Price softening continues but uptick in demand at April 1 reinsurance renewals: Willis Re 1st View

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LONDON, April 01, 2016 (GLOBE NEWSWIRE) -- Reinsurance rates have fallen for the fourth consecutive year at the April 1, 2016 renewals, according to the latest 1st View Reinsurance Renewals report from Willis Re, the reinsurance business of leading global advisory, broking and solutions company Willis Towers Watson (NASDAQ:WLTW).

However, amidst a gloomy picture of sustained pricing pressure, encouraging signs for reinsurers are starting to show.

Firstly, although insurers continue to seek improvements in pricing and terms and conditions from their reinsurance partners, overall, price reductions at April 1, 2016 were marginally less than those attained 12 months earlier. Any broadening of terms and conditions also remained largely stable.

A number of factors, such as increased limits purchased and some modest losses, including the deterioration of earlier losses, have had an impact. It is also becoming increasingly evident that although most reinsurers are accommodating client requests, many are now at the point where they are no longer prepared to grant any further concessions, irrespective of relationship considerations.

According to the report, this by no means signals a pricing floor or an end to current conditions, but for certain markets it does suggest a slowdown in pricing deterioration.

Demand for reinsurance is also finally picking up.

As observed during the January 2016 renewals, a number of larger insurers, which over the last few years were driving strategies to retain more risk on their balance sheets, have been looking to selectively reverse their thinking. This is leading to an increase in cessions to selected third party reinsurers, both on traditional risk sharing reinsurance structures as well as loss portfolio transfers and adverse development covers.

Commenting on this trend, John Cavanagh, Global CEO of Willis Re, said: "The underlying reasons for the reversal in reinsurance buying strategies are distinctive to each client. But increased regulation, which has promoted a more holistic view of risk and reward, allied with shareholder pressure to improve ROEs by reducing the equity element of the calculation, are clearly two overall drivers.

"Ultimately, buyers are still reaping the rewards of competitive conditions and reinsurers will need another below average loss year to produce acceptable results in the face of a tough 2016. But the apparent uptick in demand is certainly a positive sign."

Download the full report: The Willis Re 1st View report is a thrice yearly publication including specific commentary on key trends throughout the world's major reinsurance classes and regions.

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