



More Strategic Restructuring Seen in Reinsurance Programs – WCMA

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Latest Insurance-Linked Securities (ILS) Report From Willis Capital Markets & Advisory Highlights Q2 2015 Activity

NEW YORK, July 16, 2015 (GLOBE NEWSWIRE) -- The reinsurance industry has seen more strategic restructuring within many Florida reinsurance programs in the first half of 2015, with commensurate gains for shareholders and policyholders, [according to the latest ILS report from Willis Capital Markets & Advisory](#) (“WCMA”), part of Willis Group Holdings plc (NYSE:WSH), the global risk advisory, re/insurance broking, and human capital and benefits firm.

The report notes, however, that the majority of re/insurers are missing the chance to restructure their reinsurance programs to better integrate ILS capacity and make greater performance and efficiency gains.

Bill Dubinsky, Managing Director and Head of ILS, WCMA, said: “Ceded reinsurance executives should not focus on using ILS to buy the same reinsurance program as in the past more cheaply. Insurers instead should be looking to restructure their reinsurance programs to better integrate ILS capacity and make more dramatic performance and efficiency gains, ultimately to the benefit of shareholders and policyholders.”

The report also notes that the reinsurance industry has been animated by initiatives such as Nephila’s fronting relationship with State National to enter the U.S. direct insurance business. “Such ventures are more toward the beginning and not the end of a wave of dramatic structural change caused by ILS moving from reinsurance to insurance,” **Dubinsky said.**

Q2 2015 Cat Bond Market Issuance Overview

The WCMA report outlines that the second quarter of 2015 saw \$2.7 billion of non-life catastrophe bonds issued through nine transactions. This follows a historically strong first quarter in which the market saw \$1.5 billion of issuance, and brings total non-life capacity issued year-to-date to \$4.1 billion.

The report also highlights that indemnity deals dominated the second quarter of 2015, with all of the 144A transactions issued during the period having used an indemnity trigger.

Commenting on this trend, Dubinsky said, “The increase in indemnity trigger use in part reflects the increasing sophistication of the pool of investors as the market matures. The trigger migration also broadens the potential pool of sponsors as some insurers remain reluctant to expose themselves to potential basis risk resulting from index triggers, notwithstanding the potential premium savings from doing so.”

The Q2 2015 WCMA report also includes a [Q&A interview](#) with Franco Urlini, Group Head of Reinsurance, and Mirko Sartori, Head of Insurance Liability Management at Assicurazioni Generali SpA. The interview includes their views on the ILS market, how they would like to see products evolve, their considerations when approaching this market and the impact they see on pricing (ROL) of catastrophe reinsurance programs.

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