Summer 2018

THE INSURANCE Insider

LEGACY ROUNDTABLE 2018

Legacy 2.0

New capital comes knocking as legacy deals increase in size and frequency

Insight and Intelligence on the London and International (Re)insurance Markets

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'Where do I start?'

Introduction

Dear friend,

In the live market, many would argue there's not a huge amount to be optimistic about at the moment.

Despite hopes that a heavy cat year might dislocate the market and recalibrate the cycle, the market was still able to absorb $140bn of cat losses and barely flinch.

Rates have not reacted as they have done in the past, and the market is far from regaining the ground it lost during the many years of falling pricing and margin erosion.

All the while, it's becoming increasingly more expensive to do business. Legacy IT systems are perpetuating inefficiency and brokers are still pushing for even more commission, even though premiums are barely growing.

The days of double-digit returns in the live market are long gone. Carriers are being forced to take a long hard look at themselves and make tough decisions on addressing underperformance and cost base.

All in all, the live market currently has little to sing about.

Which is why moderating *The Insurance Insider*'s annual legacy roundtable was such a welcome reprieve from the misery.

Conversely, the run-off market could boast it is on the up. If one overarching theme could be extracted from our engaging discussion in Brighton, it is that positivity reigns in legacy circles.

Deals are getting bigger, and more frequent. Markets which were seemingly closed to the idea of selling their old liabilities are opening up, and are actively seeking discussions with run-off carriers.

Returns at legacy carriers are better than ever, and it's caught the eye of private equity. New capital has come knocking and carriers are taking advantage – using this source of funding to grow in scale and bid for bigger deals.

Legacy carriers are becoming more sophisticated in their approach, as their clients demand it. Run-off solutions are becoming more tailored and more innovative. An impeccable reputation for efficient and professional claims handling is still a key priority, but run-off carriers are investing more than ever into technology and processing in order to be more competitive.

As one roundtable participant said, legacy has grown up – and the era of legacy 2.0 is under way.

That's not to say there aren't still challenges to be overcome. Run-off legislation in the US is being drawn up, but progress is slow and there are numerous creases to be ironed out.

Brexit is still an operational challenge for many UK and European run-off carriers, given the prevailing uncertainty around what a Brexit deal will look like.

However, even this can be perceived as having a silver lining – those who joined us at the roundtable said this could unlock a whole new wave of run-off liabilities, though, like Solvency II, they may be slow to actually come to market.

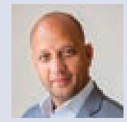
But now, the legacy market must make sure it treads carefully.

The live market knows the perils of taking on too much capital and pushing for too much growth, too quickly.

By learning from the live market's mistakes, perhaps the run-off market can make sure it doesn't lose its reason to be optimistic.

Catrin Shi
News editor
The Insurance Insider

ROUNDTABLE PARTICIPANTS



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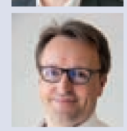

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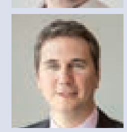

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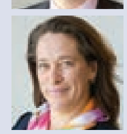

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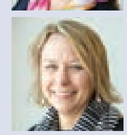

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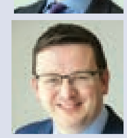

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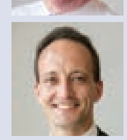

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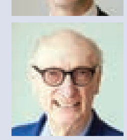

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The Legacy Roundtable 2018

Catrin Shi
We've just published our annual legacy survey and the response from the market has been overwhelmingly positive. So, to kick off the discussion, I'd like to ask if the legacy market is right to be so upbeat.

Alan Augustin
The legacy market is absolutely right to be upbeat. We've seen significant changes over the last 12 months, in terms of new capital coming into the market, deal size and deal opportunity. Coupled with some of the markets that were seemingly closed previously now opening up as well, in continental Europe, and with new legislation in the US, there's an awful lot of optimism.

John Winter
That is absolutely right. The size of deals is increasing, and the terms are decreasing, but that's life, isn't it.

Chris Price
From an investment point of view, capital is plentiful and quite cheap. The other side of the coin is that the returns you earn on the assets afterwards are fairly low at the moment and, looking ahead, both of those might flip round as interest rates start to rise.

Catrin Shi
Is the US market feeling just as optimistic?

Carolyn Fahey
Definitely optimistic! A lot more carriers are coming to the table looking for finality. One of the recent developments in the US is the tax reform law. Companies are going to have to look deeper at what they have done in the past and how transactions are accounted for.

Paul Corver
Some of the movements we have seen – especially, say, AIG announcing they are setting up a reinsurance vehicle in Bermuda to pool together $40bn of their exit liabilities, to give them a focus and have them managed in a better manner – is just an indication of where the big players are going. Zurich are being very active with disposals, so I think we'll start to see that cascade through a lot of the market.

> "ZURICH ARE BEING VERY ACTIVE WITH DISPOSALS, SO I THINK WE'LL START TO SEE THAT CASCADE THROUGH A LOT OF THE MARKET"
>
> **PAUL CORVER**

Charlotte Echarti
From a reinsurance perspective, the biggest change is that the insurance and reinsurance markets feel much more comfortable with run-off transactions. With Hannover Re, five years ago, run-off was focusing on commutations. All reinsurance companies now are starting to be more active in the legacy market.

Catrin Shi
As John already mentioned, deals are getting bigger and we are seeing more of them. How much longer can this momentum be sustained?

Robert Margetts
It feels like there's no reason why it shouldn't be sustained. You've obviously had some older books come to market but there's plenty of books out there. And increasingly you're seeing back-book deals and newer lines of business and run-off becoming part of the standard ongoing business cycle. So I don't think there's any reason why you couldn't see it continue for quite a long period of time.

James Bolton
You're seeing a much shorter gap between portfolios going into run-off and then being put to the market. You're getting business with some live risks now. There used to be a period where you'd have two or three years of run-off, looking at it yourself before packaging it up for sale, and that's changed.

David Barclay-Watt
Ignoring that live angle, there is just more of an accepted overlap between what works for both buyer and seller. If you looked at the run-off performance of a business in a live composite and then in a run-off player, from both the perspective of the actual underwriting results and that infrastructure or operating cost associated with it, it becomes much more justifiable because the results would be better on the run-off side of the fence. There are now houses that provide the infrastructure that's accepted as being the most efficient place for these liabilities.

Alan Augustin
The key thing for me is the amount of focus that there is on legacy business. Not everything necessarily results in a deal, but there's an awful lot more focus on what the options are and how we can move forward. We asked in our global survey last year about the number of potential deals and participants

expected around 20 deals per year. Looking at deals for the first two quarters of 2018, it seems very clear that number is going to be exceeded.

Nick Crossley
We also looked at the pipeline in 2018 and we're certainly seeing more than 20 deals. But also, in terms of deal size, there were over EUR3.5bn of liabilities traded in Europe last year. If you look at the flow and the quality of the pipeline this year, it's much more diversified and there are more deals starting to inch up above EUR100mn of reserves, whereas in the past it would have been a lot of deals at the smaller end.

Zsolt Szalkai
The clients get more sophisticated about these topics, not only the large organisations with their own departments dealing with legacy in a professional way and on an ongoing basis, but also the small and mid-sized organisations. We will see more transactions coming from the ongoing restructuring activities but also from the small and mid-sized players.

Catrin Shi
Continental Europe seems to be the territory which people are most optimistic about in terms of the volume of business coming to market. Is this because Solvency II has had a couple of years to bed in? What's changed?

Charlotte Echarti
Last year somebody mentioned that run-off has become a commodity. Run-off is tradable and everybody sees the added value of choosing the right option at the right moment to deal with their run-off.

Zsolt Szalkai
Exactly – this became one of the potential ways to deal with legacy and to deal not only with capital but in general terms with tied and KNAPP resources to make yourself more competitive and to use your capital where you can get the most out of it. So, it's most probably not your run-off but it's your prospective and core business.

Robert Margetts
You get a tipping point as well. Once you see a number of big players doing those deals, and a number of the mid-size players see the opportunities there, the market becomes a lot more active and you actually talk about legacy as being a core part of strategic discussions.

Paul Corver
The regulators need to up their pace and understanding of run-off as well around Europe. The PRA in the UK are completely on board with the processes and the concepts of run-off, having had to get to grips with it back in the 1990s, when the market was collapsing with the US losses. That hasn't really happened in continental Europe.

Catrin Shi
What about Brexit? Is that going to stimulate further deal flow?

Chris Price
It probably acts as a barrier – it tilts some of the technical issues. If you're a UK run-off provider and you want to acquire a continental Europe book of business, you may have some issues, as things currently stand, paying the claimants.

"RUN-OFF IS TRADABLE AND EVERYBODY SEES THE ADDED VALUE OF CHOOSING THE RIGHT OPTION AT THE RIGHT MOMENT TO DEAL WITH THEIR RUN-OFF"

CHARLOTTE ECHARTI

Zsolt Szalkai
Companies are still in the process of making a proper assessment of their situation and options before they make a decision about actions. Sometimes you get the impression that everybody is still in waiting mode before making a final decision – to see what the final set-up is going to be and how it will be implemented. But in the next few years, Brexit will definitely be a driver of more legacy transactions.

Nick Crossley
You kind of made my point there, Zsolt. Like with Solvency II, there is a long implementation phase before the impact of Brexit is seen. There are clearly some stranded books about the market; they don't belong to any live carriers and at some point will need to be shaken out. But it will take a little while before we're in M&A execution phase after Brexit implementation.

Alan Augustin
What we are seeing in the marketplace from Brexit is lots of restructuring activity as opposed to deal activity – mainly to ensure that you've got an operating model across Europe to be able to trade in the same way you did in the past. So a lot of the work is a zero sum gain just to have post-Brexit operating capability. The deals and the transactions will come once organisations have worked out opportunities from there onwards.

Paul Corver
We'll possibly see more in continental Europe than in the UK. UK companies that have written European business have to decide whether to set up a subsidiary or branch in Europe. Are they going to be able to service it from the UK? Do they then want to, say, set up an Italian, German or French branch in order to service small books of business? Both look unlikely.

"THE EL POT IS NOT A REPLENISHING ONE IN THE SHORT TERM AND THEREFORE ACQUIRERS ARE GOING TO HAVE TO LOOK ELSEWHERE FOR SOME OF THE BIGGER DEALS"

ALAN AUGUSTIN

There will be more incentive to get themselves sorted on big business, but on small business there will be a flow of deals.

James Bolton
That's what I've been expecting to see – European insurers putting their UK books into run-off and then doing small disposals. But we haven't seen much of that yet.

Robert Margetts
You might get a few people who think they've got a chance, at least, of getting a Part VII away now, before the end of the transition period. So you may get a little spike of people wanting to do something now, whereas before they may have thought there's no chance of doing something pre-Brexit. But I agree – it feels minimal at the moment and like there might be a shake-out after people have completed their restructuring post-Brexit.

Catrin Shi
On Part VIIs and the PRA – there seems to be a lot of frustration still with the slowness of the approval process. Is that going to be a hindrance to deal flow?

Robert Margetts
We've had some Part VIIs that have been tiny and have taken years to complete, not just months. It's still long, at 18 to 24 months, but it does seem that it's getting a little bit better. But if you compare it to the transfers in Europe, it's a world of difference in terms of the time you can do those in – which is always going to drive activity.

Charlotte Echarti
There will be a tremendous change if there's no agreement between PRA and the supervisory authorities in continental Europe because otherwise it will be, as you said, continental Europe transfers and UK transfers but nothing in between.

James Bolton
The European regulators are already uncomfortable in allowing European books to come to the UK, so we're already there.

David Barclay-Watt
One of the questions that arises out of that – and I guess Paul was talking about the small transactions that might arise where you have, say, a UK entity that has a small piece of Italian business – is that I'd be interested to hear where anyone thinks are the natural homes for those situations. Who would pick up, say, a small Italian book and who would have the infrastructure to do it?

Paul Corver
One of the number of Maltese consolidators, I should imagine. It seems to be becoming the run-off hub for continental Europe.

Nick Crossley
It goes to show you need models catering for two infrastructures on both sides of the 'Brexit border' going forward.

Catrin Shi
In the last 18 months to two years, we've seen a whole load of UK EL liabilities come to market. Has this market now reached saturation point?

Jim Bryant
For the first time, our M&A team has corporate clients wanting an insurance restructure conversation, as part of a corporate restructure, maybe driven by Brexit or other reasons. But even at a corporate level, there seems to be an awareness that there are opportunities to be had. They want to have conversations, not just about retro cover and reinsurance, but about other ways of disposing of those liabilities and cleaning up the balance sheet.

Alan Augustin
In the EL space, a lot of the big deals have been done, or have come to the market, or we expect there to be transactions soon. But there are likely to be pockets of activity both with insurers and within the corporate uninsured sector as well. However, the EL pot is not a replenishing one in the short term and therefore acquirers are going to have to look elsewhere for some of the bigger deals, certainly UK-based ones, in the future.

Zsolt Szalkai
What we've seen regarding EL is the large books being transacted. But there are also small and mid-sized players with similar business and having the same issues as the big ones. When they see how these transactions support in exiting non-core lines, getting capital relief and more stable results, then they will also go with those topics to the market.

Catrin Shi
Could we talk about the US and whether more liabilities are going to come to market for loss portfolio transfers?

Carolyn Fahey
As you know, there has been a great deal of activity in the states to pass legislation that will offer finality. In Rhode Island, we still haven't seen a transaction. There's still a lot of industry "buzz" around the potential. I don't think interest is waning, but carriers are waiting to see who will be the first

to do a transaction. Some other states have also "thrown their hat in the ring" – Connecticut and Oklahoma are two examples. Oklahoma was signed just last week and will be effective 1 November.

Paul Corver
Are they very similar to Rhode Island?

Sean Keely
They're more robust. With Oklahoma, you can even transfer long-term care business, accident and health etc. To the question about deal flow – it will continue to be robust in the US but more on the traditional mechanisms, loss portfolio transfers. The fact that you've now got four or five states that have put things on the books, of different varieties, is a positive. The one Oklahoma signed last week is the most broad-based and most similar to Part VIIs. It provides legal finality, across both legacy and live business and across classes of business. Oklahoma's decision to put together a comprehensive statute that would cover all classes and provide that type of finality is a step in the right direction.

Carolyn Fahey
It's definitely a big step for legacy. I don't know how many insurers are domiciled in Oklahoma, but they are uniquely positioned to make some progress in this area. Part of the challenge is getting some of the states we see as higher-profile insurance states interested – for example, New York and California. With the regulatory system in the States being so decentralised, education must be done in each state as to the benefits. Building the bridges so each state understands the benefits to insurers and policyholders is important. AIRROC is working to position itself as a resource for this information.

Catrin Shi
Moving on to third-party capital, which seems to be abundant at the moment, how can legacy carriers use this to their advantage, and is it here to stay?

John Winter
There are lots of people who want to invest, which wasn't the case 10 years ago, and a lot of carriers have had to do it. That will continue until the returns change. Investors understand it more than they did 10 years ago because 10 years ago companies were petrified about the losses they might make. These days, what they're looking for is to release capital for something more useful. So their motive has changed.

Nick Crossley
It's quite telling that, for almost every sort of capital, you've now got much more choice – equity or senior debt or sub-debt, reinsurance, etc. And there's probably a flexible acquisition model out there to make optimal use of those options. There is a greater adoption of a partnership model for capital – be it bringing third-party capital, working in fronting relationships, co-investing – all those structures are out there now. Playing in these different pools builds the flexibility to be able to buy liabilities in different countries, with different profiles and durations, catering for different risk appetites.

Chris Price
It's going to be an active market in the short term, because although interest rates are going to go up, they will go up quite slowly, but over time as rates rise, investors will have other opportunities and they're going to compare returns they can get on those opportunities with the returns they can get by financing legacy buy-out business. To the extent that the opportunities elsewhere provide better return, that capital will dry up in this market.

David Barclay-Watt
We've seen it through almost all the people that we've supported in the market. It started with us providing the debt and the run-off provider providing the equity – just two forms of capital. With the bigger transactions now, some of the solutions are not just private equity, they are actually getting to the scale where capital markets become interested. Third-party capital takes many different forms, and we're seeing deals where it almost has three or four forms of that capital in the same transaction.

Charlotte Echarti
Third-party capital is here to stay, as it is part of the development. Ten to 15 years ago, with the first cat bond placements on capital markets, nobody knew whether that would be a success, but it's completely normal now. It might change with the interest rate, but it is all about having a spread. And putting third-party capital into the insurance market gives every investor the possibility to obtain a good spread.

Zsolt Szalkai
The insurance industry in general is a capital-intensive industry. And as long as it can deliver uncorrelated and relatively higher returns than something of similar quality like a corporate bond with additional diversification benefits, we will definitely see more capital coming in. Compared to 2011-2012, we had something like $50bn of additional capital coming into the industry, despite the soft market. So we don't see any changes in terms of getting higher rates and the capital is still coming in.

Robert Margetts
Capital providers also can and do provide other things, as well as reducing the overall cost of capital and providing the ability to do more on the deals side. For example, reinsurers can provide underwriting

"THIRD-PARTY CAPITAL TAKES MANY DIFFERENT FORMS, AND WE'RE SEEING DEALS WHERE IT ALMOST HAS THREE OR FOUR FORMS OF THAT CAPITAL IN THE SAME TRANSACTION"

DAVID BARCLAY-WATT

experience; they may have written prospective in those markets. If you're a new market, they may have regulatory relationships that you don't necessarily have internally.

Catrin Shi
What sort of devices, skills and resources do legacy carriers now need to be competitive?

John Winter
Claims handling has always been a very important factor. I'm not sure why it came second last year, but it's interesting that it's almost come back. That points to the more sophisticated types of investment. We've touched on things we never had before coming in – ILS, involvement of reinsurers, etc. The whole market is becoming bigger and more refined in all respects. It's maturing.

Nick Crossley
On the servicing side, there are more and more diverse liabilities classes you have to deal with in different parts of Europe or the US, which goes to the heart of the servicing model – ranging from being able to work with TPAs and properly using that framework, versus working liabilities in-house where there is an in-house capability.
The other piece is the asset management capability where, probably more than ever – and particularly if you're going down the route of acquiring long tail books as your central model – that capability needs to be enhanced within the buyer's tool-kit relative to it just being a claims handling-led model.

John Winter
The asset management is a big refinement, compared to 10 years ago.

Zsolt Szalkai
For our clients, the prospective insurers, the world became very dynamic and there are many things happening – not only capital coming in, but different business models, trends in doing business. Our clients are getting more sophisticated so we have to make sure that we can tailor and customise our solutions. It is of outmost importance to listen carefully to what the client needs. I would say we've arrived at a new status of legacy: legacy 2.0.

Alan Augustin
I fully endorse this. For me, this is about full operational capability. So claims handling is part of it, investment management is part of it, as are technology and investment into continued innovation and cost-saving.

> "IT IS OF OUTMOST IMPORTANCE TO LISTEN CAREFULLY TO WHAT THE CLIENT NEEDS. I WOULD SAY WE'VE ARRIVED AT A NEW STATUS OF LEGACY: LEGACY 2.0."
>
> **ZSOLT SZALKAI**

Catrin Shi
So is price less of a factor in deals now, or is it still just as important?

Chris Price
Price in deals is key to whether you're going to be successful in the long term. And going back to the asset management side, some sort of projection of what you're going to earn on the assets going forward is going to be critical to how you price the deal, particularly when these deals are very competitively fought over.

Robert Margetts
Price is always going to be important but you're getting increasing focus on things like execution and reputational risks as you manage the claims in the future as well. You've obviously got to be competitive there but you've got to get that balance between being able to integrate the business effectively and then managing clients' claims how they'd expect them to be managed for their reputational purposes.

Jim Bryant
We talked about new capital coming to the market, in terms of acquisition and sale, but we're also seeing vulture funds sitting behind TPAs, looking to grow that market share.
And as efficiencies come down, technology, from what we're seeing, should help to make the due diligence and the pricing easier and potentially bring down the costs of doing a deal.

Catrin Shi
The RITC market at Lloyd's has seen something of a resurgence of late. Do you think this will encourage more legacy carriers to get into Lloyd's, or partner with Lloyd's businesses to access that market?

Zsolt Szalkai
What's happened in the last 12 to 18 months is quite interesting. There are already legacy players in that market but there are different ways to be engaged in those transactions as well. It is important to understand the benefits and disadvantages of the options and decide which way they can best work in general, but also for particular transactions. That market will have similar challenges to the market in general, so we will also see further opportunities there which need solutions.

Paul Corver
It's a big order to go in and set up your own syndicate. The way things will go in the future is for capital to look to existing players to be able to partner up on specific transactions – as R&Q did with Axa LM. Lloyd's has now got 25 years of liabilities since the R&R, so there are going to be portfolios of liabilities ripe for disposal and the need for specific portfolio transfers in Lloyd's is building.

Nick Crossley
There's also quite a lot of M&A at the moment. So you can see that activity leading to pre-sale balance sheet optimisation work to dress up businesses for sale, or post-merger fallout.

Catrin Shi
Looking ahead, what emerging claims trends are coming through? People always talk about what is going to be the next asbestos…

Jim Bryant
Clients are still saying inevitably that it's asbestos. North of 80 percent of IBNR for most clients I deal with seem to still be with asbestos. What we're all still waiting for is the next hearing loss. That has been a massive source of claims over the last five years. We never envisaged that that would come back to market because people say historically it was dealt with back in the 1990s. But if you're talking about a new category of claim, something like low-level respiratory conditions, perhaps – something that is easy to volume up.

Paul Corver
That could very well be diesel fumes. The saving grace with diesel is that the US didn't adopt it to any great extent. If 50 percent of the cars in the US were diesel, incurring all the asthma problems that we see in the UK, then there would be significant claim movements in the US. What we have seen today, though, is the announcement of a $10bn suit that's been raised by Californian groups against opioid manufacturers.

Carolyn Fahey
Technology itself opens up a really big issue. The cyber issue is huge in the US. There are many savvy people out there who figure out how to hack into corporate systems and we've seen big companies having data compromised. Opioids are another really big one for us. Concussion claims are still a really big issue in the States. And talc is another one, with some recent developments in the litigation involving Johnson & Johnson.

Sean Keely
Opioids are huge now. More pre-emerging are the head injury claims. Those have tremendous possibility to embroil the market because they will go back years and years. And it's not just professional football; it's university and high school students. I say pre-emerging because we don't understand the science yet, and we're just starting to see some of the issues on the coverage side work through the courts.

Charlotte Echarti
Looking at the past 12 months I could imagine that sexual harassment will be coming up, with #MeToo, #TimesUp, etc, as people start to file claims.

Sean Keely
I agree. Now whether it's a legacy issue is a question but more and more states are looking at extending the statute of limitations. So when you're looking at not a two-year or a three-year problem but a 20-year problem, it becomes a legacy.

Jim Bryant
From a claims perspective, over in a number of the US states we got rid of the limitation time bar on abuse claims a couple of years ago now and the same has happened in parts of the UK. With the independent inquiry going on, there is an expectation that the same might happen across the remainder of the UK for asbestos, because it's all about prejudice in the UK. You can be out of time but if the defendant hasn't suffered undue prejudice, and the judges can still hear enough evidence to reach a sensible view, you can still bring your claim.

Catrin Shi
Last year we had a good discussion about bringing new talent into the legacy market. Does the market have a bit of an image problem for the younger generation, especially in its diversity?

Nick Crossley
I was speaking to some of the YPG members within our firm and the theme they all bring up is that the transactional experience they get here is second to none. You don't necessarily get that in the live market – in legacy you can get more of a 360 degree feel for the market, and get exposure to a great diversity of business skills, legal skills, underwriting skills, etc. That's a real asset.

Carolyn Fahey
We have a bit of a challenge too in the States with the stigma of run-off. One of the things I encounter a lot when I speak to other people about what I do is the response "I'm glad I'm not there". And usually my response is "Well, why not?" Because there's a lot of flexibility, you can learn a lot, but it's tough to convey that message.

Robert Margetts
It's more of an awareness thing than an image problem. It's about people knowing what the opportunities are. And when they get into it, they all seem to very much enjoy it, it's just getting them there in the first place.

Charlotte Echarti
Why does the legacy business have these challenges in attracting younger people? It's due to its complexity. To be really good at legacy, you need a lot of experience and knowledge from different angles: underwriting, claims handling, asset management.

Catrin Shi
The insurance industry in general has a problem with gender balance and the gender pay gap. More needs to be done to support women through their careers so they attain more senior levels of management. So how good is the legacy industry at supporting women in their careers?

Charlotte Echarti
It's developing. It is in the focus of the industry. Companies have set up women's networks and are supporting women in their careers. But it's also up to the women to decide to sacrifice a little bit of their work-life balance to manage having a career alongside family.

Jim Bryant
The transactional nature of a lot of it actually does lend itself to a more diverse approach in bringing teams on for short-term projects. Perhaps more could be done in that space. But to take Charlotte's point, IRLA also has its mentoring scheme. I've just put myself on it but I can't recall there being any female mentors currently. So maybe that's something we ought to be actively encouraging, to even up the numbers that have males mentored by females and females getting more involved in that space.

Catrin Shi
It's important for men in the industry to champion women because men are currently in positions which have more influence. But mentoring seems to be working well in other sectors of the industry. It would be great if the legacy market could be a role model for the rest of the industry.

Alan Augustin
There is some fantastic work being done at the moment. I know that the CII, through Inga Beale at Lloyd's, put out a recent research paper – 'Insuring Women's Futures' – on the interventions around important moments in females' lives and understanding how the industry can better support those.

Sean Keely
Increasingly, it's become the consensus that it makes no sense at all to lose half the workforce. I was very encouraged when, back in the fall, Carolyn was hosting the AIRROC conference and gave scholarships to two young women who were in a risk management programme at university. They were very excited about the industry and that just has to be cultivated.

Charlotte Echarti
Support is good, but the mindset has to change because, as has been said, otherwise 50 percent of the workforce is missing. As soon as women were allowed to go into Lloyd's, they were there. And, for example, in my team I have 50 percent of women through all levels!

Paul Corver
It's not just about the encouragement or support of women but perhaps also the encouragement for men to have career breaks to bring up the family – so it's not always seen as the woman's role or desire to be at home with the children from the first year until they go to school. The legislation is structured against that because it's the mother who gets the extended maternity leave and maternity pay.

Catrin Shi
What's the one thing you would say is the biggest challenge for the legacy market in the coming year?

James Bolton
One thing I'll be discussing is IFRS 17. It's not coming in yet but it does concern me. It's an awful lot of work and what it does to run-off isn't too good. Companies are going to discount their reserves, which makes M&A less profitable.

"THERE HAS BEEN SO MUCH BUZZ ABOUT THE STATES THAT ARE ENACTING LEGISLATION FOR FINALITY TOOLS AND COMPANIES ARE WAITING TO SEE WHO WILL BE FIRST"

CAROLYN FAHEY

David Barclay-Watt
On the same theme, the complexity around Solvency II, insurance accounting, actuarial reports - trying to get an actuary to say what is the actual risk that this £200mn of reserves becomes £250mn. They'll say it's highly unlikely, but I want them to give me a percentage! It makes it very difficult when we're trying to explain it to senior people internally, who are making decisions on the large transactions and who won't necessarily have any run-off experience.

Alan Augustin
It's not a new challenge, it's been there for quite some time, but for me it is the proper opening up of opportunities for the legacy sector. There is a huge amount of legacy liabilities still on balance sheets that are untouched, which is a fantastic opportunity for all of us round this table.

Chris Price
The biggest tail risk is probably the unexpected claims trends and things that we haven't even thought of yet, beyond the things we've discussed now, that turn out to be major issues – maybe around demographics, maybe around climate change and pollution and things like that.

Carolyn Fahey
From the US, it's the regulatory landscape and the waiting. There has been so much buzz about the states that are enacting legislation for finality tools and companies are waiting to see who will be first. I look around this table at our European colleagues and wonder if there will be companies who will get frustrated with the US market and start to look elsewhere.

Paul Corver
I'm surprised no one has thought Brexit is a challenge. There's a waiting game – a lot of uncertainty and a lot of management distraction. But to counter that, there are potential opportunities for the run-off sector, but again, what are they going to be, when are they going to arrive?

Jim Bryant
One of the other things that we didn't touch on regarding claims is occupational cancers. As medical science is continuing to evolve around helping us understand what has caused or contributed to certain types of cancers, that's going to drive certain claims behaviours. Medical science is moving so fast, particularly in the asbestos area, and that's going to add value to the cost of claims.

John Winter
I take a very positive view. Since 2011, IRLA has grown to about four times what it was in those days and business is going well, we're all sitting here, making money.

Carolyn Fahey
And to that point – AIRROC is seeing more interest in our market from capital providers and banks. Run-off deals are a hot topic right now.

Catrin Shi
That's a good note to finish on. Thank you all very much.

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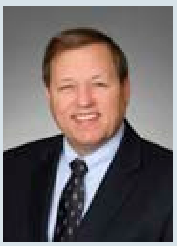
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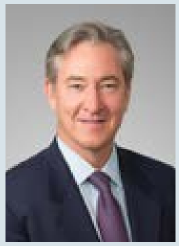
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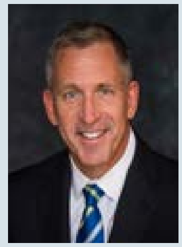
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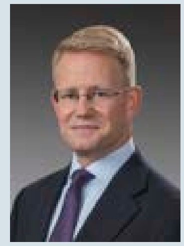
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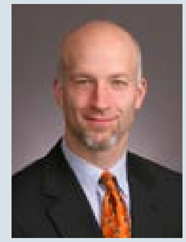
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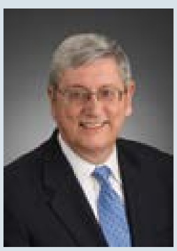
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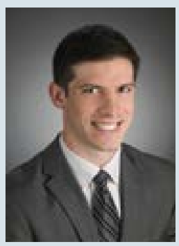
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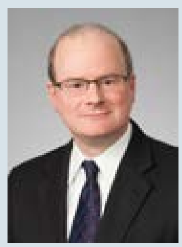
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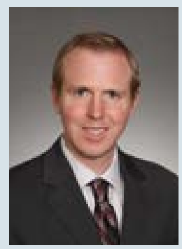
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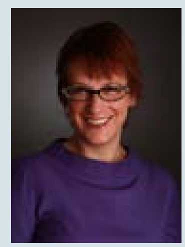
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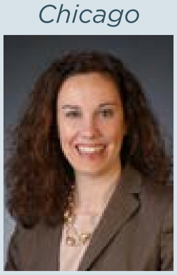
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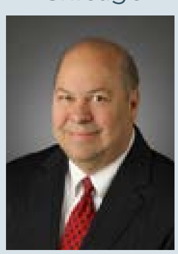
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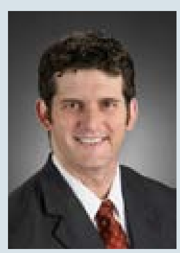
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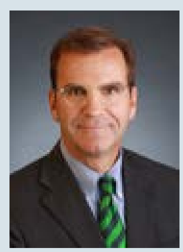
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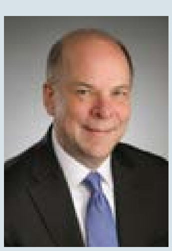
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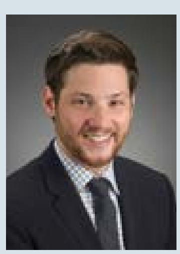
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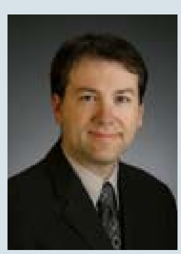
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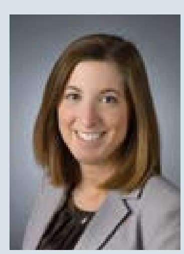
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