
Q& A:

with **Matthew Wilken**
Chief Underwriting Officer, Hiscox Re & ILS

Re invention

With demand and supply out of kilter, reinsurance is undergoing a paradigm shift. But for a courageous, experienced and sophisticated operation, significant opportunities are there for the taking. >





After building his career at R.J. Kiln Syndicate, Argo Re, Ariel Re and MS Amlin, Matthew Wilken joined Hiscox Re & ILS in January 2022. He is responsible for executing the business's underwriting strategy and delivering long-term value by ensuring the needs of clients and capital partners are successfully met.



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Q: Tell us a little about your professional background.

A: I joined the industry in 1991, a year before Hurricane Andrew. The reinsurance market was going through a paradigm shift similar to the one we're experiencing now, some three decades on. I joined R.J. Kiln as a graduate trainee and at that stage had not appreciated just how instrumental the company was in creating the foundations of the catastrophe reinsurance marketplace at Lloyd's. Robert Kiln literally wrote the book on how to transact reinsurance; a book that became known in our part of the industry as 'the bible'. I suspect there are people of my generation in Hiscox who can still find a copy on their bookshelves! I've known Hiscox through that entire time, in the unique and lovely Lloyd's way – they were a competitor, but they were also a kindred spirit: supportive of the industry, innovative, creative and courageous.

Q: From the outside, what had your perception of Hiscox been?

A: From afar, I always considered it a rigorously intellectual organisation,

robust and demanding. Now I'm here, I can confirm that's true! Historically, it's very heavily associated with reinsurance. There have been a lot of newcomers in our space, particularly over the past decade and a half, but there aren't many companies that are steeped in the history of reinsurance and have made it a fundamental pillar of their strategy. To have the positive re-enforcement from management that reinsurance is, and will remain, an integral part of our business is a really strong sell to the clients, to our capital, and to our teams. That's really valuable.

Q: What do you think are the key ingredients of a high-performing underwriting operation?

A: I think there are a few key ingredients actually. It's a business that has an inherent uncertainty built into it, so you need the tools to be able to deal with that, measure it and understand what it means. That rigorous analytical capability needs to be reflected in senior management, in our capital models and in the underlying models that allow us to transact our business and get the best price. I also firmly believe that reinsurance is a long game. This is about developing relationships, developing trust. It's not just about capital optimisation in the short term and swapping clients willy-nilly. We have a finite number of clients and, as a result, we build relationships that last decades. I'm still dealing with customers who I first saw when I was a junior underwriter in the nineties.

But marrying that analytical capability with a long-term relationship-building philosophy is difficult. It takes balance and experience. In reinsurance, even more so than some other parts of insurance, every single person in the team needs to have the confidence to negotiate and talk to

very senior people – even at the very early stages of a career in reinsurance, you'll be dealing with senior brokers, CEOs and CFOs. So you need to understand the pressure that these people are under, how they tick, what's on their mind. It's not easy, but my gosh it means you develop your expertise quickly.

Q: As Chief Underwriting Officer, what kind of culture are you looking to foster?

A: Re & ILS has 19 underwriters and every one of them is bringing in millions of Dollars in gross written premiums, running really key accounts. I don't underestimate that kind of responsibility, so coming in here as a newbie it's important to respect the road that has led them to this point in time. As a leader, you sit, you listen, you observe, and you try to build trust. Our work demands a close structure, huge communication and inherent trust. Culturally, we need people with as little ego as possible who trust one another and work seamlessly as a team. And that's what we have. But it takes effort to do that because we're in two different locations – Bermuda and London. If we were disparate from one another and not absolutely connected it would significantly diminish the value. That's why a strong culture is key.

Q: You mentioned that the industry is undergoing a paradigm shift. How would you characterise that?

A: This is a complex but finite industry that's been heavily influenced by the use of third-party capital, particularly in the last ten years. There's now an imbalance of demand and supply. Supply has gone down, but demand is not staying flat – it's increasing. We've got an inflationary environment, the average cost of products is rising, the



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average cost of houses is rising, so the average losses are rising. That means insurance companies are buying more reinsurance cover to protect their rising exposures. But you can't just increase your line without having the capital to do it and broadly speaking the capital just isn't there. Our industry is quite systemic in its use of capital models, and every organisation has some form of tool that helps it optimise its return on capital, so there isn't a lot of spare capacity sitting on anyone's balance sheet. Exacerbating this situation is the fact that new capacity is not entering the space at the moment so market conditions are reflecting this lack of supply.

Q: What impact is that disparity having on the structure of the industry?

A: The reinsurance industry used to be there to protect the infrequent and very severe losses that would impact companies' survival, but over the years – as there's been an excess of supply, and as companies have become more confident in their ability to model price – there's been a tendency to grow into ever-more vulnerable areas and have

larger amounts of smaller losses going into catastrophe reinsurance programmes. That's now disappearing, and more reinsurers are going back to the idea that the value we really create is the protection of the infrequent severe losses that threaten our client's capital. When you need us, we're there with our capital and our security and our longevity. The whole structure is changing.

In the face of that change, we need to have courage. After Hurricane Andrew in 1992, after the World Trade Centre, and after Hurricane Katrina, the companies that were successful were those that had the courage of their convictions, a sophisticated ability to measure the risk, continuity and longevity in their relationships, the experience to be able to write the contracts and the capital to support it.

Q: Where do you see the opportunities?

A: The reinsurance world is focused on property catastrophe excess of loss business (or what we call property cat) at the moment. For us it's the largest part of our overall portfolio. But reinsurance extends to a lot of other lines as well – the so-called specialty lines, such as marine and energy and cyber. We want to grow those lines and we've got the ability to do so, so we'll continue to build out those areas as we go forward.

On the property cat side, it's about getting the right prices at the right attachment levels and most importantly the correct line-size committed on each deal. The industry has, I think, lagged behind the attachment level of the cat product. The vulnerability of cedants' portfolios have increased massively – the number of houses that exist, what their value is and where

people are buying them. For example, more people than ever want to live by the coast. Florida is a prime example of this and represents one of the most vulnerable places to hurricanes on Planet Earth. The impact is that if you have a cat loss now, it'll cost way more than it used to and that needs to be considered and priced for.

Q: What do you need to do to prepare your team for the future?

A: Reinsurance demands time in the industry to understand the complexities, and build the relationships, so succession planning is fundamental. Thankfully, Hiscox has got a brilliant graduate programme. The idea that we're bringing in the young, bright, aspirational leaders of tomorrow, training them on the job and giving them a pathway to develop is really strong. So that's key to me. The other thing that's important is the diversity and inclusion policy. If you sit in the average room of reinsurers, 80% of them are going to be white males. We've made a conscious effort to make sure we address those issues, and we need to keep doing more.

Q: Outside of work, what gives you energy?

A: I've got family, I've got two sons and our life revolves around them. Aside from that, it's sport. I'm a passionate snowboarder, play golf (badly!) and still rock climb occasionally if the opportunity arises. I'm still a bit of an adrenaline junkie. I'm a very keen kite-surfer, surfer, wind surfer – anything on water I'll give it a go! But kite surfing's my thing over here in Bermuda. That's my get-out-of jail-free card to release the stress. ■