

## Technology

# Information Hubs

Data and analytics will help redefine insurance and reinsurance hubs.

In this digital age, insurers and reinsurers need to be closer to the customer than ever before. That means not just being physically close but also being close to information about them—to their data. Hence, in the future, traditional insurance and reinsurance approaches and geographic hubs of London, Bermuda and New York may no longer be as relevant as they are today.

London has been a long-standing traditional market from the days of Lloyd's Coffee House and has served both the commercial insurance and reinsurance markets. Brexit may very likely shift the current London market to Frankfurt or Dublin for financial agility.

Bermuda evolved largely driven by catastrophe reinsurance, lower capital requirements and less regulation; alternate reinsurance mechanisms like cat bonds have already affected Bermuda and all reinsurance hubs. New York, like London, has been a traditional hub but alternate markets have also changed the city's role in the insurance industry. More recently, new global hubs continue to evolve, such as Singapore for the Asian market.

Physical access to brokers and markets for one-stop, annual program reviews has its attractions. The reinsurance business has historically been based on strong professional relationships, but as big data growth increases and millennials join the workforce, reinsurance will increasingly be based on data and analytics.

Today, one of the key factors used by rating agencies for insurance company ratings is the use of data and analytics. This is also an aspect that savvy



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reinsurers are using as part of their underwriting. In essence, the adage of “underwriting the underwriter” is shifting to “underwriting the algorithm.”

One of the greatest challenges for reinsurers, especially for treaty business, has been getting detailed data from insurers. Except for large loss notifications, most premium and loss data is reported using bordereaux spreadsheets. New technologies such as block-chain technology with its universal ledger approach can enable easier and cheaper access to greater amounts of data, at least for reinsurance accounting and bordereaux processing. Ideally, reinsurers and retrocessionaires will ultimately have access to the same detail data as the originating primary insurers.

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However, innovation isn't easy and even the largest companies find it hard to change multiple technologies and business processes. Because of those challenges, insurers will look to work with insurance and finance technology

innovation hubs and incubators.

Accelerators like the Global Insurance Accelerator in Des Moines, Iowa; Cookhouse Labs in Toronto and Silicon Valley Insurance Accelerator in San Mateo, California will greatly influence the use of data and analytics in every step of the insurance and reinsurance value chain. Insurance and reinsurance market players are already investing in, partnering with or acquiring insurtech and fintech firms. We'll also continue to see market players forming consortia like the B3i (Blockchain Insurance Industry Initiative) to incent and partner co-innovation with these firms.

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