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Quo Vadis Reinsurance

By Dirk Nieder

In May 1842 the Great Fire in Hamburg killed dozens of people and destroyed about a third of the city. The claims resulting from this disaster seriously strained the financial health of local insurance companies and were one of the main factors motivating the establishment in 1846 of the first professional reinsurance company, Kölnische Rückversicherungs-Gesellschaft (Cologne Re). In 1854 the company obtained a license for life reinsurance business, and today it operates under the brand name Gen Re.

The insurance world has gone through dramatic demographic and social changes over the last 170 years. Whereas only 30 percent of people survived age 65 in the 1850s, well over 90 percent survive to this age today.[1] The respective insurance risk has evolved from the risk of dying to the risk of outliving accumulated savings after retirement. Today, the risks faced by insurance and reinsurance industries include terrorism and damage resulting from the concentration of population and assets in hazard-prone areas.

The reinsurance industry has also seen the emergence of abundant alternative capital, reinsurance brokers attempting to increase their impact as intermediaries, and direct insurers increasingly retaining business that was traditionally reinsured. The influence of new solvency regimes and IFRS 17 on the reinsurance industry is still not fully known. These developments affect the business performance of reinsurance companies, and the enhancement of their advisory consulting services is a frequent recommendation for reinsurers to stay fit for the future.

Technology is driving changes in the reinsurance industry as well. The use of blockchains for the placement and administration of reinsurance[2] and the use of artificial intelligence for managing the renewal of reinsurance business could increase efficiency and reshape the industry. In particular, life reinsurers receive credit for not only investing in technology to improve their own processes but also supporting the transformation challenges of direct insurers.[3]

Examples, such as Blackberry and Nokia, serve as warnings to companies that may need to adjust their business models at a time of change and aggressive competition. But reinsurance companies should stay alert to the threat of losing their identity, which has been the basis of their activities for more than 170 years, and turning into companies focusing more on consulting and technology than on reinsurance.

I hope you will find food for thought about the future of the reinsurance industry in the great collection of articles in this issue of *Reinsurance News*. It includes a historical review of life reinsurance over the last 35 years, explorations of topics such as IFRS 17, a Q&A that continues our series of interviews with CEOs of reinsurance companies, and an article on the involvement of reinsurers in the world of InsurTechs.

I would like to thank all of the writers who have contributed to this edition of the newsletter. ■

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ENDNOTES

1 Max Roser, "Life Expectancy," Our World in Data, 2019, *https://ourworldindata.org/life-expectancy*.

2 Ingemar Svensson and Ross Campbell, "Unblocking Blockchain," *Reinsurance News*, 90, March 2018, *https://www.soa.org/globalassets/assets/library/newsletters/reinsurance-section-news/2018/march/2018-reinsurance-news-issue-90.pdf*.

3 Mark Prichard, "Reinsurance Reloaded," *Reinsurance News*, 94, July 2019, *https://www.soa.org/globalassets/assets/library/newsletters/reinsurance-section-news/2019/july/2019-reinsurance-news-issue-94.pdf*.