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CATALINA

IRLA Next Steps Roundtable 2021

Accentuate the positives

The opportunities are getting bigger in the legacy market, but so too are the players – and more competition means margins are set to tighten.

Post-pandemic positives

Overall, I think most of us would agree there are very few positives to pull out of a pandemic.

However, I also think most of us would agree that one positive has been the renewed appreciation of the face-to-face meeting.

The ability to discuss, debate, agree and disagree in person with colleagues and peers has been sorely missed during months of staring into computer screens, telling your call-mate: "Sorry, you're on mute".

The 2020 Insurance Insider legacy roundtable was postponed for obvious reasons, and it was frankly a joy and a pleasure to be able to host it again in person at the IRLA Congress in September. As you will read in this supplement, things have changed in legacy – the business in often decades-old blocks of policies that insurers want off their books to free up capital and executives' time to focus on new opportunities – since we were all last able to get round a table in the Brighton Grand.

"THE ABILITY TO DISCUSS, DEBATE, AGREE AND DISAGREE IN PERSON WITH COLLEAGUES AND PEERS HAS BEEN SORELY MISSED DURING MONTHS OF STARING INTO COMPUTER SCREENS, TELLING YOUR CALL-MATE: *"SORRY, YOU'RE ON MUTE"*."

Deals are getting bigger. And the legacy acquirers are getting bigger, too, supersized by the influx of fresh capital seeking the diversified return that run-off business can offer. There are new entrants and new sidecars, and, overall, the competition is heating up.

Pricing is becoming tighter, and there is a real debate about what level of returns and the technical price should be. As the participants at our roundtable emphasised, the need to maintain discipline on pricing is of the utmost importance to the future sustainability of the legacy market. As a result, regulators are getting more interested – markedly so compared with before the pandemic.

Some might think this is reason for concern, but our roundtable concurred that it was a sign of the market reaching maturity, and legacy professionals should welcome the regulators' attention to sell the benefits of run-off solutions as a way to manage the insurance cycle

The future looks bright for legacy. The deal pipeline is strong, and cedants are increasingly understanding the value of run-off as a capital optimisation tool, with a growing number of sellers coming back to the market to do more transactions.

There are, however, still challenges. Rising inflation could dent returns, making it even more necessary to for legacy players to maintain their underwriting discipline. As with the live market, there are also challenges for legacy acquirers around efficiency that will need to be addressed if the market is to be fit for the future.

Our roundtable participants discussed this varied and complex landscape in detail in Brighton, creating an insightful conversation, where no one had to navigate the challenges of a mute button.

Jokes aside, this is essential reading for anyone with an eye on the legacy space.

I HOPE YOU ENJOY THE READ.

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Legacy Roundtable 2021

CATRIN SHI
How do you think the pandemic has affected trading in the legacy market?

STEVE RYLAND
There's still lots of competition and large opportunities in the market. The lockdown/ Covid environment has created a little bit of a delay in decision-making for some carriers that were dealing with Covid-related losses and/or asset stress back in 2020.

"WE'RE DEFINITELY SEEING A TREND TOWARDS BIGGER DEALS THIS YEAR, WHICH I THINK IS QUITE INTERESTING."

ANDREW WARD

ANDREW WARD
2020 saw 53 publicly announced deals in the market, worth $7.4 billion in liabilities, according to PwC. I think we've seen 23 public deals announced so far this year, worth $6.1 billion. So, we're definitely seeing a trend towards bigger deals this year, which I think is quite interesting.

JAMES DICKERSON
In the pandemic, certain executive teams began thinking that if they were going to invest the time in exploring legacy/retrospective transactions, why don't they consider a whole range of options and benefits, especially with the increase in capital in the market highlighting the range of counterparties to trade with? So, put quite simply, we saw an increase in enquiries. Also, I think the pandemic made some parts of the due diligence process easier, from a broker's perspective.

MIKE CANE
We were in the middle of a transaction when we first went into lockdown, and we had to make that jump straight into the virtual world. We were all concerned about how that would work, but I think we very quickly realised that it was extremely efficient. And the market quickly got to grips with virtual claims reviews and virtual actuarial reviews. It all seemed to happen seamlessly.

CATRIN SHI
Do you think there are any ways of working that will be carried forward?

MAYUR PATEL
Things worked well when there were existing relationships, but I think the challenge is when you don't have those. But the transaction process is becoming much more efficient, so I think that is here to stay.

RONNIE CARROLL
I think we were able to get a lot of international people on calls, which you might not necessarily be able to do if you wanted to meet physically. And we could see that from the client's point of view as well, especially for an international based placement. So that was really efficient.

ED HOCHBERG
I think Mayur's right – the real challenge is how to originate deals virtually. Some of these transactions can be quite complicated, so it can be difficult to try to explain the benefits virtually. We found that part of the process took longer than if we'd been able to meet in person and go through it.

RONNIE CARROLL
Yes, you can't beat standing up in front of people to explain it using a whiteboard.

BARRY GALE
I think it's about building trust too. These deals regularly involve one organisation taking everything from another organisation, so it's important for the two management teams to meet and look each other in the eye.

I think just about every deal that was already in train was completed, unless it had a Covid angle to it, although it took longer. But it was harder to get deals started.

RONNIE CARROLL
Once you determined that the transaction was going to proceed, the practicalities kicked in. So, you can't see 300 claims files, but 50 will do. In the end, we probably learned a lot of lessons from the whole thing. I'm hoping that continues.

JAMES DICKERSON
Andy, I'd be interested to know how the 23 deals done so far this year compares to previous years. Is that fewer than in the past?

ANDREW WARD
I think a huge number of deals are always done in the last quarter. People working at the consolidators are telling me that now there's a bid deadline every week, so I think that at the end of this year the number of deals that are done will be similar to previous years.

CATRIN SHI
Over the past two years lots of capital has come into the legacy market. Is this having an impact on pricing?

ED HOCHBERG
I don't think we've seen that. It's true that we have a lot of new players, but their underwriting appetites vary. So, yes, the rolodex has gotten bigger, meaning we can send transactions to more players, but that hasn't really translated into a feeding frenzy.

RONNIE CARROLL
You can only survive for a very short period if you aren't disciplined. But we are seeing more flexibility in terms of the structure that markets will accept. There are now a lot more structured-capital-relief-type transactions, which I think is partially driven by greater competition.

MAYUR PATEL
From the buyers' perspective, we're seeing deals with liabilities of $100 million to $300 million becoming tightly priced. The returns are going down, so competition is having an impact.

STEVE RYLAND
Andy's comment about bigger deals is an interesting one, as there's less competition at the larger end of the market.

ED HOCHBERG
I would agree with that.

PHIL BULGIN
It's important for us that the new players have the right credentials because we're looking for legal finality. That hasn't always been available in the US. We're very happy to talk to them, but we need to have confidence in who we're dealing with.

CATRIN SHI
What do you mean?

PHIL BULGIN
It's the leadership team's experience and credibility, what infrastructure they've got in place, their operational capability, and their regulatory relationships in those markets where we're looking to dispose of portfolios. We need to talk to people who we know have a good track record in doing these transactions.

ED HOCHBERG
I think that's a great point. We have seen transactions that did not go to the lowest bidder, but to the one with whom the seller was most comfortable.

JAMES DICKERSON
If there is more competition, then people play to their strengths. Nobody can bid on 100 deals simultaneously, so they find the deals where they think they're going to make their returns but are also likely to develop long term partnerships with the client. The different dynamics of the portfolios that are coming to market, in terms of lines of business and reserve development, also affects the pricing dynamic.

ED HOCHBERG
One of the biggest impediments to transacting that we've seen is the spread between the bids and the asking price. The portfolios we're seeing are greener, so there's a lot more volatility associated with them.

BARRY GALE
Most of those new markets are led by people that have been knocking around for a long time. So, you wouldn't expect the discipline to have particularly changed.

ANDREW WARD:
The private equity (PE) funds that have come in aren't looking to make a quick profit, which is important for regulators. It's good to see that discipline has really held up.

RONNIE CARROLL
The PE mantra is that if you don't use the capital that you have then you lose it. But you can lose it very quickly if you don't have discipline.

CATRIN SHI
Are there enough deals to satisfy everyone's appetite?

RONNIE CARROLL
The largest deals tend to go to the same people as in the past. The new capital can compete on the smaller deals, but it's difficult for them to differentiate themselves from those who have been in the market for longer.

MAYUR PATEL
A lot of deals we have seen come to market have been around US casualty lines, so it will take a couple of years to see what their impact will be. Will some of these newer capital providers be around for much longer?

CATRIN SHI
Because the more recent underwriting is going

"THE REAL CHALLENGE IS HOW TO ORIGINATE DEALS VIRTUALLY."

ED HOCHBERG

to be more volatile, the return profile is going to change, I guess?

MAYUR PATEL
Right. They're more difficult to price.

STEVE RYLAND
I always think that the first three years are like a honeymoon period. That's when you generate meaningful results. After this period, you have tail risk in both liabilities and expense base.

MAYUR PATEL
Ultimately, they're expecting a certain level of return on their capital, so it will take a few more years to play out.

RONNIE CARROLL
But they will have to be a bit more patient than the typical seven-year PE window, that's for sure.

CATRIN SHI
There is third-party capital coming into the legacy market. Will this result in more start-ups or more consolidation?

STEVE RYLAND
I think there'll be new entrants. Investors are still excited by the sector, particularly the diversification and return opportunity. Consolidation is also possible. It will be driven by what results parties get over the medium term and if they can they get above that $300 million capital mid-size mark. Also, what are their shareholders' expectations for return on capital? I think that's key. How patient are they really?

ED HOCHBERG
I can see a situation five years from now where they don't have the deal flow that they thought they were going to get and it's not quite meeting their hurdles. We've seen some consolidation over the last couple of years, and I can see more over the next five years.

MAYUR PATEL
I think you'll see some consolidation in the run-off space to allow a few very large, very well-capitalised players to service some of the largest transactions that are coming through.

PHIL BULGIN
It is interesting how much interest there is from private equity and similar funding services to invest in this market.

BARRY GALE
I suspect we all believe there's going to be a lot more capital coming into this market over the next few years, but it doesn't necessarily mean more start-ups. I think we've seen from the new entrants just how challenging it is, even when you've got cash, to start to use it.

"ONE OF THE BIGGEST IMPEDIMENTS TO TRANSACTING THAT WE'VE SEEN IS THE SPREAD BETWEEN THE BIDS AND THE ASKING PRICE."

ED HOCHBERG

CATRIN SHI
We've seen more intermediaries get involved with legacy deals. How are they impacting the market?

MAYUR PATEL
They bring some discipline in terms of transaction management. Now, you could say, does that make it harder to generate the excess return, because the transactions are just much more competitive?

But we're seeing a much broader range of deal flow. So, the pricing issue is more than offset by the volume of new transactions that the brokers can bring to the market. I think it's a very positive development.

ED HOCHBERG
I think we add value for all sides by trying to figure out which markets are going to be most interested in each transaction and introducing them to those that we know have the appetite for these types of transactions. That way is better for everybody.

STEVE RYLAND
It's super positive that more brokers are coming into the market. However, I think brokers present more volatile books. Also, do brokers offer the client the best solution? Are they trying to protect their current year RI placements?

JAMES DICKERSON
Steve's point on volatility is an interesting one. I think it comes back to what we were saying earlier. This isn't a market anymore in which companies are ceding only distressed portfolios. We're also trying to educate our clients in how they might utilise their reserves to maximise capital efficiency. So, maybe the conversations that we're having with clients leads them to think about their more volatile business, but we are certainly not leading with that as a solution, and we advocate a comprehensive review of all the options and how these can be best married to market appetite.

RONNIE CARROLL
We don't necessarily take the most volatile because, at the end of the day, we're trying to get that balance between the biggest bang for your buck in terms of capital relief and placing the deal. You must be sensible. If you go for very low volatility reserves, you don't always get the capital relief that you're looking for.

ED HOCHBERG
The value that an intermediary can bring to

some of these more volatile situations can be quite significant. We will try to figure out how to close the bid/ask spread. Often, it's a structure that provides the risk transfer that they can afford at the price they're looking for.

STEVE RYLAND
I think we're moving towards much more recent underwriting years. But is the retrospective broker thinking about the holistic solution?

MIKE CANE
The teams within the broking houses that work on the prospective and the retrospective are still quite distinct. But the nature of the reinsurance buying role is changing. Quite often, the newer buyers are actuaries, and they approach the reinsurance as a capital management strategy.

So, quite often we're brought into a reinsurance strategy discussion to really bring that expertise on what you could do with the back book.

PHIL BULGIN
We tend to look for support from financial advisers where either we don't know the market terribly well and we need some good insight, or candidly where we need some heavy lifting, such as producing sales materials. The US would certainly be somewhere we would feel that we need support.

It's great to see increasing capability in the broking sector because I think that's where we would intuitively go. Investment bankers are trying to get a toehold, but I don't think their financial model really works well.

Equally, I wouldn't want to see legacy transactions being priced on a commission basis. I'd like to see them priced on a fee basis, because these are not typically transactions with a lot of margins.

CATRIN SHI
We've also seen some companies scale back or wind down funds. Does this signal a turn in the legacy market?

BARRY GALE
I don't think it necessarily says anything about the long-term health of the market. Some investors struggled to see the levels of returns that they need, and in at least one of those retrenchments, you have seen some of those individuals come back in a different role.

JAMES DICKERSON
It's a bit of a reality check though. This has been a successful market that's been growing for a long time, but it doesn't automatically mean that everybody will make money on every deal, and it emphasises the importance of diversifying risks, deal structures and the level of volatility protection that's offered.

ANDREW WARD
It's shown resilience in some of the deals that have been done since then, when other existing markets have stepped in.

MAYUR PATEL
It all comes back to discipline. You must be able to generate your cost of capital. If you go back to the early days, most run-off deals were legacy transactions, which had a fair amount of risk margin built in. You may have had a few bad transactions, but there was enough profit across your portfolio to offset those. Whereas today, most of the transactions just don't have

that same level of margin, so you must be super business-like.

CATRIN SHI
How do legacy carriers sustain and increase their profitability?

ANDREW WARD
There's a lot of operational cost in these businesses, as they have grown by acquisition over the years. So, I could see outsourcing claims handling, and other things of that nature, taking off again.

RONNIE CARROLL
Or some transactions where the claims handling doesn't pass to the legacy provider. It's your balance sheet essentially and it's real capital. If you cut back those costs, then it's all about the margin on the capital you're putting down. That's a very efficient structure, as you can recycle the capital much quicker.

STEVE RYLAND
The capital structures are key. Companies have grown up with lots of different elements to them and they need to simplify those to maximise capital. You've got to pull it all together: liability management, claims management, investment returns, and operating expenses.

"IT'S SUPER POSITIVE THAT MORE BROKERS ARE COMING INTO THE MARKET. HOWEVER, I THINK BROKERS PRESENT MORE VOLATILE BOOKS."

STEVE RYLAND

ANDREW WARD
And the lack of investment in technology in this sector is still pretty appalling.

ED HOCHBERG
It's not rocket science, but it's hard. The challenge is to pick a number at which someone will transact but which also isn't going to lose you money. You are taking on an insurance company and there are a lot of challenges. So, you have to manage it.

BARRY GALE
I think outsourcing is really important. The key driver for making money has been managing claims, so the last thing most players wanted to do was outsource that to someone else. But now organisations are looking at which parts of their business they can outsource, even sometimes claims and underwriting, and they are building relationship with local law firms, brokers and claims handlers in markets where these opportunities arise.

JAMES DICKERSON
Repeat transactions are really important. Building those long-term relationships, where you become a serial acquirer of a large group's portfolios, is a really efficient way of continuing to grow your balance sheet while minimising the competitive tension.

MIKE CANE
You're right. We can foresee some syndicates trading their RITCs [reinsurance to close] every two or three years, rather than a one-off shot in the arm of capital. That offers a real opportunity for legacy acquirers to build those relationships.

MAYUR PATEL
The deals that are coming to market in recent underwriting years are very much driven by capital efficiency. So, the business model will also evolve, because if you're only providing a capital efficiency solution, then your cost of capital and capital structure becomes far more important than the cost structure and how you set up your operations. I think the industry is naturally moving in a direction where it's almost providing reinsurance solutions. This is going to become an ongoing part of capital management for a lot of our cedants, rather than a one-off solution for non-core legacy assets. Relationships are important and we're going to continue to develop those.

RONNIE CARROLL
Now, it's normally the CFO, the CEO, or CUO who are transacting as opposed to the reinsurance buyer. So, it becomes a discussion about where the cheapest capital can come from, with a blend of everything from equity to sub-debt.

CATRIN SHI
New legislation in the US has finally arrived. Will this unlock that market?

ANDREW WARD
It's positive that we've got that. I think the Allstate transaction is a good one. It's heading in the right direction, but I'm not sure I foresee a tidal wave.

ED HOCHBERG
We are seeing momentum, but we have yet to see a relatively large transaction with unrelated parties. And I think we're still some way from

that. Until that deal happens, it still feels a little niche, the stars must align for a transaction to work – you need the right set of circumstances and the right parties. But I think it's coming, although I can't predict when.

MAYUR PATEL
There must be some legislative uniformity. The various business transfers have slightly different nuances, so a lot of stars need to align.

ED HOCHBERG
It's more a regulatory issue, I think. The legislation generally fits, so it becomes a question of how it works from a regulatory perspective.

STEVE RYLAND
It's also still too state by state. We need a federal solution.

CATRIN SHI
There was talk of an NAIC kind of umbrella.

"IT'S TRUE THAT WE HAVE A LOT OF NEW PLAYERS, BUT THEIR UNDERWRITING APPETITES VARY."

ED HOCHBERG

PHIL BULGIN
I think it's encouraging that there has been no real objection from the other regulators to those couple of transactions.

They could have made a real song and dance of it.

ED HOCHBERG
The turnover of regulators in the US doesn't make it easier. This process is relatively complicated, and the learning curve can be steep. Often times, as soon as a state insurance commissioner is educated in that, someone else comes in.

CATRIN SHI
Where are the other areas of opportunity? Lloyd's? Asia?

MAYUR PATEL
The pandemic has hampered origination efforts in Asia. I draw some parallels to Europe, in that the market is relatively fragmented into multiple jurisdictions. So, that poses certain challenges. I think that means we're going to see smaller transactions there, which is frankly not dissimilar to what we've seen in Europe.

ANDREW WARD
I think we're going to see a lot of transactions for corporate liabilities. The Warburg Pincus deal with ITT is quite an interesting one. Enstar has done a couple of those deals too. We've seen quite a few in the UK as well.

MIKE CANE
At Lloyd's, there have been a few split RITCs done recently and some are actively exploring doing that for a class of business.

If that happens, we could see quite a lot of opportunity there.

RONNIE CARROLL
I think the problem there is Xchanging. Once they get their head around it, then that should open up naturally.

BARRY GALE
There's a lot of knowledge of the legacy market at Lloyd's now. John Neal completed legacy deals at QBE, and Patrick Tiernan had senior roles in this market too and is keen to enhance the market in a lot of areas. I think he is already aware of the advantages that it could bring.

STEVE RYLAND
It's got to be in Lloyd's interests to be more capital efficient, to get competition, partial RITCs. I'm sure Patrick will be driving change.

What about other markets, like retail insurance? The whole customer experience thing is a sensitive area, but that's a future opportunity for the sector.

CATRIN SHI
Does the focus on climate change create any opportunities for the legacy market?

MAYUR PATEL
It could lead to capital events, which mean companies look to optimise their capital, which could create some legacy opportunities. And, over time, some of those cat losses will become legacy liabilities and that may generate some volume. But other than that, I'm not sure.

BARRY GALE
I wonder if large organisations that have launched significant sustainability drives will start to look for more solutions from the legacy market?

PHIL BULGIN
A lot of insurers are consciously exiting parts of the sector and that's going to create legacy portfolios. I think there will be a tendency now for more of those to go into run-off. What the solution is, or the scale of it, I don't know.

STEVE RYLAND
Freak weather events are becoming more common with climate change. A one-in-200-year event is less predictable, and that's going

to cause a live underwriting challenge, which brings opportunity.

MAYUR PATEL
It increases reinsurance pricing for cat business as well, which could lead to extra retention, which leads to a capital strain, which leads to an opportunity. It's a domino effect that could be good for the legacy market.

CATRIN SHI
Are there other emerging claims trends that may generate new opportunities?

ED HOCHBERG
In the US, sexual molestation will likely be the focus of, or a part of, legacy transactions in the future, much like other mass tort type claims in the past.

STEVE RYLAND
And in the UK. Also, we've seen diversity-related claims, such as race and gender discrimination. Claims costs at present are lower, fortunately, than in the US, but it's an issue.

BARRY GALE
I think you will also see more unexpired risk transactions. You will probably see more shorter-tail business transact if it comes with a broader, more diverse book where there is some longer-tail liability sitting within it. Also, you'll start to see organisations recruit underwriters who are much more comfortable in underwriting live risk. You already see it

with deals which involve the live reinsurers and the legacy market. Reinsurers' comfort level with unexpired risk is so different to the legacy market's.

RONNIE CARROLL
The two markets will continue to team up. A whole portfolio gets transferred and a reinsurer will sit behind a legacy market – that's really efficient, because you don't have to hire an underwriting team. It's a very good use of capital.

"THERE'S GOING TO BE A LOT MORE CAPITAL COMING INTO THIS MARKET OVER THE NEXT FEW YEARS, BUT IT DOESN'T NECESSARILY MEAN MORE START-UPS."

BARRY GALE

CATRIN SHI
Are regulators, like the UK's PRA, becoming more bearish on the legacy market?

MAYUR PATEL
The run-off sector has become much larger – it's an important part of the insurance and the reinsurance market, which means that it's going to have the appropriate level of regulation. Regulators' main objective is to make sure the policyholder is protected. Some of the transactions we've done are very long tail, so ensuring that Catalina stays around to pay those claims is very important. It's just a natural step in the sector's increasing maturity. There will be more regulation, which means run-off companies will need to have a certain size, scale, and level of professionalism.

ED HOCHBERG
Regulators do not want to have approved a transaction that goes bad. They never want to be put in that position. So, as the legacy market becomes a more important part of the landscape, yes, they're going to give it more attention.

STEVE RYLAND
As a sector, I think we should be more positive with the regulator. We should look to work with it and continually sell the benefits of legacy to the underwriting insurance cycle.

BARRY GALE
I think market players could be more open. Regulators are, not unreasonably, looking to improve their understanding as to how you make money. All the regulator is really looking for is for you to demonstrate to them how you want the rest of the market to think about you – the levels of professionalism, the stronger risk management and governance frameworks that are in place, the way that you manage customers. So, there ought to be a real alignment of interests.

ANDREW WARD
The recent consultation and reference to the PRA using S166 reviews caused a bit of a stir. There's a massive intake of breath when you hear the term Section 166. But that's often a misunderstanding – it's not meant as a punitive tool. I've recently been involved with a significant non-insurance deal in which the FCA used a Section 166, and it was all done and dusted in a few weeks. I think Steve's right – it's about engaging proactively with and educating the regulator.

ED HOCHBERG
At the end of the day, a legacy consolidator wants to justify to the regulator why it doesn't need to put up a dollar for every dollar of liability

it has. And the regulator wants to know how a legacy consolidator is managing its business so that if a transaction goes ping, there is going to be a backup. It's critical to have that dialogue to increase the comfort level.

“THE TURNOVER OF REGULATORS IN THE US DOESN'T MAKE IT EASIER. THIS PROCESS IS RELATIVELY COMPLICATED, AND THE LEARNING CURVE CAN BE STEEP.”

ED HOCHBERG

CATRIN SHI
What do each of you think is the greatest challenge for the legacy market over the next 12 months?

PHIL BULGIN
I think it's the way that the market develops its relationships with regulators. It's important for buyers and sellers to have a very open and early dialogue with regulators, and to keep that dialogue going, because they're a stakeholder in transactions.

MIKE CANE
Can the market maintain pricing integrity given that all this money has been raised? Are legacy companies going to be pushed to write deals because they've got to deploy their capital?

ANDREW WARD
Buyers need to invest in technology to improve their platforms. And there must be a further push on I&D – it's sadly still a bit lacking in this market.

STEVE RYLAND
Pricing discipline is still the number one issue. And then there are all the things we've mentioned, that are so important to grow and expand. And then there's technology. Analytics, particularly in claims liability, is an opportunity, but we need to invest.

RONNIE CARROLL
The resources required to compete are going to be a challenge. The deal flow will likely increase substantially, and I think the ability to be able to underwrite the deal flow is going to be key to winning good business.

ED HOCHBERG
The biggest challenge is going to be managing the bid/ask spread. More and more transactions are being driven by capital efficiency, and that is going to come from some of those more volatile reserves. It's a difficult balance to strike between pricing too high and too low. The players that can get that right have an excellent opportunity in this market

BARRY GALE
It's the same challenge the market has had for a few years, which is people's perceptions of it. I think the more the run-off market can do to get its message out to the wider market the better. The deal flow will come when more organisations understand what the legacy market is today, as often their limited knowledge is five or ten years out of date.

JAMES DICKERSON
Inflation is a challenge that might also be an opportunity. Insurers are thinking about what inflation, including social and claims inflation, will be in 12- or 24-months' time and how they can offset that volatility. That creates an opportunity. But if you get it wrong when you're pricing a deal, then it can be expensive.

MAYUR PATEL
Maintaining underwriting discipline is going to be very important with the amount of competition that's coming in. Also, regulation will put increasing pressure on costs and your ability to turn that capital.

Lastly, James made an excellent point about inflation. That could turn out to be a black swan event for portfolios that are already underwritten without inflation assumptions. ■

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