



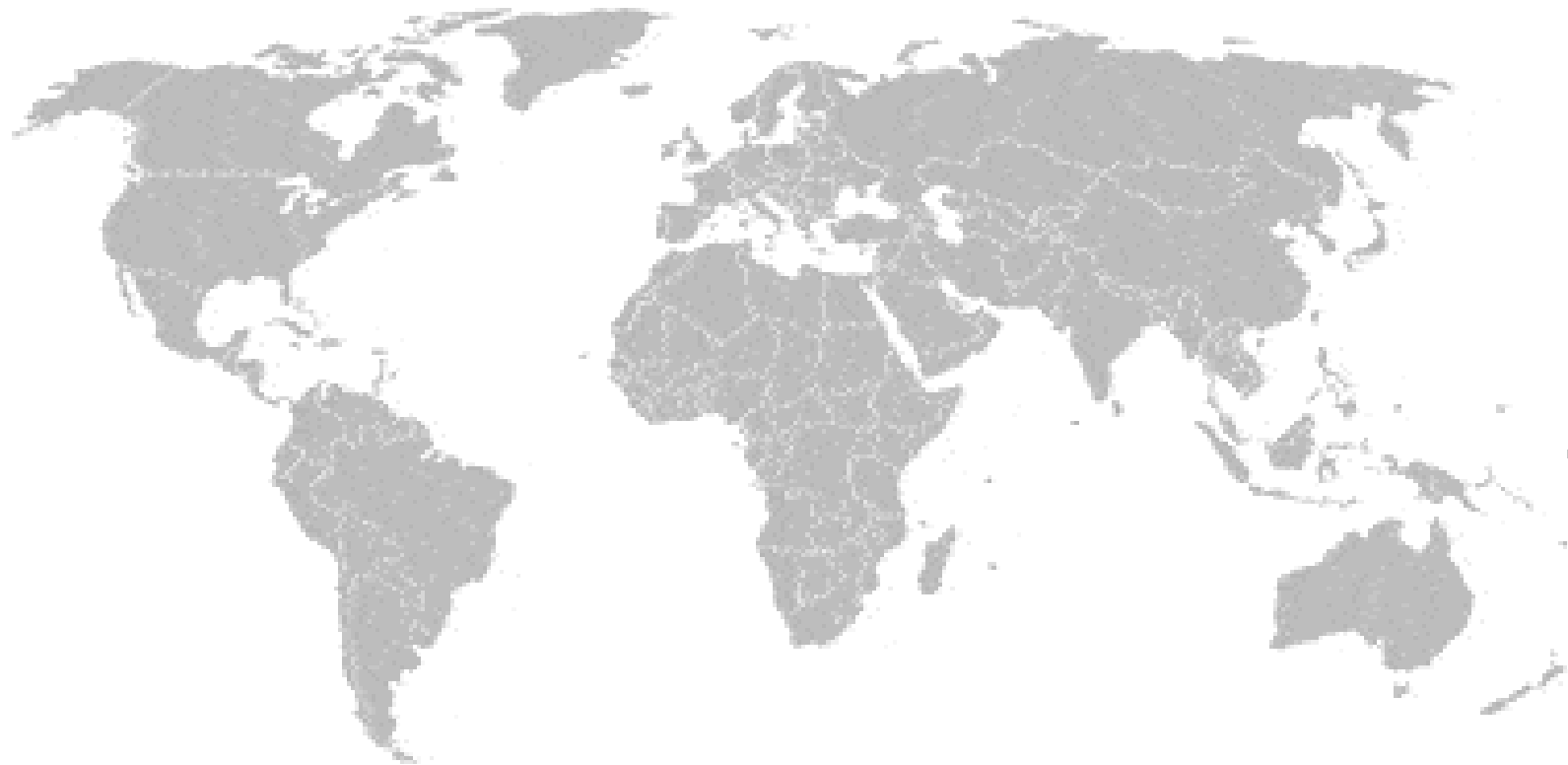
LUG Conference 2024

Reinsurance considerations for emerging risks

Natalie Donald



Current state of affairs: Casualty Reinsurance



Increasingly systemic, global exposures? Climate change, PFAS



Interlocking clause

ARTICLE ... INTERLOCKING CLAUSE

In the event of a loss occurring hereunder for any sum in excess of the Priority of this Contract involving two or more policies accepted by the Reinsured attaching to different periods of reinsurance, then such Priority shall be reduced to that percentage thereof which the Reinsured's settled loss(es) on such policy(ies) attaching to the period of this Contract bears to the total of the Reinsured's settled losses arising out of all such policies contributing to the loss. The Indemnity shall likewise be computed in the same manner.

05/2000

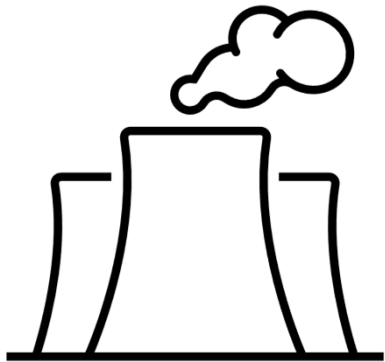
LSW304A

EMPLOYERS LIABILITY INTERLOCKING CLAUSE (EL AND MOTOR POLICIES)

It is hereby understood and agreed that if the Reinsured is liable in respect of any one occurrence where a Motor policy issued by the Reinsured also sustains a loss then the retention and limit of indemnity hereon shall be reduced to the proportion that the Reinsured's loss on the Employers' Liability business protected hereunder bears to the total loss sustained by the Reinsured from the Employers' Liability and Motor policies combined.

LSW1629

Not necessarily back to back



Examples: reinsurance disputes



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Markel, Covéa win “landmark” Covid reinsurance UK High Court case

16 February 2024



CMS represented Markel in a “landmark reinsurance case” on UK Coronavirus lockdown business interruption losses.

Law firm CMS has sounded “a significant victory in a groundbreaking case” at the High Court, with Markel and Covéa winners, and reinsurers Gen Re and Unipol Re on the losing side.

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COVID-19 BUSINESS INTERRUPTION RULING – REINSURERS MUST PAY



By Paul Cha
February 2024



“The decision has significant financial ramifications for insurers and reinsurers and it remains to be seen whether there will be a



Examples: reinsurance disputes – ACOD/B: marketwide approach to an exposure

ACOD/B EMPLOYERS LIABILITY/WORKER'S COMPENSATION

Definition of Occupational Disease Cover

The provisions of this clause shall override any provisions of any other clause contained herein which may conflict.

1. Insofar as liability is incurred by the Reinsured under an Employers Liability Policy and/or Worker's Compensation Policy in respect of legal liability for Occupational Disease or Physical Impairment which does not arise from a sudden and identifiable accident or event this Treaty shall provide cover only on the following basis:
2. Where the Occupational Disease or Physical Impairment results from exposure to a hazard of the employment of the claimant, any one claim in respect of any one employee of an original insured arising out of this exposure shall be considered individually as one event for the purpose of recovery hereunder.
3. Where the legal liability of the original insured to the original claimant is established on "exposure basis" that is legal liability attaches for the whole or part of the period which the claimant is exposed to the hazard of the employment then recovery hereunder shall be as follows:

- (a) the proportion of the total claim amount in respect of any one employee attributable to any one period of the Treaty shall be that proportion of the total of such amount which the period concerned bears to the total period during which the employee was exposed to the hazard of the employment and,
- (b) the retention of the Reinsured and the liability of the Reinsurers under the Treaty shall be reduced in the proportion which each period of the Treaty bears to the total period during which the employer was insured by the Reinsured and the employee was exposed to the hazard of the employment.

Provided always that exposure took place during the period of the Treaty which shall be understood to mean exposure between each inception and annual renewal date of the Treaty.

4. In the event of legal liability being established to an original insured on other than an "exposure basis" as described above then for the purpose of recovery hereunder the date of loss occurrence hereon shall be the date applicable to which such legal liability is established.

LSW1601

So... what do we do?

Occurrence vs. Claims Made & LOD

Perpetual tail?

Uncertainty

Social inflation

Global unrest

Unknown unknowns



Certainty for the buyer

Market reliability

Investment income

Bermuda form

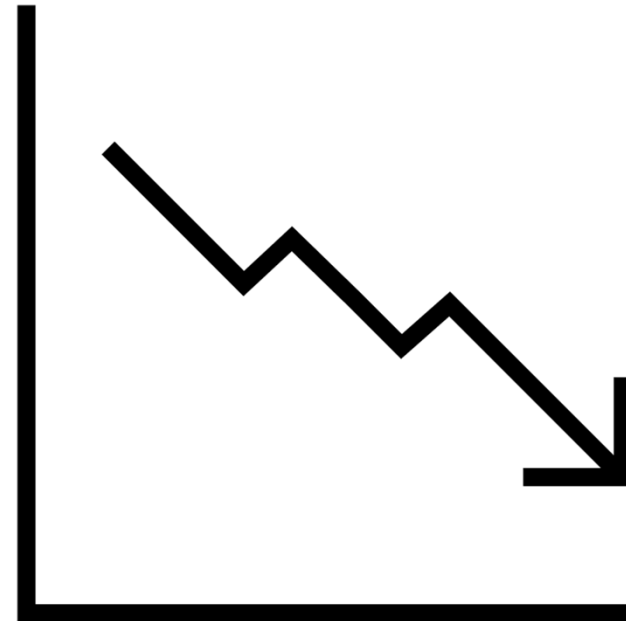
Background: exposures (and tail!) too great to take on

Damage occurred after a specific retroactive date

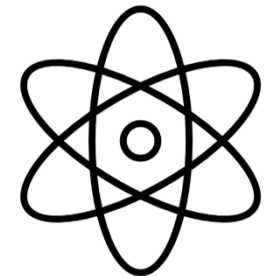
Occurrence notified within the policy period

“Integration of occurrences”

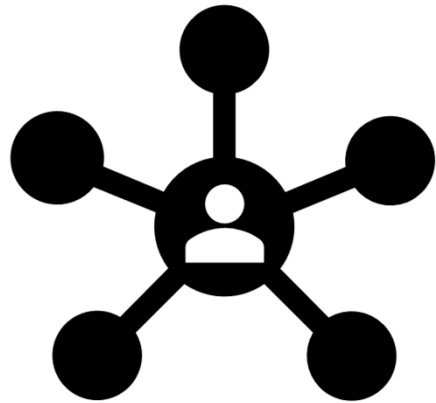
Ideal blend?



Opportunity for innovation?



Other considerations – RI/insurance interplay



Thank you