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Insurance Day is the world's only daily newspaper for the international insurance and reinsurance and risk industries. Its primary focus is on the London market and what affects it, concentrating on the key areas of catastrophe, property and marine, aviation and transportation. It is available in print, PDF, mobile and online versions and is read by more than 10,000 people in more than 70 countries worldwide.

First published in 1995, *Insurance Day* has become the favourite publication for the London market, which relies on its mix of news, analysis and data to keep in touch with this fast-moving and vitally important sector. Its experienced and highly skilled insurance writers are well known and respected in the market and their insight is both compelling and valuable.

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Beazley shares up on £247m capital raise

London market giant follows Hiscox in raising money to take advantage of rising rates

Michael Faulkner
Editor

Beazley issued shares amounting to around 15% of its share capital
LookerStudio/Shutterstock.com

Beazley has raised £247m ($302.5m) to take advantage of rising rates and to protect its balance sheet in the wake of the Covid-19 pandemic.

The London market heavyweight issued new shares amounting to approximately 15% of its share capital.

The net proceeds of the share placing will be used to "maintain a strong balance sheet" and support organic growth, Beazley said.

Continued rate increases were "encouraging", with double-digit increases being seen in some lines, it added.

"This strong momentum is expected to continue," it said. "Certain markets, such as property and marine, have now experienced two consecutive years of rising rates and present attractive near-term opportunities."

Following the share issue, Beazley's shares were up 9% on the previous day's closing price.

In addition to the share placing, Beazley has increased the drawn amount of its banking facility from $140m to $225m, while also agreeing an increase in the facility from $225m to $450m.

Beazley said: "The board has considered the optimal capital structure for the group and believes it is an appropriate time for the company to raise equity to position the business for future growth opportunities, as well as providing further strength to the balance sheet in light of the continued uncertainty from Covid-19."

Beazley has estimated its Covid-19 losses from first-party business at $170m, with its political, accident and contingency division, which includes event cancellation, expected to account for $70m of the total.

Peel Hunt analysts said the proceeds could be used to absorb a "worst-case" Covid-19 scenario, which they estimate could reach $590m.

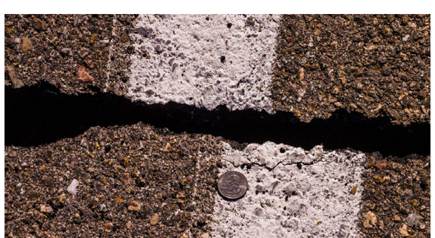
"Liquidity seems secured, albeit more likely to be retained to pay claims than deployed for growth, in the short term at least," they wrote.

Analysts at UBS said the funds are more likely to be used to grow the business and they do not see any "material overhang" from Covid-19-related uncertainty.

Numis analysts said the capital raise "gives the company a firm footing to expand its strongly performing franchise into an improving pricing environment" and reduces the possibility capital ratios become over-stretched if cat losses come in high or investment markets weaken.

Earlier this month, Hiscox raised £375m in equity capital. The company said it intends to use the capital to exploit opportunities for profitable growth in wholesale and reinsurance markets created by Covid-19.

Fidelis launches first cat bond with $100m Herbie Re issuance



Fidelis's Herbie Re cat bond covers earthquakes and named storms affecting the US, Puerto Rico and the US Virgin Islands
Nick Sklias/Shutterstock.com

Fidelis Insurance Holdings is making its first foray into the catastrophe bond market with the launch of the $100m Herbie Re (Series 2020-1) multi-peril deal, *Artemis.bm* has reported, *writes John Shutt, Los Angeles*.

The single-tranche issuance is designed to provide Bermudian specialty re/insurer Fidelis with collateralised reinsurance cover against losses from named storms and earthquakes in the US, Puerto Rico and US Virgin Islands over four years.

Protection is to be provided on an industry loss and per-occurrence basis.

Cover will also be provided on a second-event basis, meaning the cat bond payouts will be triggered only if two qualifying industry loss events – each with a minimum of $20bn in losses – take place during a single risk period.

If losses from the two events are above the industry loss trigger level, investors are set to lose all principal.

NEWS

London reinsurance decline is ‘not inevitable’: LMG’s Moore

Market can regain share but it will require work, London Market Group’s chairman says

Michael Faulkner
Editor

London can grow its share of the global reinsurance market despite a decline in recent years, the chairman of the London Market Group (LMG) has insisted.

The London market’s share of the global reinsurance market has fallen 1.7 percentage points since 2010, while its share of commercial insurance has grown 0.1 percentage points during that time.

Speaking to *Insurance Day*, Matthew Moore said the decline in reinsurance market share can be overcome and it was “not inevitable” London would remain underweight.

“Nothing in the report and diagnosis says it is structurally inevitable that through the cycle and into the future London’s share of rein-

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‘Reinsurance is a market of cycles and different hubs are more attractive at different parts of this. There is nothing fundamental that hamstrings London vis-à-vis its peers’

Matthew Moore
London Market Group

Five ways in which Covid-19 has shifted the risk landscape

Covid-19 has caused a huge shift in the way businesses operate, with impacts from the pandemic likely to continue for the foreseeable future, *writes Scott Vincent*.

A survey of 350 senior risk professionals by the World Economic Forum (WEF), in partnership with broker Marsh & McLennan Companies and insurer Zurich, found the pandemic had significantly shifted their outlook and highlighted five major risk concerns:

Prolonged global recession: two-thirds of respondents to the survey identified a prolonged global recession as a top concern for business. The study warned a build-up of debt is likely to burden government budgets and corporate balance sheets for many years, with global economic relations potentially reshaped by the crisis. Businesses may face increasingly adverse consumption, production and competition patterns as a result. A prolonged global recession would have implications for the re/insurance sector in terms of both revenue and claims activity. Alongside the potential for less economic activity to insure, claims also typically rise in a recession across multiple classes.

Bankruptcies and supply chain failure: within a prolonged global recession, the risk of bankruptcy will also rise. Half of the respondents to the survey identified bankruptcies and the failure of industries to recover from the Covid-19 crisis as a major concern, alongside impacts from a disruption of supply chains. A rise in bankruptcies will typically generate an increase in credit-related claims. Impacts on the trade credit re/insurance sector will likely be partially offset by some of the government initiatives put in place to ensure capacity remains in place to support the economy. Liability claims for covers such as directors’ and officers’ insurance are also likely to emerge following widespread bankruptcies.

Increased cyber attacks: half of respondents also identified an increase in cyber attacks and data fraud as a major concern amid the fallout from Covid-19. Technology has been central to the way people, companies and governments have managed the Covid-19 crisis and the WEF said the contact-free economy that has emerged may also create new employment opportunities in the post-pandemic world. However, this greater dependence on technology has increased cyber security risks and 38% of risk experts surveyed said new working patterns leading to cyber attacks and data fraud are the most likely technological fall-out risk for the world.

IT infrastructure breakdown: a breakdown of IT infrastructure and networks was a top concern among nearly 30% of respondents to the WEF survey. The WEF said the pandemic has provided an opportunity to accelerate a transformation towards more sustainable and digital operating models, while enhancing productivity. Several sectors are now increasingly dependent on IT infrastructure and networks. The WEF said the rapid roll-out and dramatic surge in the use of technological solutions has increased risks of infrastructure overload and breakdown and privacy violations.

Geopolitical disruption: more than 40% of respondents voice concern about the potential implications of geopolitical disruptions to their business as a result of Covid-19, amid concerns over the tightening of restrictions on the movement of people and goods. Ngaire Woods, dean at Blavatnik School of Government at the University of Oxford, said there was a risk of governments becoming increasingly nationalistic as a result of the Covid-19 crisis. “When people cannot physically travel, there is a risk politicians will pursue a form of xenophobic nationalism – the easiest way to shore up popular support is to scapegoat other countries and organisations,” she said. “Without international co-operation every government will find it slower to reopen economies.”

ID Comment: Building back better after Covid-19

Covid-19 has disrupted almost all aspects of life as we knew it. As we look to the future, there is huge uncertainty about which aspects of working life that were perceived as normal before the crisis will return, *writes Scott Vincent*.

Peter Giger, group chief risk officer at Zurich Insurance Group, believes Covid-19 could represent a “structural break” in the way the world operates.

“The challenge is not to build back as we were but to rebuild with a forward-looking perspective,” he told a virtual meeting held to mark the launch of the latest risk report from the World Economic Forum (WEF).

One of the core changes to life during Covid-19 has been the way people work. For those who are able, working from home has become commonplace, with video conferencing replacing face-to-face meetings.

As Giger told the WEF meeting, this has shown we can survive with much less transportation with the role played by technology changing the nature of work. Despite this, Giger said he believes the office will still have a role to play in the future. “Humans are social animals,” he said. “While virtual working has been successful for many, we are living off the social credit we built when working in a face-to-face environment.”

Giger said the future work environment will ultimately need to “combine the best of both worlds”.

Saadia Zahidi, managing director at WEF, said there were concerns among the chief human resource officers’ community of a permanent shift in worker behaviour as a result of Covid-19.

“Workers are likely to have a certain degree of concern about coming into the workplace,” Zahidi said. “Everything that has been achieved has been based on social credit from the past, so there will be a need to find a hybrid approach. Most workers are also saying they need some separation from the home.”

Richard Smith-Bingham, executive director at Marsh & McLennan Advantage, said there remain questions about how the shift to home working has influenced productivity, engagement and the mental health of workers. “What one misses are the more informal and casual encounters that are not scheduled, and its often from those things you learn a lot of detail around some of the key issues facing companies,” he said.

One of the positive benefits of Covid-19 has been the positive environmental impact from the reduction in economic activity. “The lockdown measures have had a positive effect on the environment and people are likely to emerge more conscious about air quality,” he said.

Zahidi said the recovery from Covid-19 provides an “unexpected opportunity to build in greener stimulus, mobility and transport systems into the economy”.

The relationship between governments and business is also changing as a result of the pandemic, which Zahidi said also presents an opportunity. “Not only do we have bigger government, but we also have the possibility of bolder government,” she said, adding there had been signs of this through the introduction of conditionality within bailouts to address inequality, with governments not giving support to companies that have a presence in tax havens, as well as “green strings” being added to bailouts for the airline industry.

The insurance industry has a role to play in addressing these challenges. The scale of the crisis is likely to transform the relationship between businesses and governments. Both will need to work together to deliver a stronger, more resilient economy for the future. ■

VIEWPOINT

Covid-19 could radically transform the commercial property market

There is an urgent need for enterprise-wide strategic analysis of the impact of perils, including pandemics, cyber and climate change, on the commercial property market

Suki Basi
Russell Group

The global Covid-19 pandemic has highlighted the connection between the supply chain and retail. In the UK, for example, large number of consumers purchased items from online retailers for the first time, which will have a further impact on the UK logistics property market. Commercial office space, industrial units and retailers are faced with new risk and opportunities.

On the demand side, at least one large commercial property agent reports it has already recorded more than three million sq ft of new requirements for warehouse space since March 16. These requirements – which originate from the major supermarkets, online retailers and specialist pharmaceutical third-party logistics providers – are short-term in nature.

While for some sectors there is a clear demand for new warehouse space, some occupiers have delayed their acquisitions until greater clarity emerges on the length of the social restrictions in place. With this in mind, will any short-term uptick in demand from certain sectors offset the potential pause in transactions from other more at-risk industries?

On the supply side, the UK commercial property market, for example, is very different now from the time of the last global financial crisis in 2008, which will provide some peace of mind for investors and other key industry stakeholders such as insurers. At that time, almost 100 million sq ft of warehouse space was available, reflecting a vacancy rate of close to 25%.

In 2020, supply is reportedly slightly more than 35 million sq ft and vacancy is 6.5% or less in many parts of the country. There is also just 4.1 million sq ft of speculative development under construction due for delivery in 2020. Those under way are set to continue, but property agents do not anticipate any new speculative announcements in the short term.

Tenant default

While HM Treasury's announcement wages will be paid by the state will provide relief to many businesses, the risk of a tenant default remains. What is a great cause of concern, therefore, is more companies hit the rocks as the crisis continues, which in turn leads to more second-hand space returning to the market.

It is too early to make a call on such an analysis, which could take at least another year to materialise. It should, however, be pointed out more than 40 million sq ft of new supply would be required to see vacancy levels rise to 12% – a tipping point for rental growth to stop.

However, a question needs to be posed as to whether landlords will be willing or able to offer more flexible lease terms to help tenants in future. This would demand a major shift in thinking, given average lease lengths in 2019 are more than 18 years for build to suit properties and 13 years for the market as a whole.

Anecdotal conversations with London EC3 market colleagues and peers have highlighted interesting discussions between landlords and their tenants concerning upcoming rent renewals.

It seems some landlords are offering what can only be described as nugatory reductions in their upcoming renewal terms, which could be considered a short-sighted attitude, considering it is unlikely many City of London employees will be working from the office for several months at least.

It may be that landlords have yet to adjust their expectations in line with the reality of their tenants' ability to work from home for a considerable period of time. In this new world of Microsoft Teams or Zoom meetings it is unclear why companies would continue to pay for Grade A City office space when conferencing technology is pulling the rug out from under landlords' feet.

Unintended consequence

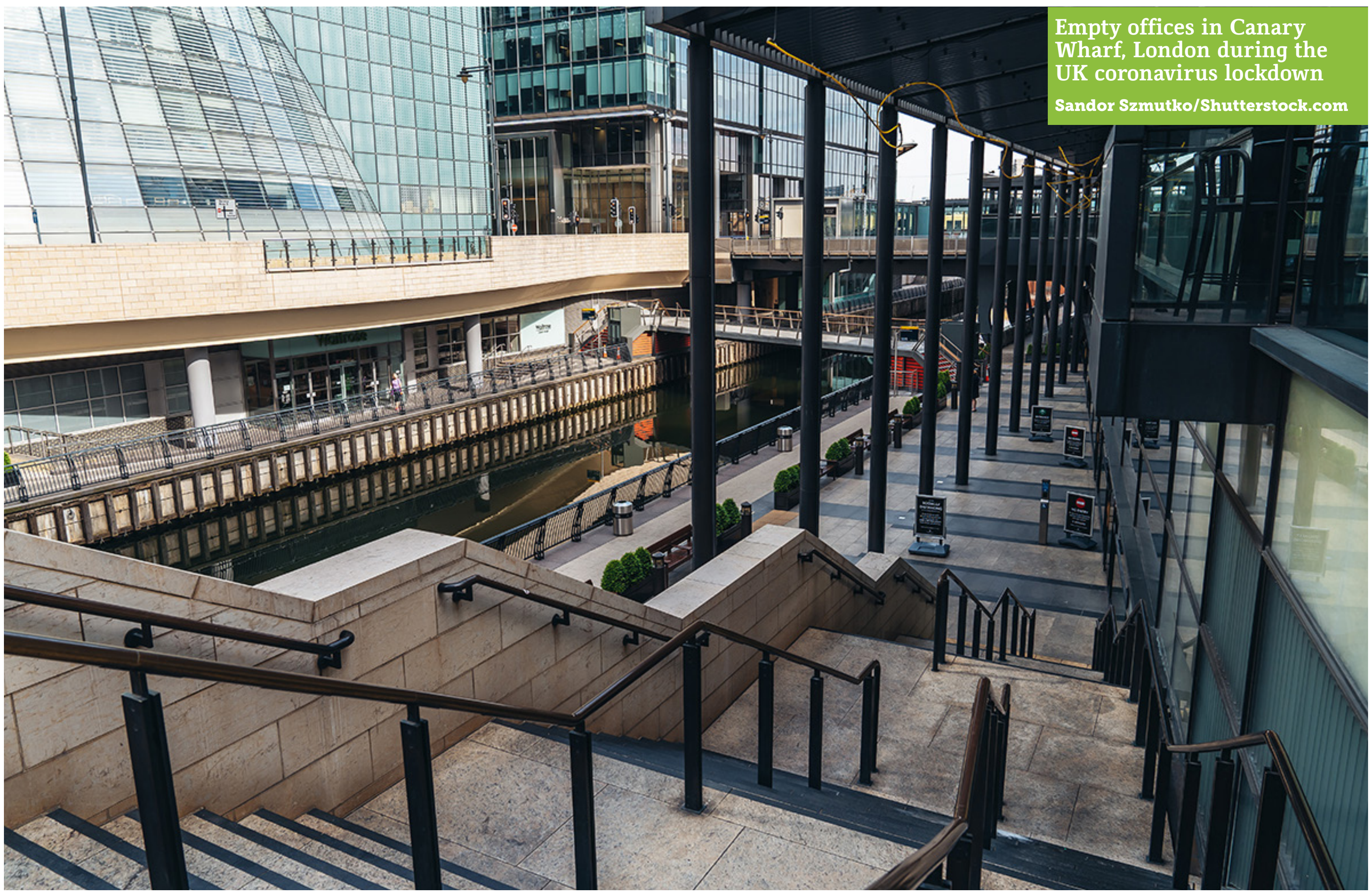
Meanwhile, the longer-term unintended consequence for the market could be the further growth of online grocery shopping, as many consumers who previously did not use such services become more familiar and continue to use it in the future. Should this happen it will clearly have a huge impact on our high streets and the long-term sustainability of the retailers that continue to trade on them.

The pandemic has revealed most, if not all, corporates, insurers, risk managers and investors do not have direct access to data showing the potential impact at the asset level of both direct physical risks and indirect economic impacts as well. Other risks such as cyber and climate exposures also need to be modelled at a more granular level.

Retail, travel and hospitality and the financial services industries have been plagued by cyber attack incidents in recent years. Given the strategic importance of cyber, it needs to be incorporated into the wider enterprise data strategy.

Similarly, with climate change risks, investors in commercial property may have been underestimating the risks associated with climate change, including more frequent and intense extreme weather events, and need to rethink their assessment of asset vulnerabilities.

The ongoing coronavirus crisis has thrown into sharp relief the need and value of enterprise-wide strategic analysis of perils, which includes pandemics, cyber and climate change. ■



Empty offices in Canary Wharf, London during the UK coronavirus lockdown
Sandor Szmutko/Shutterstock.com

Suki Basi is managing director of Russell Group

VIEWPOINT

Industry must better explain what it has promised if is to retain trust

Covid-19 could be the biggest insured loss ever, yet the industry's repsonse faces criticism. To retain trust, we must make clear we are not in the habit of making promises we cannot keep

Charles Berry
BPL Global

Insurers need to communicate why they are unable to shoulder potential economic losses in the trillions
Lightspring/Shutterstock.com

Lloyd's has estimated the industry loss from the Covid-19 pandemic is going to surpass $100bn – more than September 11, 2001. It is hard to imagine figures so large.

At the same time, though, the insurance industry is being criticised by policyholders, commentators and politicians. These criticisms come not only from a minority who, regrettably, have disputed Covid-19-related claims, but also from a wider majority of businesses that have bought business interruption insurance and are now fully aware this does not cover them for the pandemic. They ask of an industry that covers huge disasters such as earthquakes and hurricanes: why are we not there for many of our policyholders in this crisis?

The answer is our industry is not in the habit of making promises it cannot keep. While disasters such as earthquakes, hurricanes and wildfires leave huge damage and misery in their wake, they remain essentially local in nature. Consequently, they bring losses in the billions of dollars or tens of billions of dollars – figures our global industry regularly absorbs.

In contrast, pandemics are without geographical limits and can deliver losses of an altogether different proportion. The Coronavirus Aid, Relief and Economic Security (Cares) Act's package passed by Congress to tackle the pandemic's economic impact just within the US, for example, amounts to $2trn. The immediate response of many commentators was it was not enough.

What does a trillion look like? The Cares Act's $2trn has two convenient reference points that helps put it in context: it is approaching the size of the UK's GDP ($2.8trn); and it is close to the total premium income of the global non-life insurance industry, including all motor, household, commercial, large industrial and specialty classes combined.

The surplus of the global reinsurance market (the market's ultimate buffer) has been fluctuating in recent years around "only" $600bn. Digest these figures and you soon realise that had pandemic cover been a standard feature of business interruption insurance, our whole industry would have been engulfed. We would have made a lot of promises we could not keep. Economic losses in the trillions can only be shouldered by governments.

Division of risk

The division of risk between government and the private sector has been a theme running throughout my career. In BPL Global's niche area of our industry – the specialist credit and political risk insurance (CPRI) market, which accounts for a mere 0.15% of the worldwide industry's premium income – we mainly cover medium- and long-term credit risks and pure political risks.

The accepted view 30 or 40 years ago was these risks could only be insured by governments. Today, based on Berne Union statistics, we estimate government insurers still have about 70% of the market for these risks. The private market has stepped in – but prudently.

Perhaps this is just as well as we are in the eye of the pandemic storm. Unlike our close relation the short-term trade credit insurance market, with cancellable limits and where governments have been forced to step in to maintain cover under existing policies, the CPRI market writes long term, non-cancellable policies. Most policies provide cover for default regardless of cause, so we anticipate a wave of claims in the CPRI market in the wake of the pandemic and, in addition, the related low oil prices.

Since the last big wave – the 2008 global financial crisis – which was well managed by the CPRI market, I have been saying our market could see worse. I hope I am not going to be proved right by the pandemic. However, even if I am, we will weather the storm. Although large for our sector, the claims will fall within the manageable billions our industry deals with routinely. The CPRI insurers have followed the long-standing principle of our industry: they have only made promises that they intend to keep.

Interestingly, some of those claims may well be paid to the government-backed export credit agencies and multi-laterals that the CPRI market now reinsures. This tracks other areas where government insurers lay off risk into the private market – US mortgage risk, for example. It is part of the increasing dialogue between government and the private insurance market about managing and insuring risks.

Work to be done

There is much to be done in the wake of the pandemic: yes, we need to resolve some messy insurance disputes quickly and constructively; yes, we need to resist knee-jerk Covid-19 exclusions that create contract uncertainty, not clarity; yes, we need to communicate better with clients; and yes, above all, it is essential we work with governments to provide quicker, more effective relief for pandemics, particularly for small to medium-sized enterprises, using the data, risk analysis and distribution systems we have in place.

However, while expanding business interruption policies to include non-damage pandemic cover is desirable, the global industry must continue to be prudent as to the amount of such losses it can retain. Our industry is based on an overarching moral principle that we only take premiums from clients today in exchange for promises we expect to be able to honour tomorrow. Our global industry can handle losses in the tens of billions: pandemics bring losses in the thousands of billions. The vast majority of this cost must continue to fall on governments.

Because of our past prudence, the global insurance industry will emerge from this crisis battered, but in sound financial shape. It is part of the solution to rebuilding the economy, not part of the problem. That prudence is based on our understanding of the difference between a billion and a trillion. It is important we make sure our policyholders and the politicians and press who comment on our market understand it too. ■

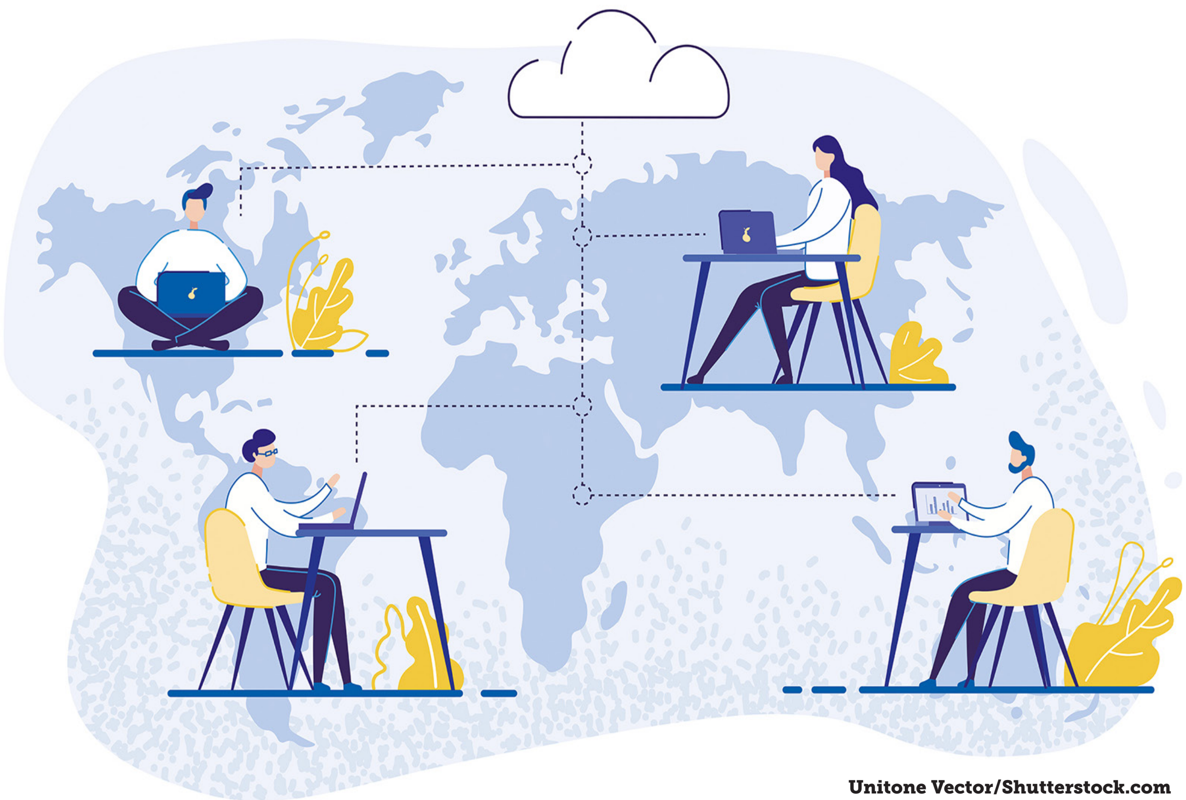
Charles Berry is chairman of BPL Global and president of the Insurance Institute of London

VIEWPOINT

Insurance business continuity is the key to survival in uncertain times

New digital workflows and service delivery systems must have the resilience to deal with threats and to accommodate the stresses and strains of transactional activity under lockdown

Travis MacMillian
Xceedance



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Maintaining business continuity in the middle of the worldwide Covid-19 pandemic has many facets. Some involve internal challenges related to organising and enabling local, regional and international workforces in the face of a variety of societal restrictions in the interest of public safety. Other challenges are external-facing, in the context of avoiding service interruptions or quality when the foundational logistics of client deliverables are dislocated.

However, if companies have been able to anticipate and course-correct to be operational despite the restrictions of social distancing, there are also opportunities to be agile and innovative in meeting the needs of internal and external stakeholders during these challenging times.

Insurance organisations around the world are also moving quickly to do things very differently. For example, in mid-March, just as the world was essentially "sheltering in place", some insurers were in the process of converting their policy systems to new platforms to launch the discovery process.

In normal circumstances, a solution provider's support team would bring in the resources to kick off the work. However, by using remote workflows, video conferencing and virtual whiteboarding facilities, insurers were able to co-ordinate work with support teams based in several global regions and such projects were successfully implemented.

This is just one example of insurance businesses adapting to enable continuity during this extraordinary crisis. To deal with the new reality, companies are beginning to rethink the fundamental underpinnings of how they do business and provide services, both now in the time of pandemic restrictions, and potentially in the future when normality returns. They are re-examining distanced work and engagement methods to determine efficiency and cost-effectiveness.

Flexibility

It is worth asking: do companies appreciate the flexibility of remote connectivity for support, project management or service and technology delivery from their partners? At first glance, some of the different ways of working that have been thrust upon the global re/insurance ecosystems by coronavirus could become proficient and viable alternatives for the industry's vast network of stakeholders.

In a very palpable sense, the world's pandemic-driven reality has altered conventional approaches and procedures for daily business operations and workforce activities. Insurance organisations now appreciate remote working arrangements as a viable and perhaps even equally efficient alternative to traditional office settings.

Of course, today many people are missing the social aspects of working and collaborating in person; and successfully adapting to remote working will very much depend on their mindset and company cultures. However, as the lockdown period is extended, people will become more accustomed to the rhythm and requisites of adeptly working in remote surroundings.

Practically overnight, re/insurers have had to adjust or even outright change the way they operate and many have managed to recalibrate while keeping the business on track. In most cases, today's fluid conditions will not lead to a full transformation in the way they do business, but every company in the insurance industry will have gained some fresh perspectives – both harsh and positive.

Threats

One positive trend is likely to be an urgency across the industry to accelerate digital transformation and less reticence for swift adoption of enabling and intelligent technologies to boost operational flexibility. Nevertheless, significant and practical challenges persist. As re/insurers embrace digital work environments, what are some of the riskiest security and privacy implications? Could they face increased cyber threats? Could strategic data become compromised in cloud environments that are accessible from virtual networks and home-based WiFi setups?

Will the market-facing and policyholder-focused elements of the company suffer if digital and remote connectivity compromises service quality and reliability? The business and technology teams of every re/insurer will need to deeply consider cost-benefit analyses on a variety of operational levels to ensure digital workflows can hold up to a range of stresses and threats of online transactions and service delivery.

The pandemic-driven restrictions have illustrated that some aspects of insurance activities are able to adapt more easily than others. For example, third-party administrators and claims adjusters who are used to working in the field with appropriate tools have had fewer difficulties working in today's environment. It is becoming apparent that at least three elements can bolster business continuity and transition to a remote work environment for large segments of a company's workforce in a time of crisis.

First, well-rehearsed contingency plans must be in place to initiate off-premises work procedures quickly and efficiently. Second, suitable levels of connectivity and technology tools need to be stocked, tested, and available, especially to avoid supply chain issues. Finally, re/insurers must strengthen and modernise technical infrastructures, because standard IT services will likely not be instantaneously available company-wide.

Additionally, this global emergency has highlighted the fact that talented and dedicated insurance professionals can be productive and effective, regardless of where they are located. In some ways, the pandemic crisis is a reminder that strong insurance talent – for example, actuaries or underwriters – could be located anywhere in the world and still perform a vital function for their companies.

As long as people have unfettered communications and access to the data and tools they need, they can fulfill their roles. With the heightened awareness and acceptance of remote working conditions, the diversity and flexibility in physical work locations could have profound implications for the industry, and in insurance hubs such as London, New York/Hartford ("tri-state" area), Hamilton (Bermuda) and several other global locations.

The way re/insurers and the business world, in general, worked just months ago now seems like a different experience altogether. Fortunately, much of the industry is functioning effectively, if not holistically. There will be many important lessons to absorb in the months ahead to help insurance organisations become more agile and resilient in the face of unforeseen circumstances. ■

Travis MacMillian is chief business officer at Xceedance

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Covid-19 to drive double-digit rate hikes at Florida renewals

KBW says reinsurance rates could rise by an average of 20% or more

Lorenzo Spoerry
Deputy editor

Several years of high natural catastrophe losses, combined with the developing Covid-19 pandemic, are expected to push up rate increases well into the double digits at the upcoming Florida renewals.

Keefe, Bruyette & Woods (KBW) said June 1 reinsurance rate increases would average 20% or higher, with elevated property catastrophe reinsurance rates likely to persist for several years.

Axis Capital had predicted average rates could rise by between 10% and 20%, but now believes price increases will be greater than that, with better terms and conditions, Wells Fargo said.

European reinsurers are reported to be increasingly interested in the Florida market as the interest among Bermudian carriers has waned.

Recent renewals have seen sharp price increases after several years of large natural catastrophe losses in key markets. Loss-hit catastrophe treaty contracts rose up to 50% for Japanese wind exposures at April 1 as reinsurers moved to price in the heavy loss years of 2018 and 2019.

At the January 1 renewals a few months earlier, reinsurers reported some market hardening on the back of a changed view of risk for key markets. Hannover Re reported price increases averaging 2.3% on renewed business.

On top of these hardening trends, the Covid-19 pandemic has led to a contraction in the capital available to the industry to deploy as insurers have contended with depressed bond and equity markets.

Considerable uncertainty as to the industry's full exposure to Covid-19 underwriting losses is likely to "trap" significant amounts of third-party capital, limiting reinsurance and retrocessional capacity available to support pending renewals.

For brokers, Covid-19 has also made the outlook uncertain because of the potential impact of the disease on the global economy. "Essentially all of the brokers we cover pulled their organic growth guidance due to the pandemic and most alluded to growth being flat to negative for the next couple of quarters," Wells Fargo said.

The main difference between this crisis and the global financial crisis of 2009, according to Wells Fargo, is the firmer prices seen today (as compared to the soft market of the financial crisis) should help brokers report flat to modestly negative organic revenue, even as GDP plunges by a double-digit amount in the second quarter.

The upcoming Florida reinsurance renewals could see pricing soar
Parkar AM/Shutterstock.com

London reinsurance decline is 'not inevitable': LMG's Moore

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surance will reduce," Moore said. "Reinsurance is a market of cycles and different hubs are more attractive at different parts of this. There is nothing fundamental that hamstrings London vis-à-vis its peers."

But Moore accepted for London to grow its share would require "decisions, change and attention".

The London market's share of the global reinsurance market fell to 12.5% in 2018 with $24bn of premium from 14.2% in 2010.

This decline continued the trend seen in previous years and was driven by a number of factors, including the fact much business is placed locally, the challenges of creating large structured reinsurance deals in Lloyd's and the high cost of capital in London.

Despite this, London continued to benefit from the advisory work of its reinsurance broking community. "London is a destination for advice, even if the programme is not placed in London," Clare Lebecq, chief executive of the LMG, said.

The London Market 2020 report found the London market remained the world's largest global re/insurance hub with $110bn of premium, compared with Bermuda's $51bn.

Predictions the market's significance would diminish as business gravitated to regional centres has not been borne out, with the gap between London and the total amount written in Bermuda, Switzerland and Singapore widening from $16bn in 2015 to $23bn in 2018.

While the size of the global specialty market declined 10% from 2010 to 2018, the London market has grown its share despite pricing and profitability challenges over this period. Much of this increase has been in aviation and marine.

London's share in aviation rose 12 percentage points to 56% between 2010 and 2018, as capacity elsewhere contracted and business returned to seek out the market's underwriting expertise.

In marine, London has benefitted from its expertise and ability to write large risks, with its market share rising five percentage points to 33%.

North America replaced the UK and Ireland as London's biggest source of income, the report found. However, London has continued to underperform in emerging markets in Asia and Africa.

The report looked at data from 2018 and did not include any impact on the market and its clients of the Covid-19 pandemic.

"The effects on market structure, products, processes and working practices caused by the Covid-19 crisis are likely to be profound and long-lasting," Moore said. "The crisis shows the market can support its trading partners and clients through the toughest of challenges and the fact it is doing so today is, in part, down to its adoption of previous LMG initiatives. For example, electronic placement through PPL has meant remote working has been possible and contracts have been placed and renewed with legal certainty."

Lebecq said was work was being commissioned to examine the impact of the pandemic on the London market.