33	88%
Beazley 3622	89%
Chubb 2488	90%
Ascot 1414	91%
Newline 1218	91%
Munich Re 457	92%

Source: Lloyd's, *The Insurance Insider*

*excludes SPAs and syndicates operating for less than three years

Fundamental questions

“Is it a unitary entity collaborating? Or is it a whole bunch of competitors scrabbling around and biting each other in a barrel? Until you decide that you can’t articulate this bold vision.”

“They can’t [impose the vision],” he says. “The fundamental problem is if they overreach, they can do it with perhaps smaller syndicates, but if they try it with Beazley or Hiscox, they’ll say ‘I’ll take it to my company market platform’.”

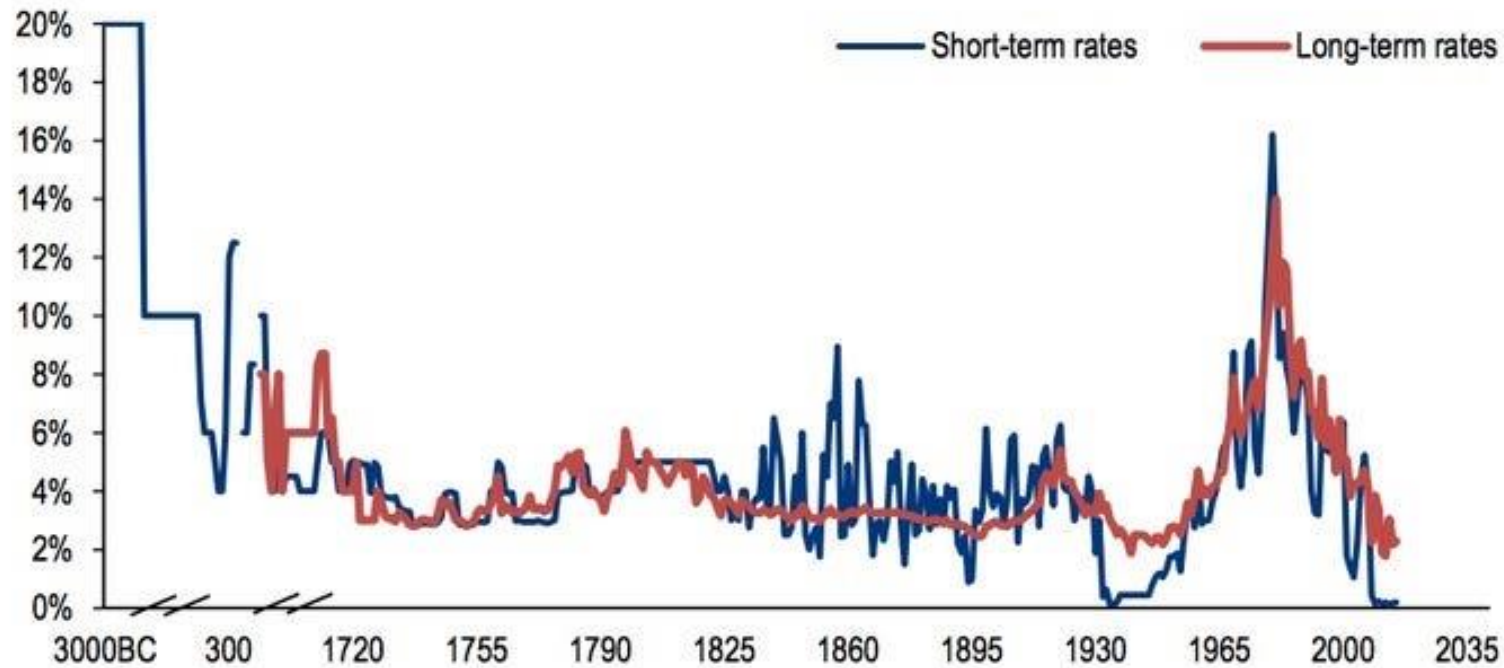
‘Dirigiste’: Characterized by state control of economic and social policy

Risk takers, insurers and reinsurers make money in two ways

1. Premiums exceed claims
2. Investment income

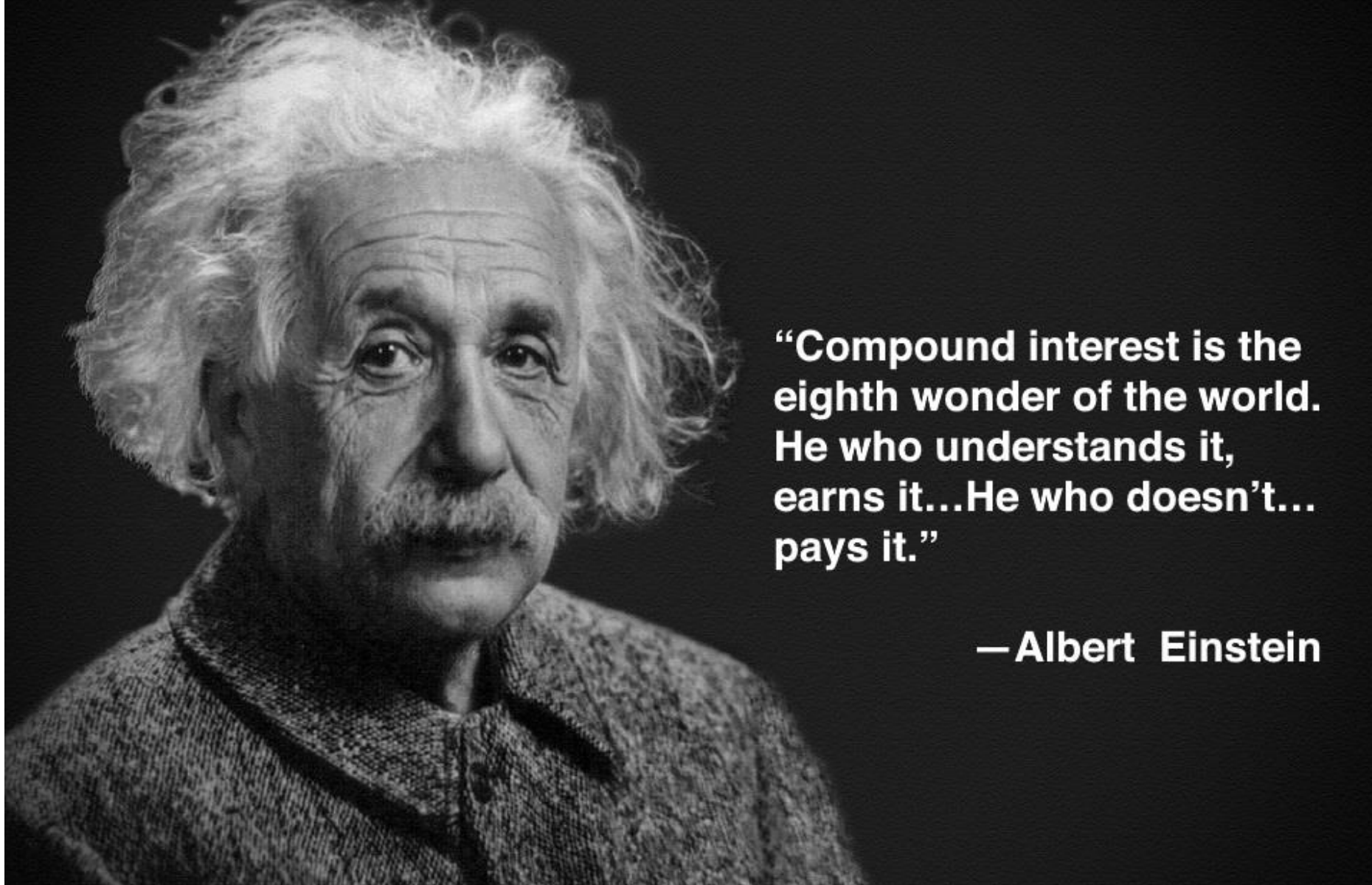
The 5,000 year history of interest rates shows just how historically low US rates are right now

Chart 1: Still the lowest interest rates in 5000 years!



Sources: Bank of England, Global Financial Data, Homer and Sylla 'A History of Interest Rates'

Note: the intervals on the x-axis change through time up to 1700. From 1700 onwards they are annual intervals. Full methodology available upon request



“Compound interest is the eighth wonder of the world. He who understands it, earns it...He who doesn’t... pays it.”

—Albert Einstein



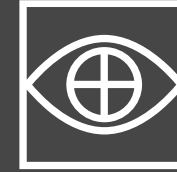
Alan Greenspan:
'Only a matter of
time' before
negative rates
spread to the US
- *CNBC (Sept 4,
2019)*

More volatility

‘Wild swings in repo rates raise concerns about bond market’s liquidity’

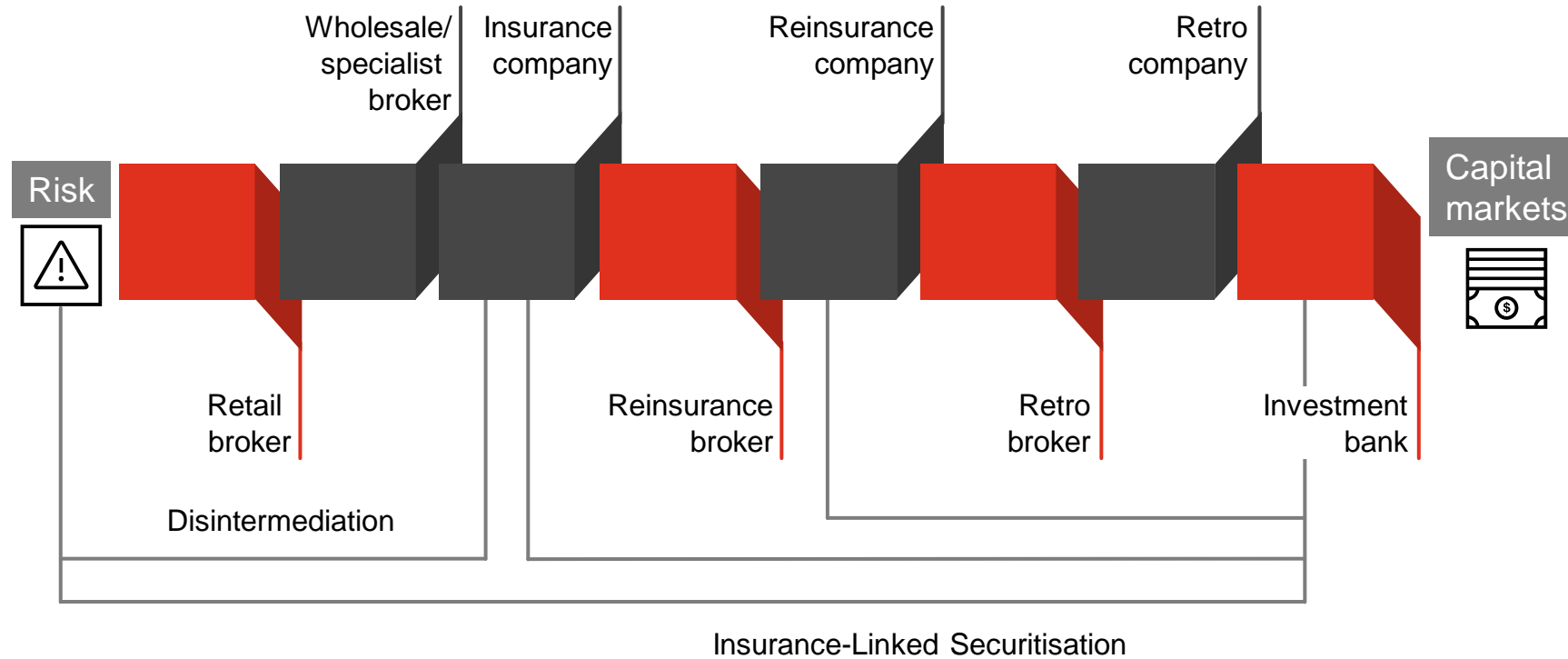
‘Why the repo market is such a big deal – and why its \$400 billion bailout is so unnerving’

The client lens:



1. Do these actions mean Lloyds is in trouble again
2. Should I place more of my requirements outside Lloyds?
3. Should I move my other covers away from the syndicate/s that can no longer write some of the covers they presently underwrite for me?
4. Given my long relationship with a syndicate that is no longer in existence or can no longer write my marine covers for example will my claims still be paid promptly and fairly given the syndicate /s no longer have an interest in the relationship?
5. Should I only accept top decile syndicates on my programs?
6. Can I assume this new Lloyds more "dirigiste" regime will continue? Can I rely on you my broker to look ahead and move my business once a syndicate starts to show deteriorating results?

The re/insurance industry cost chain



‘How many different coverages/policies does a typical industrial/commercial client purchase?’

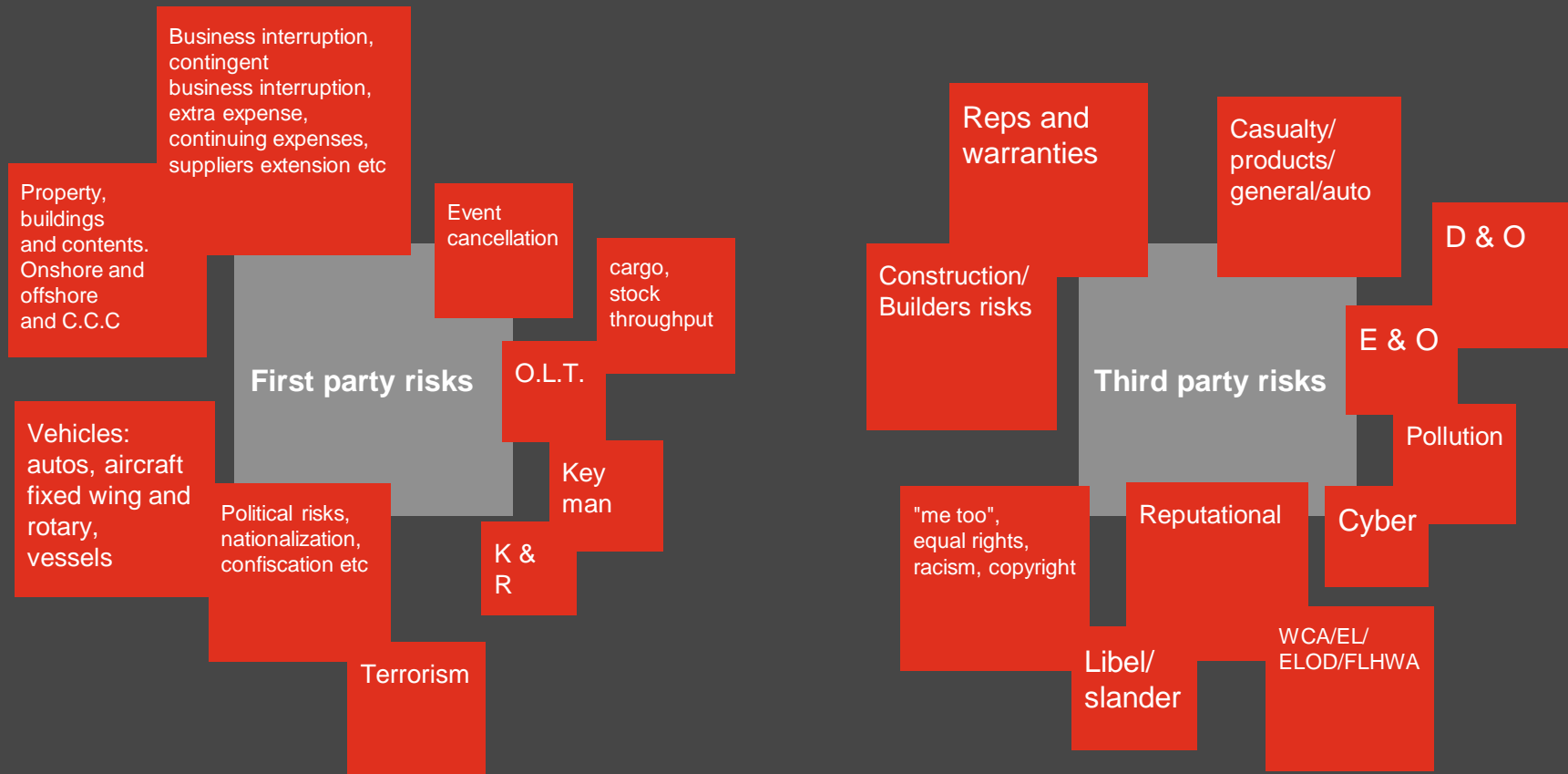
20?

30?

40?

50?

More?



Are there any gaps or over laps?

MMC president & CEO Dan Glaser:

'It's the age of the intermediary. I'm not just talking about insurance brokers. I'm talking about Facebook, Google, Amazon. They're all intermediaries, and so the ability to sort through and give something of value to a client, customer or buyer is vitally important across a very wide spectrum well beyond insurance broking.'

*This importance to the client is a key reason why Glaser said **the threat of disintermediation has fallen.***

4 Basic volatilities

Currencies



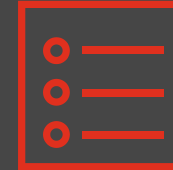
Interest rates



Commodity prices



Risk



All benefit from deep and liquid markets



Question

If I guarantee to place all your coverages in one programme with A-rated security but NO gaps or overlaps and save you 20% would you appoint me as your sole broker?



Question

If I save you more than 20% can I keep the difference?



Question

Data: Who has the most data?
Carriers or brokers?



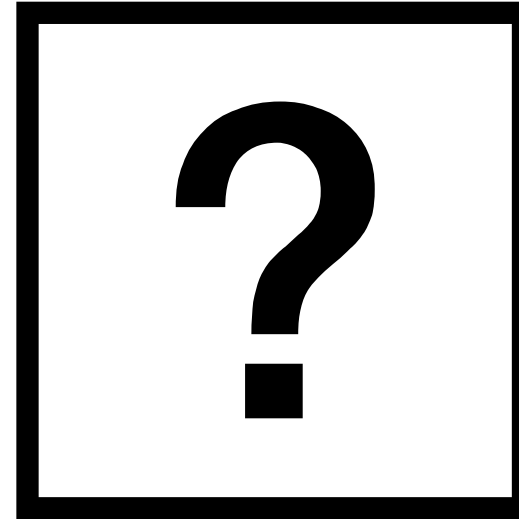
Question

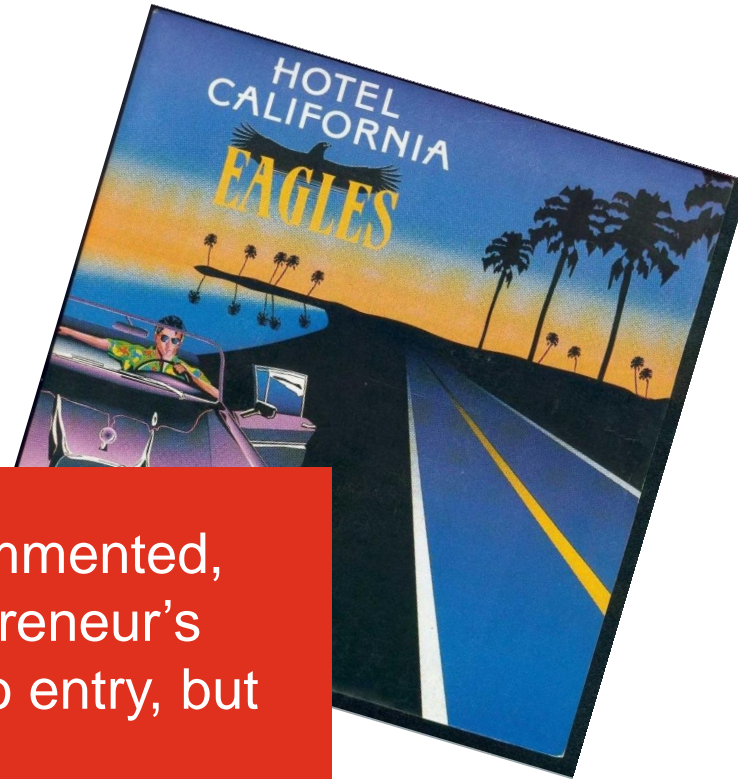
Does any broker have enough data to bring together unrelated risks by class by geography?



**Broker/Carrier
relationship...**

Parasitic/Symbiotic?





A Financial Times journalist once commented, “The insurance business is an entrepreneur’s vision of hell, there are few barriers to entry, but even fewer to exit ...”

*Or as the Eagles song “Hotel California” goes,
You can check out any time you like
But you can never leave ...*

LLOYD'S, E.C. 3

1970

Admit Mr.

B.L. Mahoney.

Substitute to

I.H.F. Findlay, Esq.

By order of the Committee.

Date *6th March, 1970.*

667

Thank you

- **Questions?** Email me:
dmahoneybda@gmail.com

Questions, Comments & Answer(s)?



FS Club





FS Club

Platinum Sponsors



Gold Sponsors



Silver Sponsors



Bronze Sponsors



Personal Sponsors





FS Club

Thank You

Forthcoming Webinars

18 June 2020 (09:00) [Financial Centres Of The World 2020: Focus On Busan](#)

18 June 2020 (11:30) [CommunityZ Chest - Vinay Gupta In Conversation With Michael Mainelli](#)

19 June 2020 (12:00) [Quantum-Resistant Encryption](#)

Visit <https://fsclub.zyen.com/events/webinars/>

More added every day...