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# What Reinsurers and Cedants Can Learn from Uncle Rex and the Bulls

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**M**y wife's uncle, Rex Holloway, was a man whose wisdom was acquired through experience and observation. His was a special kind of wisdom, the kind that worked itself into a person's being. It was a deep and resonant kind of wisdom that can neither be bought nor learned in the sterile environment of a classroom.

It was the kind of wisdom, I believe, that the Greek philosopher Heraclitus had in mind when he said, "Character is fate."

Rex passed away this winter, shortly before his 89th birthday. A few months earlier, his children hosted a "roast" for Rex Holloway. Atypical of the roasts you sometimes see on television, this event was held at the Christian church in Arnett, Okla., and the "roast" consisted of an incredibly large and diverse group of friends (for individuals like Rex there are no colleagues or acquaintances, only friends) who all had stories to share.

My favorite story was the one about the time Rex showed up for church service on a bitterly cold, icy, snowy, windy Oklahoma Sunday. It was a treacherous enough Sunday, and a small enough town (pop. 520) that Rex was the only person to make it to the service that day.

Noting that Rex had made it to service, overcoming many of nature's toughest winter obstacles, and further noting that Rex had failed to overcome significantly lesser obstacles to find his way to service on the vast majority of previous Sundays, the preacher wanted to do the right thing. So, he said to Rex, "Thank you so much for making it to service this morning, in spite of the weather. As you can see, you are the only one who made it. But, I'm still happy to preach if you want me to."

To which Rex replied, "Well preacher, I'm not the smartest man in the world. But I do know that if I go out to the pasture to feed the bulls and only one bull shows up, I feed it."

The preacher smiled thoughtfully and then proceeded to conduct a regular, hour-long service with Rex being the only person present.

At the end of the service, perhaps with a longer than normal sermon due to the preacher's excitement at having Rex attending church, the preacher again walked back to where Rex was sitting, shook his large, tanned and calloused right hand and asked, "Well Rex, what did you think of the service?"

Rex replied, "Well preacher, I'm not the smartest man in the world, but if I go out to feed the bulls and only one shows up, I don't give him the whole bale of hay!"

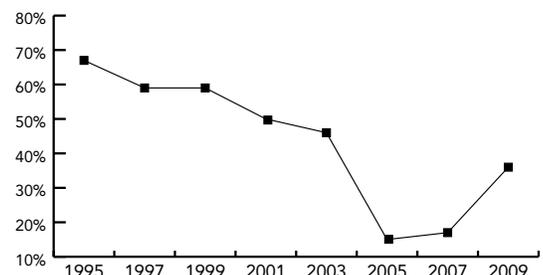
With Rex in mind, I'm not going to share everything that was learned in or recently published survey of U.S. life cedants. Instead of sharing the "whole bale of hay," I'll instead focus on the most important result from that study.

## FIRST SIGNIFICANT INCREASE IN SATISFACTION SINCE 1993

The most important result from the 2009 U.S. Life Cedant survey is that the proportion of cedants indicating they are "very satisfied" with the reinsurers that they use, shows significant positive movement for the first time since 1995.

The proportion of cedants indicating they are "very satisfied" with their reinsurers now stands at 36 percent.

As you may know, reinsurer satisfaction had been falling fairly steadily since 1995. See chart below.





For U.S. reinsurers and cedants, this is welcome, and very timely, good news. Importantly, this good news does not appear to be limited to the U.S. market.

Between 2006 and 2008 the proportion of European cedants indicating they are “very satisfied” with the life reinsurers they use rose from 30 percent to 40 percent.

Also notable, the proportion of Canadian cedants indicating they are “very satisfied” with the life reinsurers they use is at 27 percent in a survey conducted in March of this year.

Based on additional findings in our surveys, satisfaction is poised to continue to rise, at least in the short term.

When asking cedants in the United States, Europe and Canada whether relationships with reinsurers are improving, declining or unchanging; we find that cedants in all three markets are extremely positive:

- 35 percent of U.S. cedants believe relationships are improving (versus only 5 percent who believe relationships are declining).

- 53 percent of European cedants believe relationships are improving (versus only 5 percent who believe relationships are declining).

- 51 percent of Canadian cedants believe relationships are improving (versus only 3 percent who believe relationships are declining).

- In the U.S. market, this is a dramatic change from as recently as 2005 when 61 percent of cedants felt that relationships with reinsurers were declining.

#### What happened to cedant/reinsurer relationships?

As with just about everything else in life and business, there is no single answer that explains everything. In examining the responses of cedants who were asked to explain their newly found, positive outlook, however, one answer does explain a lot.

To fully understand the explanatory power of the answer we must first go back in history to the time when human beings first set up markets to buy, sell and exchange goods and services. It was at this point in history that the basics of business relationships were established.

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Very important to those relationships was the simple fact that they involved sight, sound, smell, taste and touch—all of the senses.

In fact, when I first started working with reinsurers in the late 1980s, I was told by most executives that this was a highly personal business where deals were typically “done on a handshake” and that everybody “knew everything about everybody.”

It was the type of business where people met, in person, and talked and communicated and understood and empathized and figured things out. It was the kind of business that included all the human senses.

So things were good until the 1990s, and the very advances that were supposed to make business more effective somehow made things less effective, and less personal.

During this period more and more individuals stopped making personal visits, instead relying on the fax machine, or e-mail, or voice messaging or later, text messaging.

And before anyone knew what had happened, a handshake just wasn't any good anymore. Suddenly, the proportion of cedants happy with their reinsurer relationships had dropped to just 15 percent, and very few people, anywhere, thought it would improve anytime soon.

### THE ANSWER—RELATIONSHIPS ARE IMPORTANT AGAIN

When we ask those cedants what is making things better, the overwhelming majority in every market answer “relationships.” The actual words they use include the terms “communication,” “partnership,” “mutual understanding,” “service,” “support” and “caring,” but when one reads the narrative it becomes obvious what is happening. People are again spending time building strong relationships.

Not surprisingly, the reinsurers we survey report the exact same thing. Reinsurers and cedants are talking again; listening to each other, making connections and using more of the senses.

Which brings me back to my wife's Uncle Rex.

One is likely to look at the preacher story and see little more than a humorous tale of country wisdom.

To do so would be to miss the real point, the underlying greater truth in the story: that wisdom born of the actual experience of difficult events provides a person with wisdom that a person carries into every aspect of life. A wisdom that changes character.

Rex Holloway's character was forged by extreme events including the Great Depression and the dust bowl. Rex Holloway drew on that wisdom to answer whatever challenges and questions life threw at him. More often than not, he had the right answer.

So, too, has the basic character of reinsurers and cedants has been altered and adjusted by the events of the last 10 years, the reinsurance equivalent of the dust bowl.

The result is that reinsurers and cedants now have a deeper, special type of wisdom to draw on to answer the challenges and questions the industry throws at us.

It's the kind of wisdom that works itself into a person's being. It is a deep and resonant kind of wisdom that can neither be bought nor learned in the sterile environment of a classroom.

It's the kind of wisdom that will result, more often than not, in getting the right answer. It's character.

I'll write it again. “Character is fate.” ■