Analyze Re

How Real-Time Technology is Changing the Reinsurance Industry
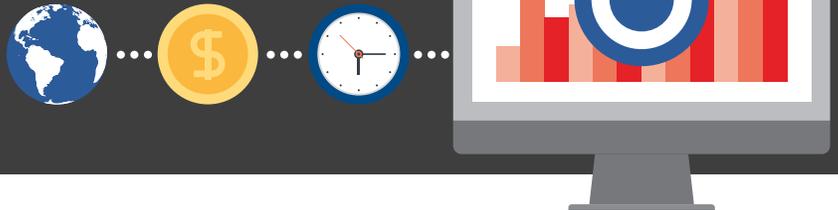
Learning from the History of Capital Markets

The reinsurance industry today is going through a change, similar to the markets that hedge funds participated in during the 1990s. During that time improvements in analytics and advances in real-time computing led to the development of algorithmic or High Frequency Trading (HFT).

For hedge funds, any fractional reduction in the time it took to consume and process data created a competitive edge. Funds that could more quickly identify opportunities within the marketplace had a growing competitive advantage. This disruptive technology eventually changed the way their markets worked.

Many risk measures used in the reinsurance industry evolved from capital markets. As an example, Probable Maximum Loss (PML) can be traced back to the Value at Risk (VaR) metric developed for J.P. Morgan portfolios.

Why That Matters to Reinsurance

Like hedge funds, reinsurers can achieve significant returns by using data and analytics to improve existing portfolios.

The Mergers and Acquisitions Trend

The surge in Mergers and Acquisitions (M&A) activity among global insurance and reinsurance organizations is a near term strategy that recognizes that there is simply not enough traditional reinsurable risk to satisfy demand.

But driving capital efficiencies by increasing the size of a business and shrinking a workforce can only go so far. Industry leaders recognize that long-term competitive advantages lay in applying data analytics to address portfolio inconsistencies.

Using real-time technology, portfolio theory and optimization techniques against portfolio data can provide a substantial return on investment. **At Analyze Re, we routinely see the potential for double-digit improvements from minor changes to existing portfolios.** This approach is not without precedent: 20 years ago, we identified and helped enable a similar trend in the hedge fund sector.

New technology, like that being deployed by Analyze Re, is capable of having the same disruptive influence on the reinsurance industry and underwriting strategies as it did to capital markets. Armed with the ability to instantly understand the potential impact of scenarios caused by changes in the markets, underwriters are now improving the success of their plans. Renewal strategies can be better planned and aligned with strategic objectives when real-time analytics tools are used to their maximum effect.

Most reinsurance providers already have the data in place to enable this strategy; what is needed is the technology and expertise to take advantage of it. This is where Analyze Re provides value.

The Innovation of Big Data Analytics for Reinsurance

There are challenges when running analytics against whole reinsurance portfolios; the primary one being the volume of data. This volume component has become known as "Big Data".

When we dissect the reinsurance industry's use of this Big Data, we see the following trends:

— Once individual risks have been priced against it, companies retain this data for future reference.

— There is an ambition to eventually extract more value from this accumulated data.

— Organizations do not have the internal tools to do this, because the scale of the data is too large and becomes a bottleneck.

— While most companies are able to assess and report their portfolio risk in terms of PML, when done internally, it is a retrospective and time consuming exercise.

What Can Real-Time Analytics do for the Reinsurance Industry?

The real-time ability to compare existing business against a corporate strategy makes it possible to quickly evaluate the outcomes of scenarios that will satisfy changes to that strategy.

The Advantage

Run Real-Time Analytics → Evaluate Outcomes Quickly → Design a Strategy before Renewals

Real-time analytics can also be used to understand the impact of scenarios and help to design a strategy that is more robust and executable in advance of renewals.

Analyze Re has the experience, technology and industry knowledge to help reinsurance providers execute on this type of real-time analytics portfolio strategy.

Real Experience creating a Real-Time Advantage

At Analyze Re we have seen the disruptive nature of real-time processing in the capital markets industry and know how it will fundamentally change the way portfolios are constructed and how underwriting strategy is implemented. With two decades of experience, we are helping reinsurance firms take advantage of real-time analytics to create new competitive efficiencies.

To learn more contact us at **+1 888 828-6490**

Analyze Re

+1 888 828-6490

info@analyzere.com

www.analyzere.com

Analyze Re is a Verisk business
© 2018 Analyze Re

About Analyze Re

Analyze Re is an InsurTech company that develops solutions to help uncover hidden profits within reinsurance and insurance portfolios. Reinsurers and insurers can leverage Analyze Re's real-time analytics, artificial intelligence, and machine learning–assisted technology to make faster and more informed pricing, portfolio optimization, and capital management decisions. Analyze Re is a Verisk (Nasdaq:VRSK) business, headquartered in Halifax, Nova Scotia, Canada. For more information, please visit www.analyzere.com.