Q&A: Underwriting Excellence

Striking a balance between analytics and specialty knowledge is key for strong underwriting, says Endurance's Thomas Asquino

Thomas Asquino is Chief Underwriting Officer, Property and Casualty for Endurance Worldwide Reinsurance.

Prior to joining Endurance in 2003, Mr Asquino was Vice President of Domestic Treaty Property at Folksamerica Reinsurance. Before that, he served as Head of the Treaty Department at Sorema North America Reinsurance.

Mr Asquino has more than 31 years of underwriting and reinsurance management expertise.

How much does Endurance base its underwriting decisions on data models versus knowledge of clients?

Solid underwriting decisions should always be based on a combination of data models and firsthand knowledge. At Endurance, we place a strong emphasis on both disciplines, with a dedicated team of actuaries and modellers working alongside underwriters and claims professionals.

While superior data quality and advanced modelling techniques are important in determining the range of possible risk outcomes, we find that working knowledge of each client as well as the markets in which our clients transact business are often critical to identify and mitigate risk trends which may not become apparent in exposure data until a later time. At Endurance, we gain an understanding of our clients risk exposures through a robust underwriting and claims review process and we find that the majority of cedants we seek to partner with appreciate reinsurers who take the time to become familiar with the nuances of their business.

How does Endurance's view of catastrophes as learning events differ from others in the industry?

We believe that every cat event, regardless of type or size, presents a learning experience for cedants and reinsurers alike. Strong reinsurers will naturally seek to deconstruct each event, searching for ways to refine and improve their catastrophe and risk modelling techniques and approaches.

Learning opportunities also occur when working with cedants who seek to garner critical information as they re-assess the original risk in preparation for future events. Lessons learned by our clients have run the gamut from individual risk underwriting issues such as shoddy construction techniques (resulting in building damage caused by roof failures in less than severe wind conditions) to ineffective catastrophe response management following a cat event (lack of claims resources to properly handle demand surge), both of which can lead to higher losses than originally anticipated. Thus, while reinsurers are appropriately fine-tuning the modelling of their portfolio following a cat event, we at Endurance are equally focused on working with our clients to assess and ultimately improve their own risk underwriting and catastrophe management.

What emerging issues is Endurance tracking?

From a 'risk' standpoint, the majority of emerging concerns stem from the casualty business. Included in this category are various economic developments (deflation or inflation scenarios), the ongoing impact of the recent economic crisis, social developments such as changes in claims awareness, as well as legal/regulatory developments such as US legal trends affecting Europe (class actions, etc) and the prospective impact of Solvency II.

We also closely monitor new technologies and products such as genetically modified organisms, nanotechnology and alternative energy products to understand the potential risks that could emerge.

How has Endurance responded in the current climate to meet the needs of ceding companies?

We recognise that the current competitive climate dictates that reinsurers need to further differentiate themselves in order to meet the needs of their clients. To more effectively service clients in Continental Europe and the Asia Pacific region, we opened offices in 2008 in Zurich and Singapore where we offer our multi-line capabilities through local teams of highly qualified professionals who bring to bear many years of experience as well as valuable client and broker relationships. Similarly, we have recently established an office in Miami to work with cedants in Latin America. Proximity to our clients coupled with the ability to underwrite varied lines of business enables us to better meet the needs of our expanding client base.

Now that your role has expanded to chief underwriting officer for both casualty and property reinsurance, what similarities and differences do you see across the lines?

The 'long and short of it', I suppose, is the short tail nature of the risks I assessed on the property side, versus the long tail nature of most of the casualty lines. Puns aside, while the nature of these risks is vastly different, there are a lot more similarities than there are differences. Although specific knowledge is required to assess specialty risks ranging from directors' and officers' liability business for Fortune 500 insureds to a highly protected risk (HPR) property portfolio, the assessment of property and casualty reinsurance transactions is quite similar. Skilled underwriters conduct a similar set of due diligence activities, including the assessment of the client companies' management and staffing, underwriting processes and guidelines, claims handling, loss control, pricing and rate monitoring. The comfort level attained, irrespective of the line of business, ultimately drives the reinsurance decision-making process.