

Full speed ahead

Discussing the road to a harder market, increased scrutiny by Lloyd's and cyber coverage aggregation with Sompo International's Jack Kuhn

Sompo International CEO, Global Insurance and Chief Underwriting Officer Jack Kuhn has seen his share of market cycles over his three decades in the industry. Since joining the company in November 2012, his focus has been on growing the company's commercial P&C operations.

While some re/insurers might bemoan inadequate property rate increases following two particularly bad catastrophe years, Kuhn is upbeat when discussing how the company has fared and where Sompo International's business is heading in 2019. "Nearly all the lines we're in are seeing positive rate movement," he tells *Reactions*, noting that he's likewise seeing encouraging signs in the rate environment industrywide, citing Professional Lines – specifically, public company Directors & Officers' (D&O) coverage – with additional movement in E&O, Marine and Property.

However, it's going to take time for overall pricing to get to where it could be. "I don't think you're going to see the type of hard market that you're used to seeing," he says. "It's going to be more of a gradual turn."

For many industry players, Kuhn says, "there's no place to hide poor results, and now they're renegotiating terms with clients and making some tough, but necessary decisions." He also sees some competition exiting the market and cited Aviation as an example.

Professional Lines, in particular, is of significant focus for Sompo International. In discussing key trends driving this market, Kuhn noted an increase in severity as D&O claims are getting larger. He sees a lot of changes

taking place in the way claims are settled – which he says mandates adjustments in attachment points.

Another area of focus for Sompo International is cyber. In terms of protections that clients should be considering more actively, cyber cover is a must, says Kuhn: "The types of attacks and viruses are changing daily."

There are different motivations for different types of cyber attacks, he adds, noting that those can run the gamut from social or political issues to pure greed. "You'll now see carriers looking to get their arms around aggregation associated with one large event, and cyber is a perfect example of that," he adds. "More carriers will be pulling back on limits due to how much they can be exposed on one loss."

It doesn't help that many cyber policies are in serious need of re-examining as clients experience property losses due to cyber events, a lesson that manufacturers – and their insurers – have learned the hard way. "Silent cyber," he says, cannot become a regularly accepted alternative to clearer policy limits around property protection: "What would make sense is for the industry to come up with a more comprehensive first party policy that would allow other products to exclude 'silent cyber.'"

In a highly competitive coverage arena like cyber, however, differentiation is key. "It's an evolving marketplace where Sompo International has a deep bench of expertise and provides guidance for our clients based on extensive knowledge of current trends," says Kuhn. He's beginning to see larger claims among middle-market clients, which are now taking a second look at their policy limits.

In December, Sompo expanded its cyber capabilities with the introduction of a dedicated US team, an enhanced Cyber and Professional Liability product,

and an expanded suite of cyber risk management services. This team of underwriters, working with colleagues in other geographies, is focused exclusively on marketing and underwriting Sompo International's cyber product offerings, which complement the E&O and professional services products available through Sompo Pro, its professional liability insurance unit.

Another market experiencing a positive transformation is London. When discussing this market, Kuhn says that the increased scrutiny of late by Lloyd's over its syndicates' business plans are "a step in the right direction, and long overdue." The market's spirit of innovation, he adds, needs to be nurtured, and that can only be done in a Lloyd's that is healthy and held accountable.

"Lloyd's has changed quite a bit," he says. "It's always been a mecca for innovation, where really understanding clients' risks led to creation of products. How do they hold on to that legacy as an innovator of services for clients? You're just not seeing the evolution of coverages coming out of Lloyd's the way you once did. We're not staying as current as we should be on the product development side."

The insurance industry has always been and continues to be an evolving landscape. Hard market conditions come and go, and new exposures are one of the few certainties in an industry built on predictions. So how is Sompo evolving to meet their markets' needs? According to Kuhn, "Sompo, is on course to becoming a truly integrated global company," he says. Leveraging Sompo Group's client base and operations around the globe, they are looking to add new products, even beyond P&C. "The more products we continue to offer and the deeper, long-term relationships we establish globally, the more relevant we're going to be as a trading partner."

