# Enterprise reinsurance solutions: an idea whose time has come

*TigerRisk Partners has developed innovative approaches to making casualty reinsurance more capital-efficient. Dan Miller reports.*

Large multinational insurance companies with many lines of business operating over wide-ranging geographies are buying less and less reinsurance. While demand has held steady or risen on the property side, demand for casualty reinsurance is half of what it was at its peak. Why?

We had an idea, but we wanted to know. So we talked to 30 of the world's largest insurers about what they were and were not buying, and why they had decided to reduce their casualty reinsurance spend.

As we suspected, the reasons were varied. In their view, the solutions available for managing volatility across multiple lines, particularly within the casualty space, have been imperfect. Coverage grants are ambiguous or overly restrictive and there has been a significant disconnect between how buyer and seller value what coverage is available. As a result, many of the large carriers have elected to manage these exposures internally.

But what if there was a way to make casualty reinsurance more capital-efficient and better suited to customer needs? TigerRisk has developed innovative approaches that can result in considerable savings for cedants while providing better recognition of the correlation risk across divergent lines of business, either within the casualty arena or more broadly across both property and casualty lines.

## Diversification

Over the last several decades, large international insurers have purchased reinsurance on a compartmentalised basis. They separate their property business from their casualty business. And then within the casualty space, they tend to buy protection in silos. They might buy one reinsurance programme for their professional liability business, another for their general liability business, and yet another for their workers' comp business. Unfortunately, this silo approach ignores the cost-saving potential of diversification achievable in a consolidated transaction.


*Dan Miller*

TigerRisk has developed solutions that can result in considerable cost savings by recognising the diversification of the entire organisation, across geographies and lines of business. Our Enterprise Risk products are designed to capitalise on the low probabilities of increased frequency and severity losses across a large organisation's many business units.

## Technology

Demonstrating the remote likelihood of correlations requires high-level analytics and technology. On the property side, catastrophe modelling is already highly developed. As a result, reinsurers are willing to recognise diversification across geographies and types of properties.

Casualty tail risk, on the other hand, is much more difficult to model and devoid of any recognised third-party modellers. Nevertheless, the question 'What if?' precedes every potential loss correlation question.

TigerRisk has found a better way to ask: "What if?" We have developed a new type of scenario software that can simulate outcomes and assign probabilities at a much higher speed and much lower cost than other options available to cedants. This powerful new technology offers a much more comprehensive and varied examination of possible diversification benefits across a company's entire spectrum of risk.

## Benefit

We believe our Enterprise Risk approach provides several important benefits:

- Combining multiple towers of reinsurance into a single structure enables diversification to positively impact pricing.
- Coverage is flexible and can be tailored to address adverse casualty experience either in isolation or in combination with poor property results.
- Coverage grants are clear, broad and unambiguous.
- Sufficient capacity is available to make a material difference.

Enterprise Risk coverage can be considered as a substitute for, or a supplement to, existing protections, thus allowing companies an alternative to optimise reinsurance within its evaluation framework and replace limitations of traditional casualty reinsurance with more cost-effective reinsurance. ■

*Dan Miller of TigerRisk Partners holds CPCU and ARe designations. He can be contacted at: dmiller@tigerrisk.com*