

Committed to cat risk



Christopher T. Schaper, Executive Vice President, Chief Underwriting Officer and Head of Bermuda Reinsurance at Endurance Specialty Insurance Ltd., explains why his cat risk team is dedicated to working closely with individual clients.

What is Endurance's participation in the property catastrophe market?

While Endurance has grown to be a highly diversified specialty insurance and reinsurance company, property catastrophe reinsurance continues to be at the core of our business. We have been writing property cat treaties in Bermuda since Endurance's formation in 2001, and have built a strong team, growing our property catastrophe portfolio on a global basis. Endurance is very committed to this market and we work closely with our clients, devoting significant resources to expand our portfolio of property catastrophe risks around the world.

What differentiates Endurance's cat risk approach from others?

We believe that really getting to know our clients makes all the difference. We seek clients with disciplined underwriting standards and then we invest time to truly understand their portfolios, strategies and operations. While we welcome, and are very appreciative of, our clients who visit us in Bermuda, we believe that there is value in our seeing their operations firsthand, and our cat risk team travels extensively visiting clients on their home front. We recognize that cultures, perils and our clients' needs vastly differ across geographies.

What can the industry do to be better prepared for cat events?

The industry continues to evolve, some areas more quickly than others. In our view, to be successful in the cat risk market every

cat event needs to be viewed as a learning experience. It is only from analyzing actual events that we can truly attain valuable insight into how portfolios behave. The stronger insurers and reinsurers will deconstruct each cat event for opportunities to improve risk modeling and underwriting approaches. It's critical for reinsurers to conduct a formal assessment of their portfolio after each of these events – it's the only way anyone is going to learn as well as evolve – and we do learn quite a bit when these events occur.

How does Endurance allocate capacity?

We take a view across multiple product lines when we allocate capacity as we believe it's important to approach this key area with our clients' perspective in mind. By evaluating total capacity needed by each client, including capacity for frequency property risks, we can enhance the extent to which we meet our cedants' objectives while ensuring that Endurance participates as significantly as appropriate in their reinsurance program.

Have you adjusted your approach given the soft market we are in?

During a soft market, it can be tempting for reinsurers to increase exposure significantly in order to retain top line premiums. Companies that expand their limits in these situations can find that they have multiplied their exposure to a large cat event many times over, which can significantly hamper their long-term sustainability. At Endurance, we allocate limit carefully so that

we maintain a diversified portfolio through the market cycles, preserving our capital and building equity for the future. Working with our clients, we seek to ascertain clearly their exposures and to deploy the proper limits on a case by case basis that best meets the needs of both Endurance and our clients.

Are there factors that enhance a company's likelihood of surviving soft markets?

Absolutely. Companies that have demonstrated the ability to manage through market cycles exhibit certain common characteristics. These include a disciplined approach to underwriting; advanced analytics; exceptional risk management; a strong balance sheet; well-developed relationships to source business; and of course, attracting and retaining experienced and dedicated professionals who understand the dynamics of market cycles and client needs. These traits, however, must be embedded within a company well before there is a soft market; they must already be part of the company's culture. If we look back on past market cycles, those companies that did not maintain discipline often experienced a long-term negative impact on their capital base that ultimately put some firms out of business. However, the companies that prosper through the market cycle typically do so because of their strong approach to each of the characteristics noted here. At Endurance, our clients count on us – not only as a sustainable business partner, but also to assist them throughout the business cycle.