



Reinventing Outwards Reinsurance

Managing outwards reinsurance programmes can be demanding for complex carriers, but it doesn't need to be.

The need for a coherent digital strategy

Most carriers typically purchase their outwards reinsurance through a combination of individual class and group-wide coverages, administered through multiple IT platforms – and the efficiency gap between those employing a coherent digital strategy for managing policies and those with a disjointed legacy approach is widening.

Companies with international branches – which often operate as separate legal entities – may also have inter-group reinsurance arrangements in place between entities, adding further complexity. Structured on either an excess loss basis or by way of specific or whole account quota shares, these arrangements are normally operated at arm's length, sometimes via broker, and administered internally. They should, of course, be handled, controlled and checked just like any other reinsurance policy and may require another ceded reinsurance platform.

Managing a complex group reinsurance programme through multiple platforms is a drain on resources and highly inefficient if not done in the right way. Many carriers still rely on spreadsheets to manage these multiple books of outwards reinsurance, or operate with outdated excess of loss calculation tools that are rarely fully integrated with core systems. Too much information needs to be re-keyed, and reinsurance teams are often working with limited wider visibility across the multiple entities and inconsistent, out of date or inaccurate data.

Automation

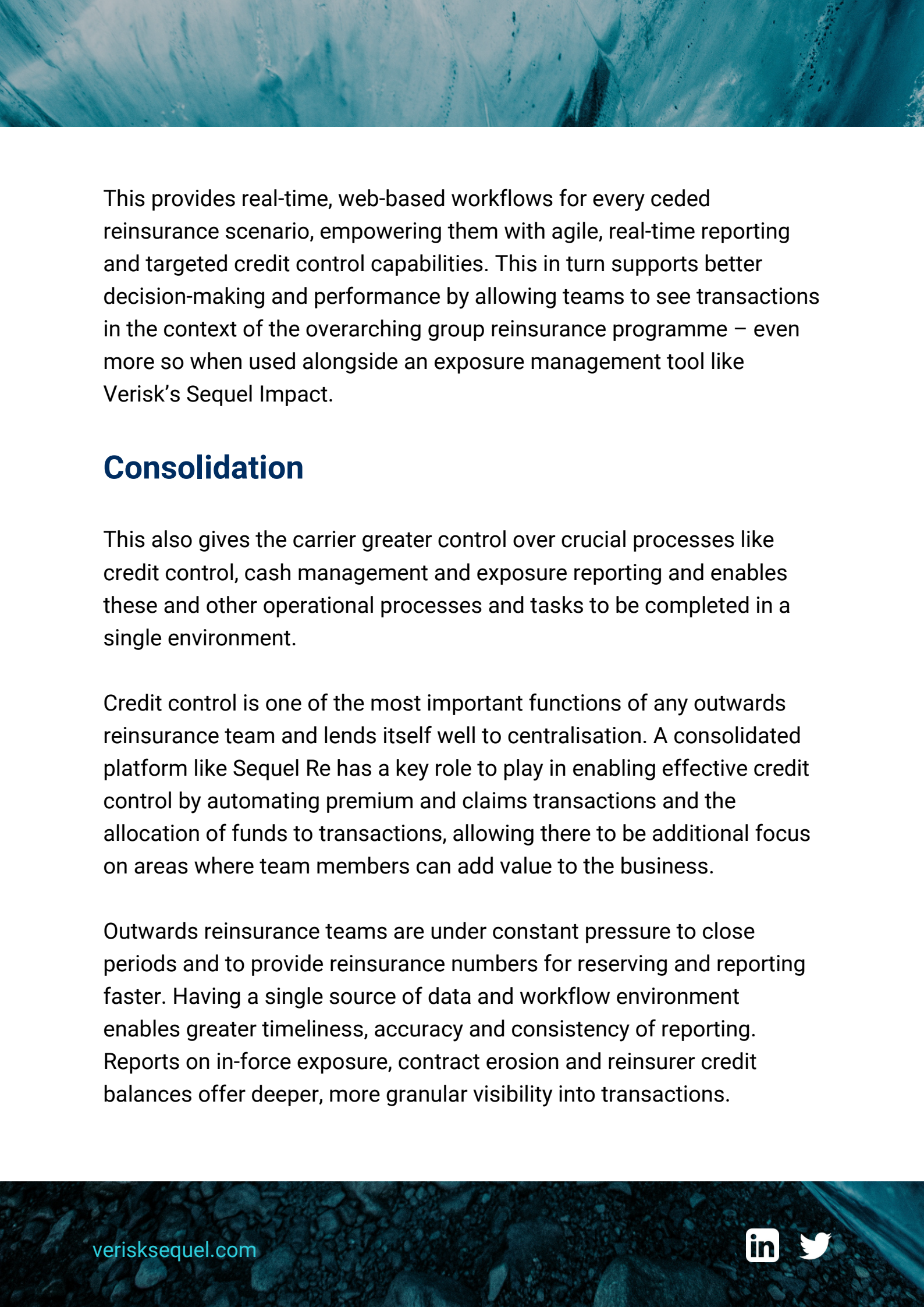
Digitalising, standardising and automating outwards reinsurance operations where possible is key. Carriers need a consistent dataset for their interactions with reinsurers, together with relevant business codes, across their multiple entities and classes of business to ensure data completeness, accuracy and uniformity across the outwards reinsurance programme.

Verisk recommends using a bespoke master data management (MDM) tool or putting a process in place within the group entities to ensure a consistent and auditable event coding standard, which can help with managing aggregation of claims data for recovery calculations and various other aspects of the reinsurance process.

In an ideal world, a carrier would also have a single consolidated outwards reinsurance team working across all legal entities to instil a common set of processes and controls regardless of location or classes of business – though of course this is not always the case or possible.

Maintaining the operations for outwards reinsurance arrangements in a single system of record – which provides a single version of the truth – is a powerful way of managing complex reinsurance programmes more effectively and efficiently.

Verisk's Sequel Re can ingest data from multiple Policy Administration Systems, enabling all reinsurance programmes to be managed, controlled and reported from a single core database and ledger.




This provides real-time, web-based workflows for every ceded reinsurance scenario, empowering them with agile, real-time reporting and targeted credit control capabilities. This in turn supports better decision-making and performance by allowing teams to see transactions in the context of the overarching group reinsurance programme – even more so when used alongside an exposure management tool like Verisk's Sequel Impact.

Consolidation

This also gives the carrier greater control over crucial processes like credit control, cash management and exposure reporting and enables these and other operational processes and tasks to be completed in a single environment.

Credit control is one of the most important functions of any outwards reinsurance team and lends itself well to centralisation. A consolidated platform like Sequel Re has a key role to play in enabling effective credit control by automating premium and claims transactions and the allocation of funds to transactions, allowing there to be additional focus on areas where team members can add value to the business.

Outwards reinsurance teams are under constant pressure to close periods and to provide reinsurance numbers for reserving and reporting faster. Having a single source of data and workflow environment enables greater timeliness, accuracy and consistency of reporting. Reports on in-force exposure, contract erosion and reinsurer credit balances offer deeper, more granular visibility into transactions.



Further, a range of standard forms and a single process to pay and receive funds from Lloyd's syndicates and reinsurance companies also simplify the reinsurance process.

As carriers expand their businesses into new geographies and classes of businesses whilst digitalising their businesses and seeking to take advantage of efficient digital ecosystems, having a coherent, consistent approach to reinsurance management is a necessity.

Sequel Re can provide carriers, large or small, a flexible, scalable, functionally rich platform that gives reassurance to all parties concerned, that reinsurance financials are going to be delivered in a comprehensive and succinct manner.

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