

# BEST'S REVIEW® ISSUES & ANSWERS:

## ENTREPRENEURIAL AGENT AND SPECIALTY LINES

Industry experts discuss the outlook for specialty lines and how insurers adapted to doing business during a pandemic.

### Interviewed Inside:



**Chris Gallagher**  
*Sampo International Commercial P&C*

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# Rising to the Challenge

Chris Gallagher, CEO of Sompo International Commercial P&C said the company has experienced some fundamental changes. “Moving forward, our new structure will allow us to go and organize ourselves in such a way so as to present a better product to clients and distribution partners,” he said. Following are excerpts of an interview.



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## What impact has COVID had on balance sheets?

While the industry had adequate capital pre-COVID-19, this really is the perfect storm, hitting both assets and liabilities. In Q1, you saw the initial shock to asset values, and then the emergence of the liabilities associated with claims emanating from COVID-19. With that, we've seen depression of solvency ratios across many of our peers throughout the industry. At Sompo International, we were fortunate our solvency positions remained relatively stable. With that, I think you've seen the response really from Q1 and Q2. We've seen a number of debt raises, equity raises, and while many of those were cited against seeing opportunities from 2021 and beyond, there is an element of securing the balance sheet. We've seen that response coming from many of our peers in the industry, because there was a severe hit to the balance sheet.

## What other challenges is the industry facing?

The legacy that COVID-19 will bring on the liabilities side, and government actions as a response to the pandemic, providing that relief on the assets side. Ultimately, it leads us to a very, very low interest rate environment across most of the world's major economies. For many of us, executives and boards looking at strategic plans that we established one or two years ago, the one big impact we see is on the investment income that we'll be able to achieve, particularly in the short term. Secondly, we're coming off the back of a 10-to-15 year decline in the pricing environment for our commercial P/C business. That's set against the backdrop of increasing severity of natural catastrophe events and the backdrop of climate change. We have no choice but to correct the pricing across many of our products.

## Are you seeing opportunity amid all this turbulence?

We are, at Sompo International, in a number of areas. Our solvency position has remained stable. That means our risk appetite is unchanged, while many others are facing a depressed risk appetite. We were able to step in with stability, demonstrating the strength of our balance sheet to our key global clients and distribution partners. That allowed us to transact business that maybe we wouldn't have done so before by putting amendments through products,

## Chris Gallagher

CEO

Sompo International Commercial P&C



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but with a consistent risk appetite that allowed us to secure business opportunities. Also, it's important to note, that throughout COVID-19, we have been able to reinvest in our platform, including retaining and securing talent, some of which has become available just due to the uncertainties at other carriers.

## What will change when we all return to the office as a result of what we've learned over the past year?

We learned a lot about ourselves and our industry in 2020, and in my view, as a CEO, I think we've done pretty well. We've adapted. Our operational processes have been put under a huge amount of stress, but they've been tested, and we've come through it pretty well. We've tested remote working in a way I don't think any of us ever thought we would, and we've shown it can work for elements of business. That said, we're missing that face-to-face, those touch points, that creative thought that comes when we're together. I think we'll find a balance going forward.

