

A belief in mutual profitability

Good communication, trust, and an ethos of mutual profitability are keys to how a good broker helps clients navigate some of the most challenging market conditions in a generation.

Trust, good communication and the concept of mutual profitability are the three cornerstones of how brokers can help their clients navigate what represents a unique set of market conditions—along with a healthy openness to new ideas and innovation.

That is the perspective offered by Adam Manus, president and chief brokerage officer, and Stephanie Rabin, senior vice president, head of corporate strategy, of Holborn, speaking to *APCIA Today* in advance of the conference in Boston. They argue that a confluence of challenges have put pressure on reinsurers, and the current hard market conditions will not shift easily or quickly.

“The entire insurance industry lost surplus in 2022, but it was due to so many factors,” Rabin says. “You had bad cat losses but also investment losses, currency fluctuations and economic turmoil. Things that are normally uncorrelated all occurred at the same time.”

She adds that meaningful amounts of new capacity have failed to enter the industry—yet. Investors are largely waiting in the sidelines to see how market conditions pan out and whether the industry can sustain profitability. But this restriction of capacity has had very real consequences for cedants—meaning a greater need for brokers to innovate and find solutions to complex problems.

Rabin says clients’ retentions have increased just as prices have increased meaningfully and their own surplus has reduced.

“When you put all of this together, it results in our clients now retaining more risk than ever before.”

This presents a big challenge to insurers. Unlike reinsurers, they cannot shave off concentrations, change terms and conditions or increase their rates quickly to compensate. “There are many reasons that mean there needs to be a monumental shift, but it is hard for insurance companies to change things as quickly as reinsurers,” she adds.

Manus says this is where a good broker comes in. It becomes essential that clients can deep-dive into their portfolios to truly



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Stephanie Rabin

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understand risk concentrations and which lines are profitable, and which are not, better than ever before. Robust data and analytics helps to accomplish this—but good communication between all parties becomes vital.

“We want to be part of the solution,” he says. “We realised early on this year, after the 1/1 renewal, that it would be a tough year for clients.

“That’s where you need to drill down and better understand what the risk is, what is the problem that we’re trying to solve? We help clients better quantify their risks—but without simply relying on the vendor risk models.

“You need to establish how much premium is needed in the system to pay reinsurers, to protect your own capital and have money left over for your own profit,” he explains.

Good decisions

Knowledge is power and such information helps clients make better strategic decisions,

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Manus says. Insurers with a strong capital position and financial strength rating can eye opportunities in such market conditions.

“It is not always easy to discuss problems, but when you have trust it really helps. A good relationship means you can have a collaborative, open and honest discussion—and find a solution, much more quickly.

“But it is like turning an ocean liner,” he says. “It can take years for actions taken now to impact the bottom line, that is why those long-term relationships built on trust matter so much.”

Rabin adds that Holborn’s role is to be provocative and challenging—in a way that engenders outcomes.

“We’re being fundamentally innovative in how we understand and quantify risk, and not taking the industry standard approach. Every situation, every set of challenges, is different.”

Manus adds that such an approach is vital in this environment. “What historically has led to success isn’t necessarily going to work today. That means you need trusted advisors who can help you challenge assumptions. The answer is going to be different for everybody based on the culture and their strengths of the organisation.

“People have to rip up the script and start anew, which can be a very hard thing to do.”

In terms of predictions for this next year-end renewal, they agree it is likely most will favour existing, long-term clients where they also have faith in their business plans.

“Which comes back to trust and relationships,” Rabin says. “We’re firm believers in the principle of mutual profitability. Reinsurers have to make money; our clients have to make money. If either of those things is not true for the long term, it leads to distress and bad decision-making. Everything we’re trying to do is achieve that profitability.” ●

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