

# 50 predictions: Reinsurance

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## First disputes under Insurance Act

Given the scale of changes brought in by the Insurance Act 2015, coverage disputes between insureds, insurers and reinsurers are inevitable. How the late payment regime will operate when the reinsurer has claims control and fails to act promptly, or the reinsured has the benefit of follow settlements provisions, or where the lead reinsurer delays payment with financial repercussions for the following market are all novel issues. Reinsurers may need to ensure that reinsureds have a tight grip on claims handling procedures to minimise the risk of damages for late payments being passed up the chain. Adjustments to reinsurance wordings will be necessary as case law on interpreting the Act filters through.

## Nationalism presents opportunities for reinsurers

Reinsurance will have a bigger part to play in cross-border risk transfer to the extent that globalisation gives way to populist nationalism. When this has happened historically it has resulted in protectionist regulation for local financial markets, including insurance. Reinsurance is not of course a new solution for risk transfer from emerging to mature insurance markets where regulation prohibits non-admitted insurance. We anticipate that demand will increase significantly on the back of the changing political environment, marking opportunities for global reinsurers.

## Reinsurers will face increased exposure to risk accumulation due to automation

The operational risk posed to companies who employ automated solutions in their business is both difficult to measure and can result from issues spanning entire business sectors. Traditional measures of risk accumulation may prove inadequate for this type of exposure which has the possibility of giving rise to losses across multiple traditional lines of business, for example professional liability, property and public liability as well as the more obvious cyber products. Insurers have been tasked by the Prudential Regulation Authority with ensuring such risks are properly rated - reinsurers must equally ensure that the accumulation of risk has been adequately assessed and priced.

### Key developments

- [Insurance Act 2015](#)
- [Mic Simmonds v AJ Gammell](#)
- [Blockchain: a glimpse of the future](#)

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