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Ceded Reinsurance Market Survey

Results Overview, October 2023

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Executive Summary

Executive Summary – Key Findings

The last 12 months have seen a dynamic reinsurance market where capacity and capital challenges have meant increased retention for cedants. This has resulted in a number of responses, including increased focus on gross underwriting, better data for portfolio management as well as an increased focus on the ceded reinsurance operations.

Our team at Deloitte has recently supported several organisations to define their transformation journey for ceded reinsurance operations. This survey has been issued to assess the extent to which this trend is prevalent across the wider market and understand the various transformation strategies being deployed in more depth.

Managing reputation in the market (e.g. mitigating the risk of misstatement), maximising the benefit of reinsurance (by minimising recovery leakage) and ensuring targeted and efficient coverage in a market of higher retention levels requires effective reinsurance management. Our survey shows these drivers have generated significant recent transformation spend in ceded reinsurance operations, focused on improving the benefits from data, processes and systems. However, delivering a successful transformation outcome is no small feat given the historic underinvestment in this area.

> *"Investment in ceded reinsurance operations will be critical to delivering the capabilities required to optimise capital in the future."*
>
> James Slater, UK Ceded Reinsurance Transformation Lead

Summary of key challenges facing insurers and what this means

Complexity: it's here to stay

79% *of survey respondents indicated that they expect their reinsurance programmes to continue to increase in complexity in the short-term (i.e. in the next 2-3 years).*

The trend towards more complex and innovative reinsurance arrangements looks set to continue, driven in part by hardening markets, as organisations seek to be more efficient with their purchasing and gain a competitive advantage.

Data, data, data: the single biggest challenge

71% *of respondents said that late data leads to manual activity, workarounds and inaccuracies and 57% said that they have no single source for the data they need, which exacerbates the issue.*

Insurers struggle to capture and harness data effectively in order to drive insight and deliver efficiencies in operations. For ceded reinsurance operations this is exacerbated by lack of strategic data solutions and widespread use of legacy systems.

The war on talent: securing your future

63% *of respondents with >$1bn CWP acknowledge they do not have the necessary talent within their team.*

Insurers need to attract, develop and retain a pipeline of new reinsurance talent for the future. Many ceded reinsurance teams have experienced and specialist resources who are a rare commodity in the market and very difficult to replace.

This means insurers have a significant gap to close in order to be fit-for-purpose and act as an effective strategic enabler within the organisation.

Executive Summary – Next Steps

Many insurers are spending upwards of tens of millions of dollars transforming their ceded reinsurance operations. Those who have underestimated what is required or haven't started should consider developing their case for transforming their strategic ceded reinsurance capability.

Business Case Drivers

According to our survey, the risk of misstatement and the desire to accelerate reporting timetables are currently the most important drivers for prioritising investment in ceded reinsurance transformation, but most have also realised that any investment in ceded reinsurance transformation pays for itself by helping to reduce recovery leakage, which is deemed prevalent in the market.
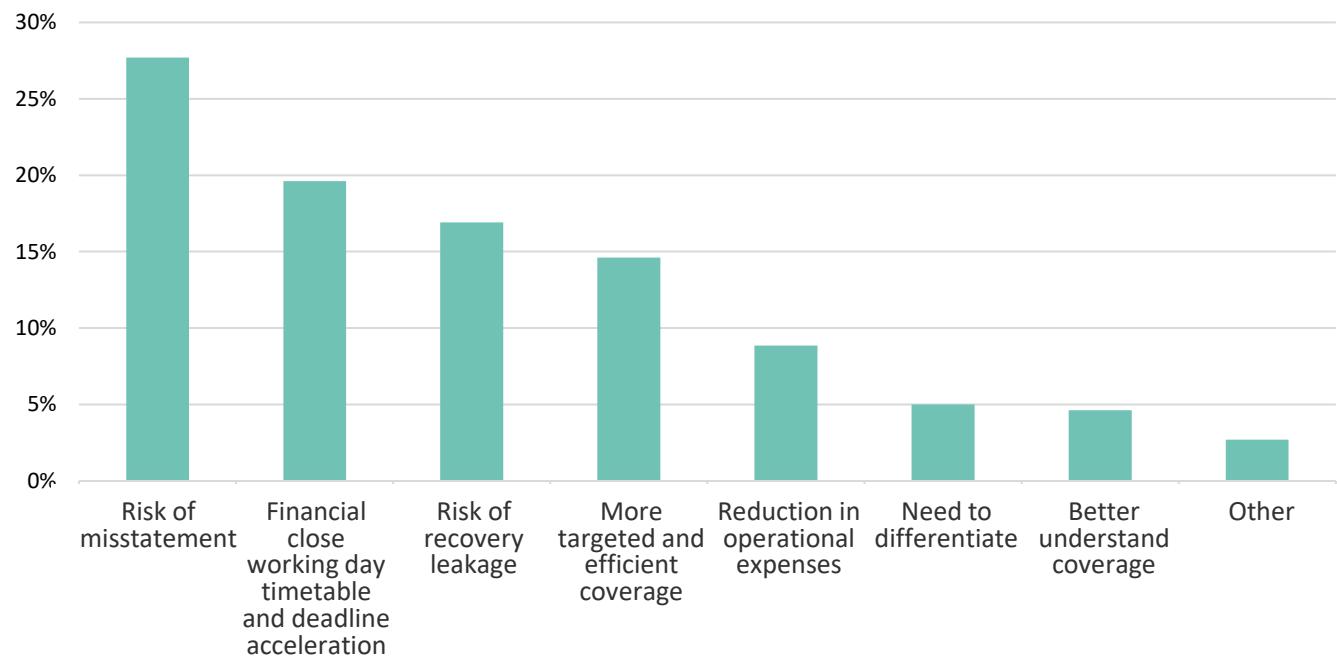
Next steps

Developing a case for transformation can be tricky. One way to get started is to:

1. Assess current capability and identify gaps

Perform a capability and maturity assessment incorporating all elements of the current ceded reinsurance operations, identifying priority capabilities and the most significant gaps.

2. Design future capability

Define the desired capability for the ceded reinsurance function, incorporating people, process, organisation, data and technology. Combined with the current capability, this will provide areas to immediately focus on improving, with clear benefits.

3. Define transformation and business case

Develop actionable initiatives to close capability gaps, realising benefits to the ceded reinsurance operating model and the wider business. Prioritise these into a roadmap to define your transformation journey and business case.

Ceded Reinsurance Market Survey   5

Section 1
Market Context and Survey Background

Ceded Reinsurance Market Survey – Context

This survey explores the trends and challenges of leading insurers and reinsurers as they modernise their ceded reinsurance functions.

Background

We invited insurers and reinsurers (both UK-based and internationally-based), who represent a cross-section of the ceded reinsurance market to answer questions about their ceded reinsurance function. Their responses provide unique insight into practices in the market. The 14 survey respondents answered a number of questions on their ceded reinsurance strategy, processes, team structure, systems, data, skills and talent as well as their modernisation journey.

Scale of the Respondents

We targeted the biggest players across London and European insurance markets to better understand the trends, challenges and opportunities faced by those with ceded reinsurance.

In total respondents had c.$100bn of gross written premiums (GWP) and a total of $18bn ceded written premiums (CWP) with over half of respondents having over $1bn in ceded written premiums.

Operating Market of the Respondents

Nealy half of the respondents had London Market syndicates with 5 of the respondents being ranked in the top 10 for syndicate size. In addition, our survey includes responses from 3 of the biggest global reinsurers by GWP (although their responses focus on their UK and European operations only) and 2 of the biggest European insurers by GWP. The breadth and depth of the organisations covered by respondents ensured we were able to capture the nuances being seen across the market.

Identity and Geography of the Respondents

The respondents included a mixture of CFOs and Heads of Reinsurance and Ceded Reinsurance. The respondents' collective experience accounted for 121 years of operations in ceded reinsurance with an average of nearly 9 years per respondent. The survey focused on UK and Europe based ceded reinsurance operations with all but two of the respondents being based in the UK.

$99bn Gross Written Premium in Total

$18bn Ceded Written Premium in Total

X5 of top 10 London Market Syndicates*

X3 of top 15 Global Reinsurers*

X2 of top 15 European Insurers*

*Based off Atlas 2022 ranking across markets

Ceded Reinsurance Market Survey – The Market

Ceded reinsurance arrangements have become more sophisticated and complex, and scrutiny from regulators, auditors and boards has increased significantly.

Reinsurance Market Trends

The reinsurance market has evolved considerably over the last few decades. In particular, an extended period of soft markets drove significant product innovation and complexity. Products have become more flexible allowing greater tailoring to specific requirements. Organisations have focused on complex, large-scale, group-wide arrangements, often combined with alternative sources of capital.

This has meant that ceded reinsurance teams have created more sophisticated buying, modelling and administration capabilities to exploit market innovation. There has also been a significant increase in group, divisional and local market co-ordination required to purchase and administer contracts.
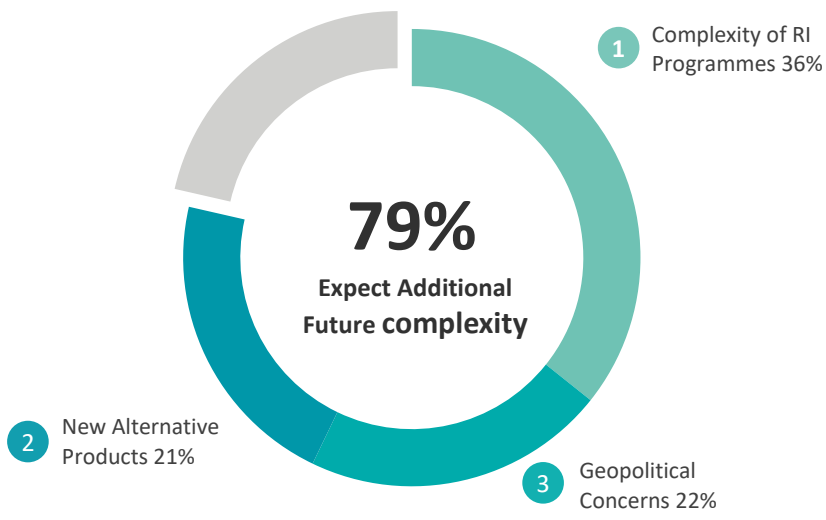
Ceded reinsurance is a strategic capability, especially in an environment of hardening markets and increased retentions. It is crucial for both Group (to manage risk appetite, capital and overall protection) and divisions (to manage profitability and capacity for growth), and it therefore requires thoughtful execution.

Ceded Reinsurance Outlook

We asked respondents to provide us with a gauge of the extent to which they expect more or less complexity in the ceded reinsurance market in the immediate future as well as what they thought might drive that. 79% of respondents indicated that they expect their reinsurance programmes to increase in complexity in the short-term (i.e. in the next 2-3 years) for the following three reasons:

- Complexity of clauses and structuring of RI programmes (36%)
- New alternative capital products (21%)
- Geopolitical factors within wider environment (22%)

The trend towards more complex and innovative reinsurance arrangements looks set to continue, driven in part by hardening markets, as organisations seek to be more efficient with their purchasing and gain a competitive advantage.

79%
Expect Additional Future **complexity**

1 Complexity of RI Programmes 36%
2 New Alternative Products 21%
3 Geopolitical Concerns 22%

Section 2
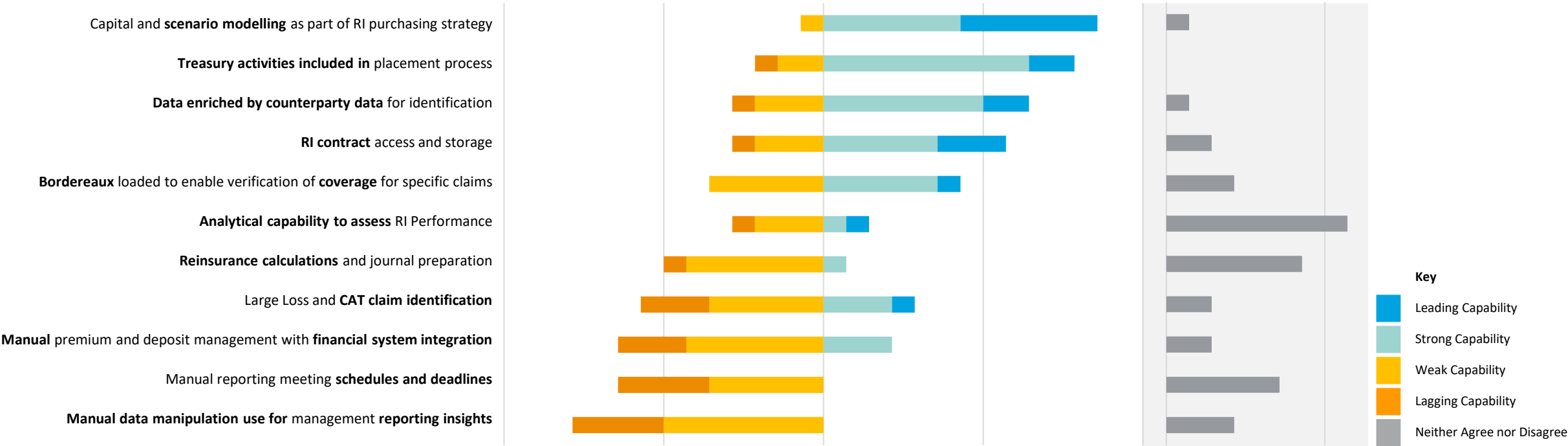## Understanding your Business and Core Processes

Understanding Your Business Processes

Capabilities associated with Front and Middle Office are noted to be stronger than Back Office indicating a historic lack of investment.

Current Process Capability

Participants identified back office weaknesses in their financial reporting and large loss operations. Manual production of management information, regulatory reporting and journal calculation were key areas challenging overstretched teams to meet increasingly demanding timelines. Premium and deposit management was identified as needing further integration with financial systems. An inability to link large and catastrophe claims across systems was raised as preventing claim recoveries from the same event. Front office capabilities such as the use of capital and scenario modelling and liquidity and credit risk assessments were flagged to be leading capabilities. Underlying policy data, including counterparty, is also considered to be a strong capability.

Strong underwriting and purchasing combined with weak Finance and operating processes will lead to increasing deficits in middle and back-office capabilities as reinsurance increases in scale and complexity. Middle and back-office functions will be unable to meet future requests for billing/collections, on-demand insight and real time exposure to large claim events. Therefore, front office functions must support middle and back office in defining the business case for investment as only together will ceded reinsurance be able to fulfil its role in the business and be a foundation for growth. Key priorities include data management and reporting capabilities.

Capital and **scenario modelling** as part of RI purchasing strategy

Treasury activities included in placement process

Data enriched by counterparty data for identification

RI contract access and storage

Bordereaux loaded to enable verification of **coverage** for specific claims

Analytical capability to assess RI Performance

Reinsurance calculations and journal preparation

Large Loss and **CAT claim identification**

Manual premium and deposit management with **financial system integration**

Manual reporting meeting **schedules and deadlines**

Manual data manipulation use for management **reporting insights**

Key
- Leading Capability
- Strong Capability
- Weak Capability
- Lagging Capability
- Neither Agree nor Disagree

Understanding Your Core Processes

The receipt of inaccurate and incomplete data from fragmented technology architectures drives many of the issues with manual and inefficient processes.
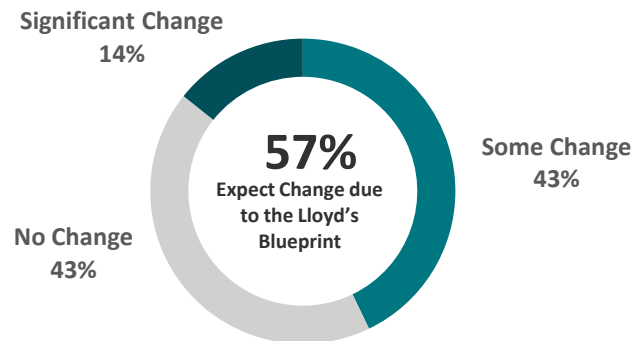
Current Process Capability

Survey respondents were asked to outline the most significant current and increasingly relevant issues relating to their ceded reinsurance processes. These were subsequently grouped into categories representing the most significant problem areas, including processes, data and systems.

Current and Growing Challenges

inconsistent processes

system inefficiencies

incompatible systems

manual intervention

data   lack of systems functionality

system flexibility

Impact of the Lloyd's Blueprint on Ceded Reinsurance processes

Significant Change
14%

57%
Expect Change due to the Lloyd's Blueprint

Some Change
43%

No Change
43%

Note: only respondents with syndicates included above.

Top 3 pain points common across respondents

1

Process
Manual Intervention – systems not working together means data needs to be manipulated manually. Lack of automation drives inconsistency across processes.

2

Data
Quality of data – the data received from the market and the business is not fit for purpose. It lacks the required granularity and data sets are incomplete.

3

Systems
Incompatible systems – respondents noted the use of multiple systems and the lack of integration between them.
Lack of functionality within systems – respondents found it difficult to update their systems to suit nuanced arrangements with adjustments being performed off system. Some lacked a system altogether.

Inconsistent processes prevent automation, and low data quality prevents data being utilised as an asset. Standard processes and formalised ownership of data quality are key to resolving pain points.

A centralised reinsurance solution, leveraging the latest ceded reinsurance technology, would enable compatibility across the technology ecosystem and system-enabled functionality for all treaties thus future-proofing the ceded reinsurance function.

Section 3
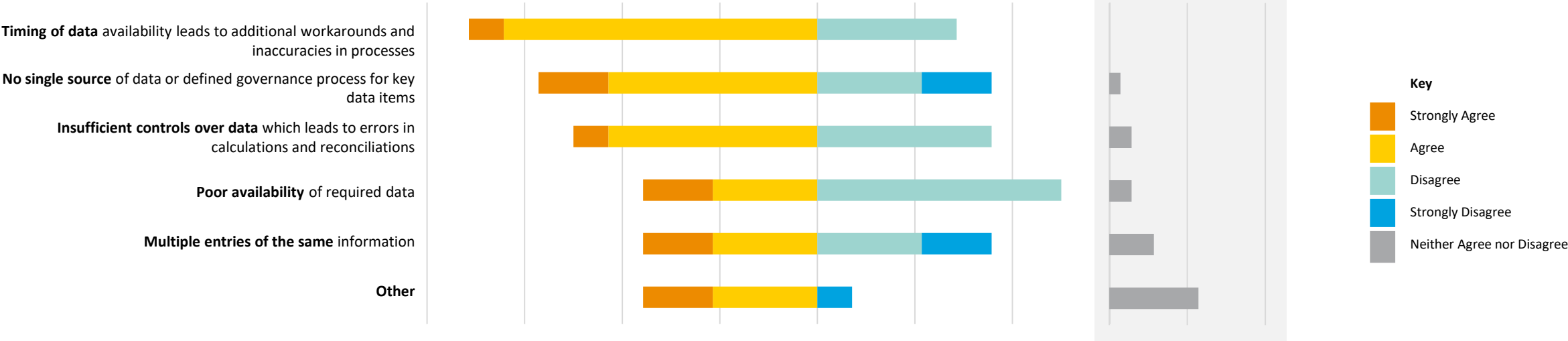Highlighting your Data Capabilities and Needs

Data Capabilities and Needs – Key Issues

Absence of properly defined controls and governance along with lack of timely data when it is needed are driving complex workarounds and errors in processes.

Data Challenges identified as Lagging Capabilities by Respondents

Across the market, insurers still struggle to capture and harness data effectively in order to drive insight and business performance. Ceded reinsurance operations are no different and the complexity of reinsurance programmes and widespread use of legacy systems and manual processes further adds to the burden. The delay in provision of data (whether initial contract setup post placement or amendments and endorsements not being fed to back-office operations), the lack of a single source of data and insufficient controls were all highlighted by respondents as the most significant data challenges they face.

Chart categories (top to bottom):
- **Timing of data** availability leads to additional workarounds and inaccuracies in processes
- **No single source** of data or defined governance process for key data items
- **Insufficient controls over data** which leads to errors in calculations and reconciliations
- **Poor availability** of required data
- **Multiple entries of the same** information
- **Other**

Key
- Strongly Agree
- Agree
- Disagree
- Strongly Disagree
- Neither Agree nor Disagree

Data Standards: The absence of common data standards across the market and the resource intensive nature of contract entry and set up when placing and binding reinsurance contracts means that errors, delays and gaps in the data at source drive many of the challenges that back office teams face. Our view is that exercises to source and resolve upstream data issues would drive significant benefits in the back end.

Financial Close Timetable: Ceded reinsurance is regularly cited as being on the critical path for the finance working day timetable and most commonly the key to unlocking acceleration. Organisations are struggling to accurately report point-in-time reinsurance positions because of incomplete information on the inwards portfolio and reinsurance contracts purchased, preventing automatic triggering and recovery calculation.

Artificial Intelligence and Analytics: Any potential analytics and insight use cases leveraging technologies such as artificial intelligence and automation are reliant on a strong data foundation providing data in a timely manner that is high quality, well governed and understood. The technologies themselves could also be part of the solution for resolving these data challenges where they are an input to the ceded reinsurance process. For example, AI models could be deployed to address data gaps from incoming inwards risk information, significantly reducing manual workarounds used to estimate reinsurance positions.

Data Strategies: Some organisations have developed data strategies looking at how underwriting, claims and finance data interact, implementing these through data warehousing solutions where these weren't in place. This has driven significant downstream benefits for Ceded Reinsurance teams/processes and their transformation journeys.

Data Capabilities and Needs – Data Processing

Over two thirds of all data processing across the ceded reinsurance process is still reliant on some form of manual handling, either to transform the data itself or to transfer it between applications. This means that teams are spending too much time on data manipulation and not enough on analysis.

Although back office processes lend themselves to systemisation of data processing, they are only slightly ahead in the adoption of more mature data processing mechanisms relative to front and middle offices. Across the market there is clearly some way to go for organisations to fully adopt mature data processing mechanisms. Among the respondents, there is almost no usage of automated API feeds in their front office processes, demonstrating the challenges in moving away from relationship driven ways of working and long-established practices in the reinsurance placement cycle. Only c10% of respondents note use in back offices.
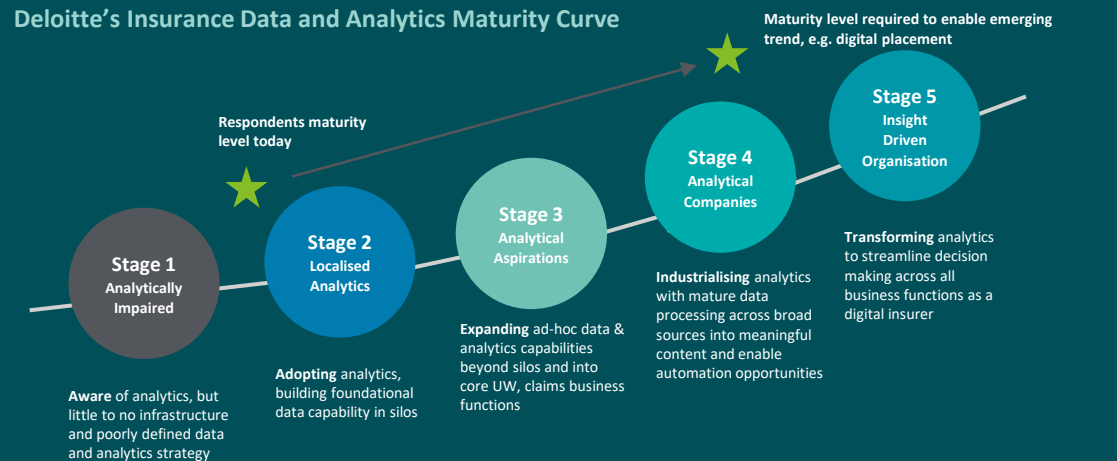
Relative Maturity of Data Processing Across the E2E Ceded Reinsurance Process

Front Office / Middle Office / Back Office bar charts

- **Manual Transformation:** Manual data handling in end user applications
- **Manual Interfaces:** Manual data transfer and upload
- **Pre-built Reports:** Direct data extract from systems
- **API Feeds:** Automated data retrieval via API

Level of Data processing Maturity

Front Office	Placement and Purchase
Middle Office	Operations/Administration and Recoveries
Back Office	Actuarial, Accounting and Reporting (incl. Billing, Collections and Cash Management)

Front office processes are characterised by a high degree of external interactions and transformation progress is impacted by speed of change in the wider market ecosystem (e.g. the need to 'mandate' brokers' use of selected digital platforms for submission and placement).

However, there is an increasing number of technology vendors in the market offering cloud-based products targeted at front office reinsurance processes and we are seeing an increased level of adoption of more modern technology and data platforms. The resultant uplift in data capabilities and maturity unlocks automation and analytics, with significant benefits:

- Good (or complete) data can help prevent potential revenue loss and overexposure.
- Consistent data may free up resources to be more productive and work on more strategic tasks.
- Correct reporting can help eliminate fines, penalties, and reputational risk.
- Aligning reinsurance data programme outcomes with business strategy may allow for exponential growth.

Deloitte's Insurance Data and Analytics Maturity Curve

Maturity level required to enable emerging trend, e.g. digital placement

Respondents maturity level today

Stage 1 Analytically Impaired — **Aware** of analytics, but little to no infrastructure and poorly defined data and analytics strategy

Stage 2 Localised Analytics — **Adopting** analytics, building foundational data capability in silos

Stage 3 Analytical Aspirations — **Expanding** ad-hoc data & analytics capabilities beyond silos and into core UW, claims business functions

Stage 4 Analytical Companies — **Industrialising** analytics with mature data processing across broad sources into meaningful content and enable automation opportunities

Stage 5 Insight Driven Organisation — **Transforming** analytics to streamline decision making across all business functions as a digital insurer

Section 4
Comparing your System and Technology Ambitions

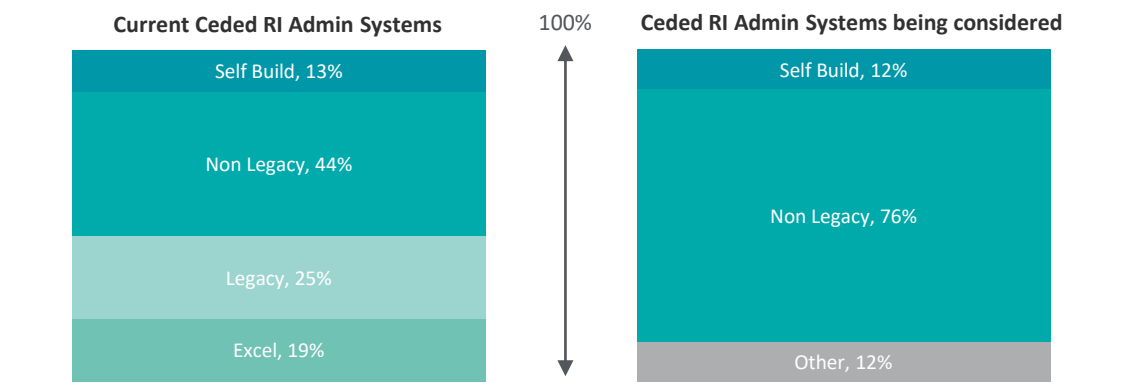# Systems and Technology – Replacing Legacy Systems

Most ceded reinsurance policy admin systems are legacy and require significant manual intervention. Many organisations have started or are considering upgrades in the immediate future.

Future System and Technology Ambitions

Technology has become crucial for (re)insurance companies to effectively manage risk and optimise operations. Advanced analytics tools like artificial intelligence allow for better risk assessment, while digital platforms enable more effective collaboration with brokers and increased productivity in middle/back office operations. However, from the technologies currently utilised by (re)insurers across their end-to-end ceded reinsurance process, most are yet to adopt integrated solutions that can support a higher degree of automation, leveraging modern technologies which can significantly reduce operational risks and improve efficiencies. Most respondents plan to change their core technology in the next 2-3 years or are already in the process of changing it.

Policy Administration Systems for Ceded Reinsurance Administration/Operations: Present vs. Future

Of the technologies utilised for Ceded RI Administration/Operations processes, 44% of survey respondents stated that they were using Excel or legacy systems often not fit for purpose. The use of self build systems was more prevalent among those with <$1BN ceded premium. Most respondents with larger ceded premiums were looking to move to non-legacy systems in the future.
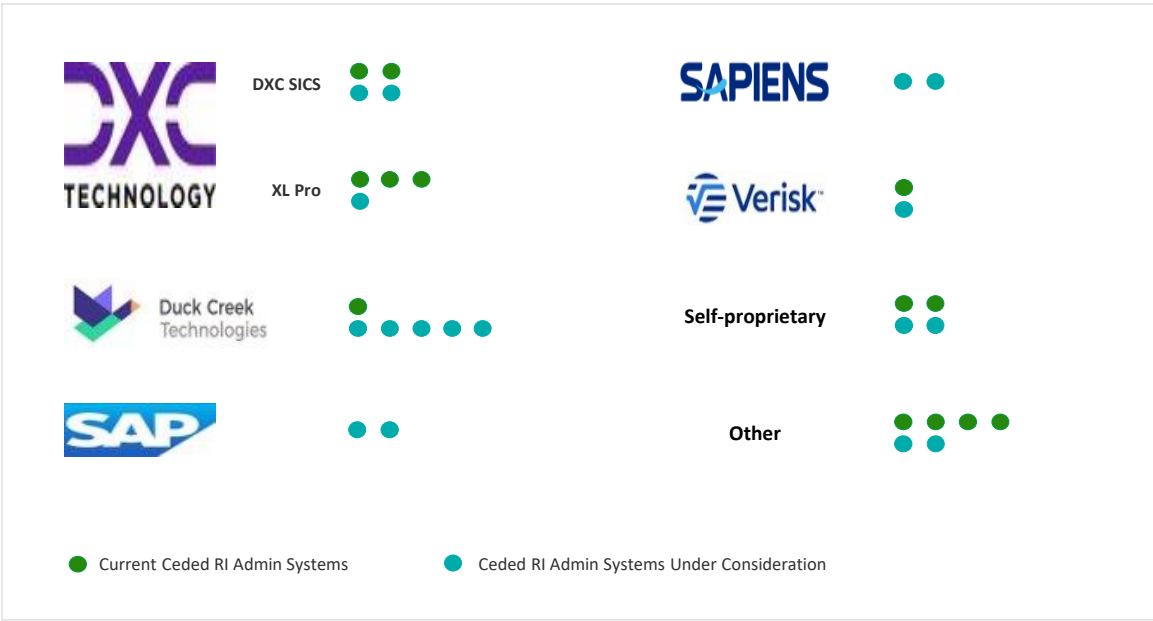
Policy Admin System Being Considered

Most respondents are choosing to leverage off the shelf market offerings due to the global solution capability, breadth and strategic product investment by system vendors compared with developing systems in-house. Market products are moving towards SaaS/managed services hosted by leading vendors offering reliable and efficient solutions to speed up the digital transformation strategy.

Current Ceded RI Admin Systems

Self Build, 13%
Non Legacy, 44%
Legacy, 25%
Excel, 19%

100%

Ceded RI Admin Systems being considered

Self Build, 12%
Non Legacy, 76%
Other, 12%

Note: Non-legacy systems comprise of Sapiens, SAP FSRI, Duck Creek Reinsurance Solutions (previously Prima XL), DXC Assure/SICS/XL Pro, Cenata Sure and Verisk SequelRe. Legacy systems include Genius, ELGAR, Frame, SID.X

Years of aggregate recoveries building up and a history of under investment and support in policy administration systems has led to instability and inability to scale. The propensity for catching less and leaking more has increased. Insurers are looking to replace their disparate legacy systems with a single (new) platform to automate processes, strengthen control and reduce leakage.

- ● Current Ceded RI Admin Systems
- ● Ceded RI Admin Systems Under Consideration

Systems and Technology – Future Trends

Market standards, digital placements, data mining and artificial intelligence are the most immediate future technology trends impacting ceded reinsurance functions.

Emerging Technology Trends Impacting Reinsurance Firms: Time vs. Impact

The responses to the survey suggest that adoption of emerging technologies is coming sooner rather than later. In the next 2-3 years, respondents expect digital placements and data mining technologies to be more prevalent in ceded reinsurance. Ahead of that, the use of market standards will become more common. For example, we know that many organisations are already using market standards such as Accord, particularly in London Markets. However, the use of blockchain and distributed ledgers has become less important than might have previously been expected given reinsurance seemed to be the most obvious use case for its use in the insurance market. Although respondents put artificial intelligence as something for 3-4 years time, we suspect that if our survey had been undertaken three months later this might be viewed as something coming sooner than the responses suggest given how quickly Generative AI is developing and potential use cases are being explored across all industries.

Emerging Technology Trends
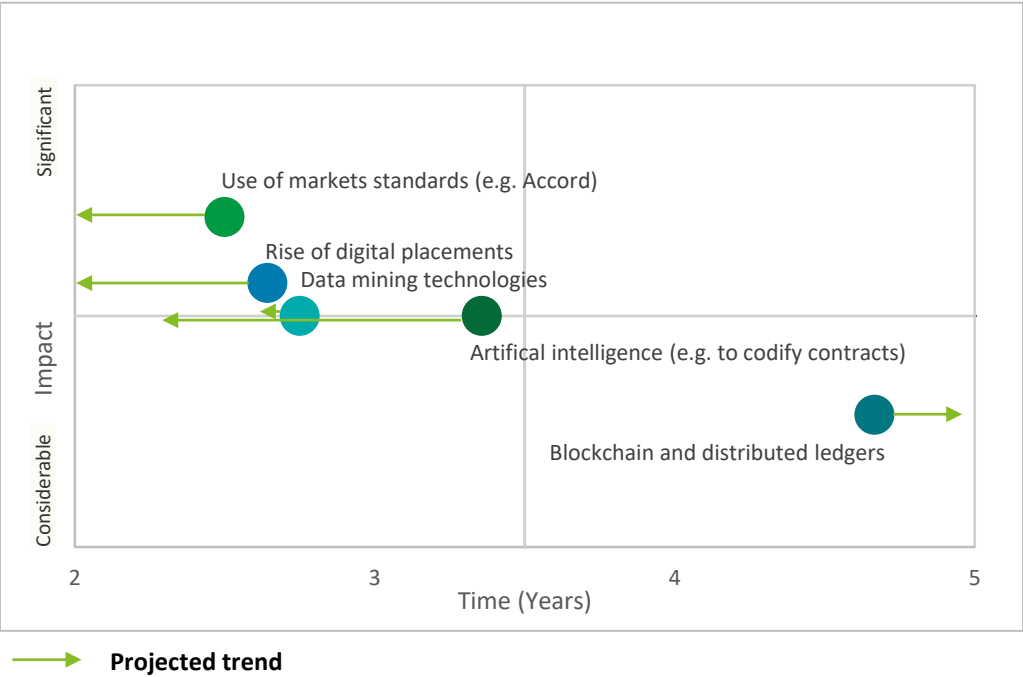
Over the past 5 years there has been significant hype around the application of blockchain within insurance, particularly reinsurance, and the opportunities and efficiencies it could drive. It promised an incorruptible book of record, which could provide operational efficiencies across placement, claims management and KYC checks. However, interest has waned and the adoption expected hasn't materialised. This is highlighted by the failure of B3i and its insolvency due to its inability to gain further funding.

This sentiment is reflected in the survey responses showing that although it would have some impact, individuals feel it is four or more years away before any meaningful adoption is expected.

Instead, we are seeing artificial intelligence, as a more accessible technology to be utilised. Artificial intelligence offers a cheaper and more timely answer to the operational inefficiencies faced by (re)insurers including new opportunities to improve their products and services, address underlying data challenges, automate repetitive tasks, and create new and innovative customer experiences. For example, leveraging artificial intelligence to:
- Summarise individual and aggregated quotes received and provide an assessment of suitability of cover against portfolio and reinsurance strategy.
- Drive forward-looking scenario analysis, leveraging third party and public data sources to help insurers design more effective reinsurance programmes and support underwriting performance.
- Assist ceded reinsurance operations teams in locating key information from documents to support reviews and updates to coverages, manage reinstatements and identify recoveries from gross losses.

Whilst artificial intelligence provides transformative potential, true competitive differentiation (like with any other technology transformation) comes from finding the right use cases to transform both the customer and employee experience, integrating it into complex business processes and systems and transitioning the workforce into new ways of working.
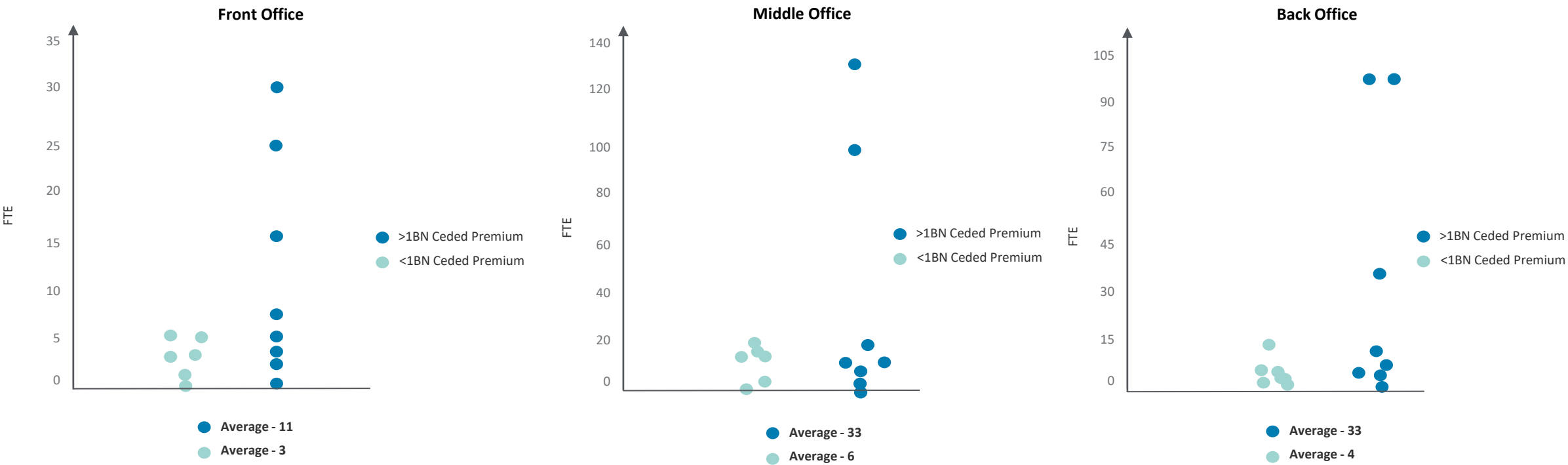
Section 5
Managing your Team Structure and Talent

Understanding Your Team Size and Shape

There are wide variations between (re)insurers in the numbers of people required to administer ceded reinsurance. This is driven by the complexity of the purchased portfolio of reinsurance programmes, the complexity of the systems/processes that administer them, the amount/complexity of legacy products as well as whether facultative reinsurance is a key part of their strategy or not.

Front Office

- >1BN Ceded Premium
- <1BN Ceded Premium

Average - 11
Average - 3

Middle Office

- >1BN Ceded Premium
- <1BN Ceded Premium

Average - 33
Average - 6

Back Office

- >1BN Ceded Premium
- <1BN Ceded Premium

Average - 33
Average - 4

While overall team size and the distribution between functions for each organisation will certainly be influenced by the size, complexity and composition of the ceded portfolio, simplification and automation of processes through standardisation, improving data quality and adoption of up to date software solutions (including integrated policy admin, actuarial and finance systems) and developing the next generation of reinsurance talent will be the key levers for managing the cost of ceded reinsurance administration in the face of increasingly large and complex portfolios.

A continuous dialogue between front, middle and back office functions is critical to ensure the implications of purchasing decisions on downstream administration are properly understood before covers are placed, and throughout the lifecycle of the product.

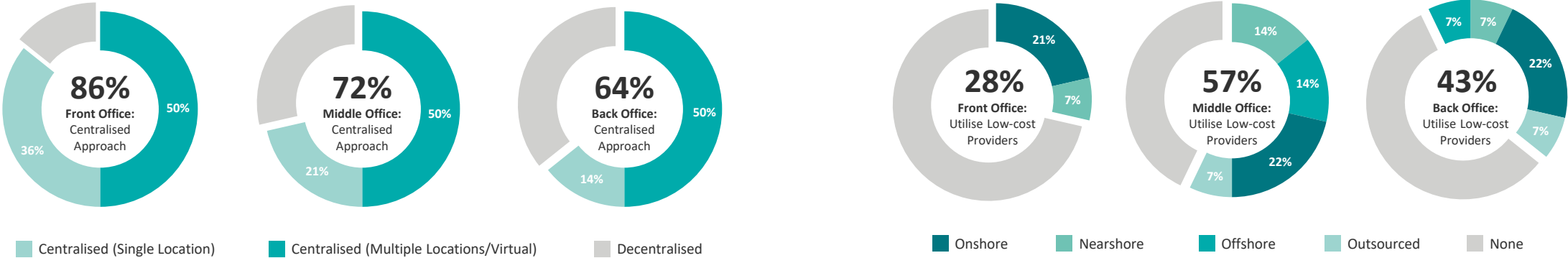# Understanding Your Organisation Model and Sourcing

Most respondents have centralised outwards reinsurance activity with many using lower cost locations, particularly, as might be expected, among those with large middle and back office teams.

Centralised vs. Decentralised Model

Almost all respondents have centralised at least one of their reinsurance functions with eight having centralised all three. Front office was noted as the area that was most consistently centralised, although it was the smaller to mid-size insurers who have centralised operations in a single location.

Utilising Lower Cost Locations for Outwards Reinsurance Administration

Front office remains largely in 'traditional' locations with just 28% of respondents having adopted lower cost locations. Across middle and back office, there is more widespread use of lower cost locations particularly among those respondents with large teams, and while onshore locations are most common, there are also examples of using nearshore and offshore locations as well as outsource providers.

86% Front Office: Centralised Approach — 50%, 36%, 7%

72% Middle Office: Centralised Approach — 50%, 21%

64% Back Office: Centralised Approach — 50%, 14%

Legend: Centralised (Single Location) · Centralised (Multiple Locations/Virtual) · Decentralised

28% Front Office: Utilise Low-cost Providers — 21%, 7%

57% Middle Office: Utilise Low-cost Providers — 14%, 14%, 22%, 7%

43% Back Office: Utilise Low-cost Providers — 7%, 7%, 22%, 7%

Legend: Onshore · Nearshore · Offshore · Outsourced · None

Reporting Lines

Among our respondents, the front office and back office functions typically report to the CUO (Chief Underwriting Officer) and CFO (Chief Financial Officer) respectively. However, the reporting line for the middle office is more varied—most often reporting to the COO (Chief Operating Officer) or CFO but elsewhere reporting to the CUO, CCO (Chief Claims Officer) or CRO (Chief Risk Officer).

Those organisations with significant scale in their reinsurance teams appear to have adopted proactive sourcing strategies across the end-to-end reinsurance process enabled by their wider organisation's existing scale facilities. For those with smaller teams, and perhaps fewer location options, onshore teams reliant on expert knowledge of reinsurance arrangements to overcome the challenges of incomplete data sets and manual workarounds are commonplace. We would expect to see an increased focus on reducing the cost of reinsurance administration through automation and 'right sourcing' in the coming years as outwards reinsurance teams work through transforming their operating models.

Understanding Your Talent Pool

Many organisations are lacking the talent they require because there is a limited talent pool and competition is increasing for experienced resources.

Talent Environment of the Survey Respondents

63%

of respondents with >$1bn CWP acknowledge they do not have the necessary talent within their team

The talent to deliver current requirements

Among respondents, it was more common for the larger teams to note they did not have sufficient talent within their team, while smaller teams running smaller outwards portfolios were more likely to report no significant concerns around talent.

Market Pressures on reinsurance talent

Specialist skillset – ceded reinsurance requires a specialised set of skills and prior experience within the market is seen favourably.

Limited geographic spread – existing talent tends to be located around traditional (higher cost) reinsurance centres.

Ageing population – many organisations are facing into the challenge of highly experienced team members approaching retirement.

Growing demand – driven by business growth and the need to better manage earnings volatility and capital through increasingly innovative reinsurance products.
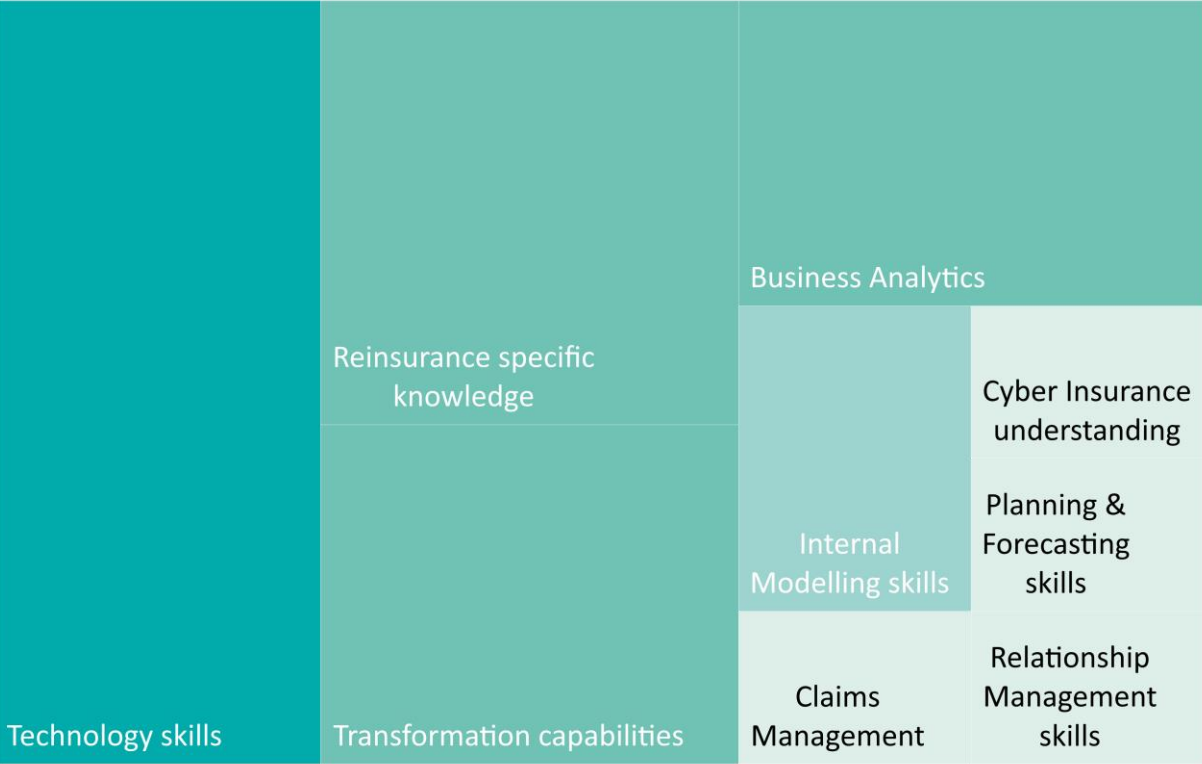
Retention – widespread manual processes and data challenges typically characteristic of today's embedded reinsurance administration work do not meet the expectations of younger new talent, and when combined with fierce competition and more attractive financial offers elsewhere in the market, retaining high quality individuals is particularly challenging.

For those with larger scale operations with highly complex manual processes heavily reliant on expert reinsurance knowledge, the war for reinsurance talent is particularly acute. While automation provides one lever to reduce the burden of manual effort, insurers need to attract, develop and retain a pipeline of new reinsurance talent for the future.

Understanding Your Future Skills and Capabilities

Respondents have recognised the importance of developing greater digital and data fluency, 'value adding' business analytics capabilities and business relationship management skills to reimagine the role of the ceded reinsurance function in driving business performance.

Skills and capabilities called out as required in teams over the next 5-10 years

Technology skills	Reinsurance specific knowledge / Transformation capabilities	Business Analytics	
		Internal Modelling skills	Cyber Insurance understanding
			Planning & Forecasting skills
		Claims Management	Relationship Management skills

Size of the box represents the importance of the skill in the future.

As ceded reinsurance functions improve data quality and move to more intelligent and automated system solutions, the activities of the team are expected to shift. Rather than manually entering and reconciling data, the team will focus on understanding the performance of reinsurance programmes and helping to manage the business. In order to do this, they will need to develop their technical understanding of the reinsurance market and programme structures.

Having the infrastructure to provide such insight also requires teams to be strong in technology, whether through coding or maintenance of the system.

To get to this position, ceded reinsurance functions are on a transformation journey and as such need these capabilities within their team as they continue to drive their teams forward.

Although not currently called out by many, the shift away from manual processing will then allow the team to spend more time building relationships, both within the business and in the wider market.
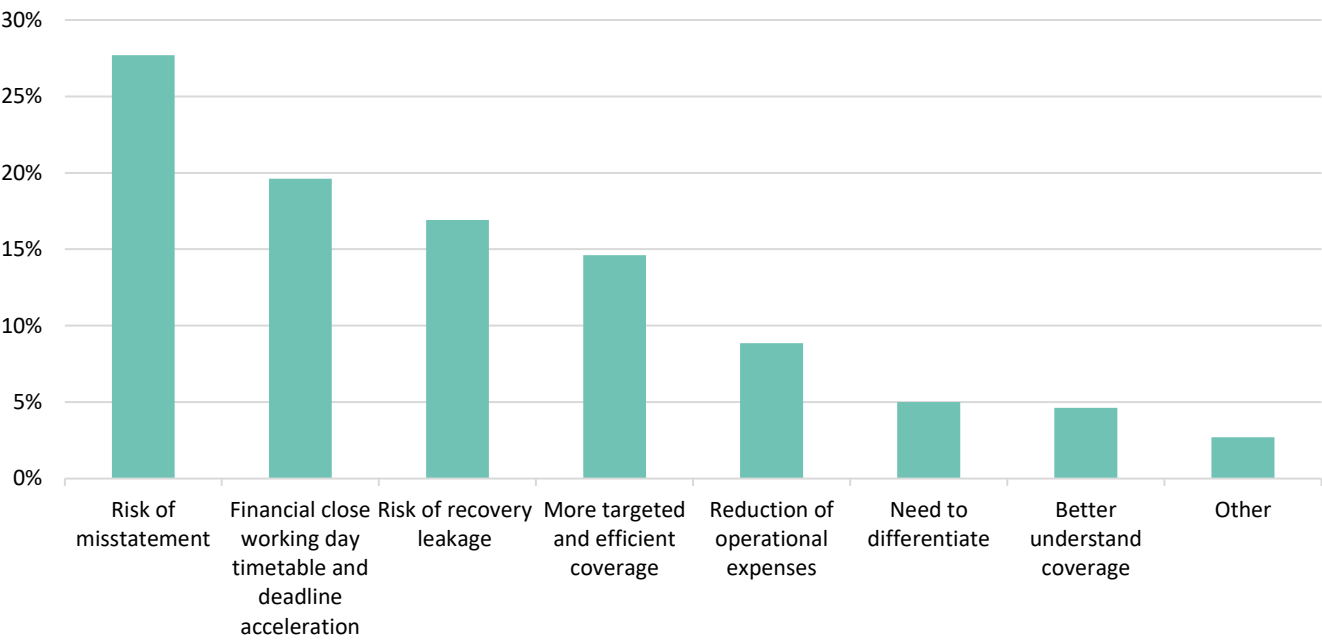
Section 6
Understanding your Transformation Journey to Date

About your Transformation – Case for Change

The risk of misstatement and the desire to accelerate reporting timetables are currently driving many of the decisions to prioritise investment in ceded reinsurance processes.

Business Case Drivers

Non-financial Benefits
We asked survey participants to prioritise the reasons why they embarked on a transformation of their ceded reinsurance processes by allocating 100% across seven key drivers. Two non-financial benefits and key reputational factors were deemed most important – the risk of misstatement and the speed of reporting.

Financial Benefits
There are also many organisations which are using transformation programmes to identify and recover historic recovery leakage as well as put processes in place to prevent it in the future.

Reduction in operational expenses didn't feature as a key driver for many. Only four insurers scored this driver. For many, these transformations are about getting the basics/foundational elements in place to avoid cost creep as their organisations grow in the future.

Other Benefits
For many, having a better handle on overall coverage to help drive targeted marketplace/broker conversations is also key to their agendas.
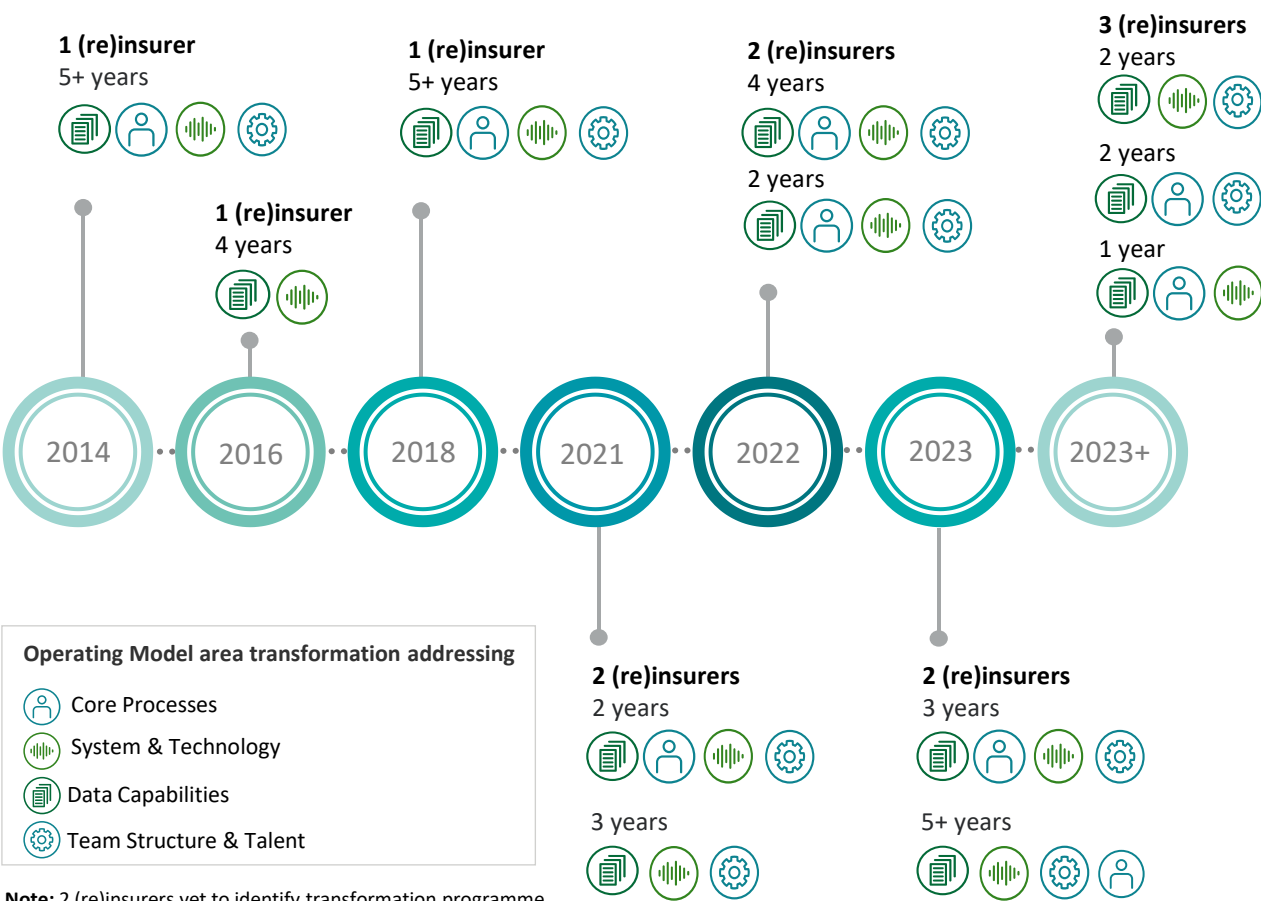
Audit scrutiny of ceded reinsurance controls, especially in fast growing entities that become material to the Group, is increasing. Regulators are prioritising catastrophe exposure and ceded reinsurance arrangements in their latest reforms, for example Lloyd's Principles for Doing Business has placed catastrophe exposure and ceded reinsurance arrangements within their top three principles going forward. This increased scrutiny on a backdrop of historically low investment in robust ceded reinsurance processes and controls means many insurance organisations are now prioritising spend on ceded reinsurance administration to implement standardised processes, with robust controls that deliver timely outcomes.

About your Transformation – Spend

Almost all (re)insurers are on a journey to modernise their ceded reinsurance management capability.

**Transformation Trends Across (re)Insurance Firms**

The responses to the survey suggest that (re)insurers have either started or are about to start (in the next year or so) their transformation journey with data and systems being core operating model components that are being targeted by respondents. Only those embarking on larger transformation journeys are including the team structure and talent aspects within their transformations.

1 (re)insurer 5+ years

1 (re)insurer 4 years

1 (re)insurer 5+ years

2 (re)insurers 4 years

2 years

3 (re)insurers 2 years

2 years

1 year

2014 · 2016 · 2018 · 2021 · 2022 · 2023 · 2023+

2 (re)insurers 2 years

3 years

2 (re)insurers 3 years

5+ years

Operating Model area transformation addressing

- Core Processes
- System & Technology
- Data Capabilities
- Team Structure & Talent

Note: 2 (re)insurers yet to identify transformation programme

To stay ahead in a complex market, companies must continually evolve and invest in innovative solutions. Failure to do so risks being left behind in a fast-paced business environment.

Transformation Spend by (re)Insurer

No of reinsurers

$1 - $2m | $2 - $5m | $5 - $10m | $10m +

<$1B CWP Companies Spend   >$1B CWP Companies Spend
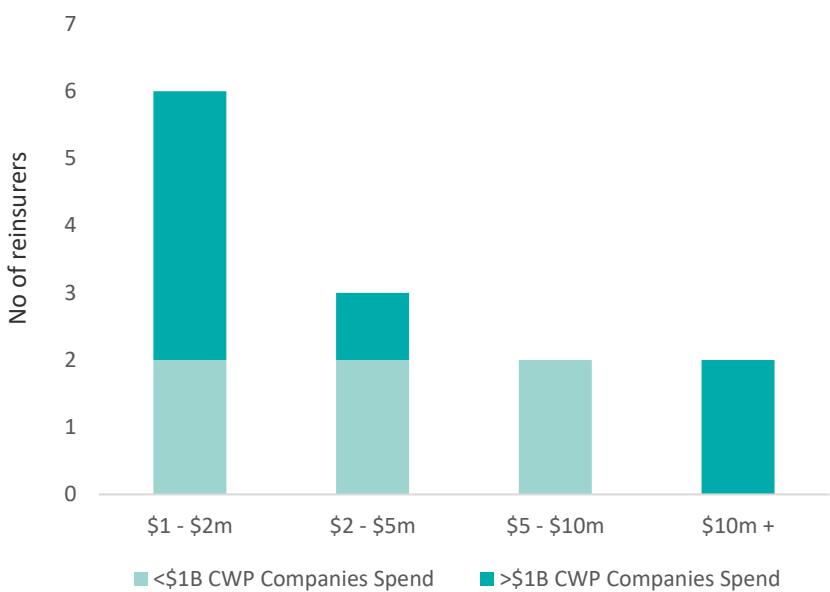
About your Transformation – Change Outcomes

(re)Insurers are seeking outcomes from their modernisation journeys across all elements of their operating model.

Re-engineer data flows between systems and teams — 15%

Implement a more robust set of controls — 15%

Re-engineer processes end-to-end to streamline activities — 13%

Developing meaningful management info and analysis — 13%

Re-platform onto a strategic ceded RI system — 12%

Short term remediation activities to recalculate and/or clear down balances — 12%

Re-organise the way front/middle/back office interact — 10%

Leakage studies and remediation uncollected recoveries — 10%

Desired Modernisation Outcomes
Consistent with the findings already expressed, organisations are seeking to achieve outcomes for their people, process, technology and data through their modernisation journeys. On average, respondents struggled to prioritise any outcome above the others, although data and controls were ranked equal highest.

Acknowledgements
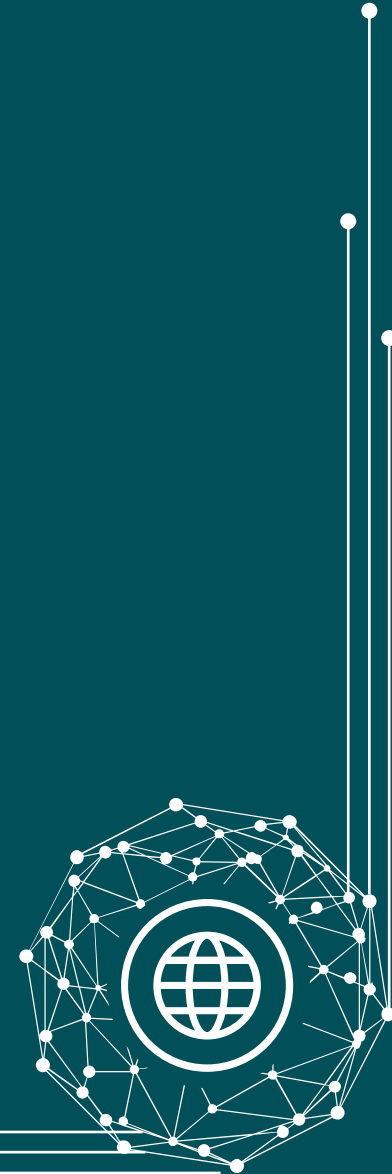
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