

# BEST'S REVIEW® ISSUES & ANSWERS:

- Specialty Insurance Perspective
- Climate Risk Disclosure

Experts discuss the new opportunities in the specialty lines market and how insurers' approaches to investing are evolving due to climate change exposure.

## Interviewed Inside:



**John Anthony**  
Nationwide E&S Wholesale



**Bryan Clark**  
WSIA



**Sabrina Hart**  
Munich Re Specialty Insurance



**Tim Antonelli**  
Wellington Management

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# Providing E&S Solutions

John Anthony, Senior Vice President of Contract P&C and Excess Umbrella for Nationwide E&S Wholesale, said the company has a large investment in advanced analytical models that can glean valuable insights from data. “We’re providing information for our partners to select the right risks and opportunities that we should be pursuing together,” he said. Following are excerpts from an interview.



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## Does the current economic climate offer an opportunity to E&S insurers?

I believe it does. Inherently, the E&S marketplace is poised to take advantage of different climates and economic marketplaces. Having a dynamic product offering and the ability to quickly develop and launch new products allows us the opportunity to take advantage of emerging opportunities in the changing environment. Economic and social changes always provide the E&S marketplace with unique and new opportunities for those positioned to take advantage of them. With the breadth and appetite and the product that the E&S marketplace provides, and the wide range of resources that we have, we’re able to capitalize on the changes in the external environments as they present themselves.

## What factors does Nationwide look at when considering risk?

First, we have a world-class team of distribution partners that we know confidently transact business on our behalf, providing the best solutions to the best risks. Then we underwrite the insured. Good insureds that are safety conscious and really invested in their business usually perform better than those that aren’t as focused on providing a safe environment. Additionally, we look at individual risk characteristics. We have large amounts of data that we run through analytical models, and we have a specialized underwriting team with expertise that can help identify which risk characteristics are going to perform to our standards.

## How can carriers help distribution partners be mutually successful while maintaining profitability?

One of the biggest things is the financial stability that a carrier can offer—providing a peace of mind that the carrier will be there in the client’s time of need, which would be a great selling point when you’re looking to select which carrier to put your risk solutions through. Additionally, having

## John Anthony

Senior Vice President of Contract P&C and Excess Umbrella  
Nationwide E&S Wholesale



“At Nationwide E&S, we measure our success by our ability—year in and year out—to provide relevant and viable solutions and products to our partners and policyholders.”

Visit the Issues & Answers section at [www.bestreview.com](http://www.bestreview.com) to watch an interview with John Anthony.

a national footprint where we can aggregate and glean information that may be outside of what the purview of our individual agents provides a lot of solutions that may not be readily apparent to our distribution partners.

## How does Nationwide E&S measure success?

At Nationwide E&S, we measure our success by our ability—year in and year out—to provide relevant and viable solutions and products to our partners and policyholders, while bolstering the financial strength of our organization. We pride ourselves on the breadth of product and specialized expertise in both underwriting and claims handling, and delivering world-class solutions in a dynamic and ever-changing environment.



THERE ARE NO BAD IDEAS,  
JUST BAD DECISIONS.



### MANAGE YOUR RISK BY CHOOSING A WSIA MEMBER.

Some decisions are too precarious to take on alone. You need a partner who can help you create the right solution for your client's risk, while minimizing yours. Choose a WSIA member to craft cost-effective solutions for complex risks. In fact, it's so cost-effective that a recent analysis by Conning, Inc. concludes that wholesale distribution does not increase the cost to the insured. That's a good decision!



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THE WHOLESALE DISTRIBUTION SYSTEM.

# Meeting the Insurtech Challenge

Bryan Clark, President, Wholesale & Specialty Insurance Association (WSIA), and President, Gorst & Compass Insurance, said WSIA's Insurtech Conference features exhibitors who come with technology solutions that are specific to the insurance industry. "The opportunity to meet with them, share specific needs, see demos, and hear about their services and products is great," he said. Following are excerpts from an interview.

**"Insurtech" can be literally defined as the use of technology to improve the efficiency of the insurance industry. Can you touch on how you see it impacting wholesale, specialty and surplus lines right now?**

The term certainly has become a buzz word, but rightfully so because it is, and should be, an integral part of everything we do in surplus lines insurance. As the market for emerging risks, it's appropriate that we would be aggressively leveraging insurtech in our businesses. We are finding that adopting digital solutions is good for everyone involved in the transaction and can be beneficial to the bottom line as it makes us more efficient across the board. I think it's becoming necessary to get up to speed on solutions to remain competitive.

**What are some of the challenges of adopting insurtech?**

They vary by size and type of firm. In general, like with any new technology adoption, it can be challenging to integrate existing IT infrastructure with a new platform or technology. The key is to find ways to digitalize processes that have historically been more manual and to get help integrating them. There are a lot of solutions out there that can help with that process, but when you're busy with client relationships and managing other aspects of business, it can be difficult to find and leverage them. It's also obviously critical to keep data and cybersecurity in mind with adoption of these tools.

**How does WSIA's Insurtech Conference help firms overcome these challenges?**

I think the real value comes in merging that exhibitor piece with great education opportunities targeted specifically to our segment of the industry. Many of us wear a lot of hats in our firms and having peers and experts all in one place to share ideas and best practices is an efficient way to make sure you're not being left behind in this race to digitize. The sessions are varied and target people at different



## Bryan Clark

President  
Wholesale & Specialty Insurance Association (WSIA)



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levels of expertise, and there is great content for CEOs, IT professionals, underwriters, brokers and HR professionals. It's all technology-based, but technology is impacting the entirety of our organizations, and it's nice to have a one-stop for people across our businesses to learn.

**Tell us about the 2023 Insurtech Conference.**

The next conference is April 2-5 in Nashville. I think that the basic structure of the conference will remain unchanged because it works so well to marry education with exhibitors there, but I would also anticipate more dedicated time for private meetings and networking opportunities because we know that attendees appreciate being able to interact outside of the structured sessions also. This is the only WSIA event that also welcomes nonmember attendees, so it's an opportunity for those registrants to learn more about the industry and the association and interact as well. I would encourage anyone who is impacted by their firm's technology in any way to save those dates and consider attending.

To learn more about WSIA, please visit [www.wsia.org](http://www.wsia.org).

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# Dynamic E&S Market

Sabrina Hart, Munich Re Specialty Insurance President, Excess and Surplus, said the E&S market has historically been among the most dynamic. “The current market really is no exception to that. At Munich Re, we are working very closely with brokers to see where we can capitalize on these opportunities,” she said. Following are excerpts from an interview.



## Sabrina Hart

President, Excess & Surplus  
Munich Re Specialty Insurance



“Those operating in the E&S space tend to be at the forefront of industry trends, driving innovation, as it relates to coverage, along with the superior service that the community provides to brokers and clients.”

Visit the Issues & Answers section at [www.bestreview.com](http://www.bestreview.com) to watch an interview with Sabrina Hart.

### How important is creativity when it comes to E&S business?

It's extremely important. With the world getting riskier by the day, the industry requires creativity in a number of areas, but specifically in critical coverage areas such as pandemic, cyber, wildfire, just to name a few. That especially holds true for the E&S market, where we are looking to create bespoke solutions for clients' risk management needs. That's being creative with respect to terms and conditions, program structures, risk appetite, and bringing creativity with the launch of new products. Even more critical is the value proposition that the E&S market brings to brokers. Creativity becomes even more important as demand grows.

### Where do you see the growth coming from in the specialty market, particularly in E&S lines?

We see a market poised for substantial growth across all product lines, bolstered by the launch of new products and also enhancing some of our existing products. We believe in the coming years there will be even stronger growth in the specialty insurance solutions than we'll find in the more traditional standard insurance markets. The trends that we see related to such critical issues around climate change and liability, as well as the need for our clients to manage those difficult risks are much stronger than they are when compared to more standard risk.

### Are there any particular emerging and challenging risks that you're keeping an eye on?

The ever-changing market conditions have created several emerging and challenging risks for our industry. Most notable is inflation, especially social inflation. We're certainly seeing a trend of rising claims and insurance costs that are tied to increased litigation, along with extremely friendly judgments in favor of plaintiffs and nuclear jury awards. I would say cyber is top-of-mind as it relates to products. Cyber is candidly a very young business that lacks robust data. If you think about it, as an industry, we've been modeling property and casualty risk for hundreds of years. In comparison, we have such a relatively small amount of data for cyber. We also need to think about climate change and the repercussions of how the climate crisis

directly affects insurance and reinsurance industries. When we think about the loss potentials from natural disasters, such as our storms, floods and wildfires, we see them increasing at such alarming rates, due in large part to climate change.

### How does Munich Re Specialty Insurance engage with broker partners?

It's all about a focused distribution approach. We refer to that as our select broker strategy. We have an outstanding team of broker relationship leaders who manage each of these select relationships. We engage with our valued brokers from the executive level to the producer marketing level, and everywhere in between. In addition to quarterly business reviews, we are in continual contact with our brokers. Broker engagement is a strategic pillar for us as we aspire to be a top E&S market. Our mission is to create a preferred-broker experience and a level of engagement that will differentiate us in the marketplace.

Learn more about Munich Re Specialty Insurance's E&S team and their creative coverage for tough middle-market risks at <https://www.munichre.com/us-non-life/en/solutions/specialty-insurance/excess-and-surplus.html>.

# Where climate research meets economic reality



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# A Climate of Change

As the momentum behind decarbonization and net-zero objectives builds around the world, insurers are increasingly trying to understand and address the investment implications of climate change on investment policy and asset allocation decisions. The need for insurers to take action on climate science just keeps building, says Tim Antonelli, who leads Wellington Management's global insurance portfolio solutions. Following are excerpts from an interview with Tim.

## What is the lay of the land as it relates to insurers' progress on integrating and assessing climate change?

At the highest level, real best practices have emerged from who I think are the furthest along on their journey, generally European insurers. Some of the trademarks of that group include a consistent, top-down organizational philosophy, a broken-down silo construction across all functions at the firm. We also see a shift from just exclusionary-based investing to trying to maintain the broadest investable asset universe, and understanding that things such as engagement can become a very valuable tool in this journey.

## How can insurers evolve their investing approach to tackle these issues?

First and foremost, you should ensure that the investment professionals are in line with what your corporate philosophy is. The second thing is establish your baseline exposure. To do that means you should have a full assessment of your exposures, both from the transition risk perspective. Then, third, you should keep your opportunity set for investing as broad as possible. Then, finally, lean into thematic opportunities. Don't just use climate to avoid risk.

## How is Wellington helping insurance clients on this journey to better understand and incorporate climate impact?

Five years ago, we started partnering with the Woodwell Climate Research Center, who is one of the foremost physical risk climate science centers in the world. We've used their research to model heat, wildfire, flooding, hurricanes, etc., to understand what the long-term structural changes could be to our investable asset universe for insurers that are going to be affected by the inevitable climate risk that's likely to occur. At

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## Tim Antonelli, CFA, FRM, SCR

Insurance Portfolio Strategist  
Wellington Management



“Don't just use climate as a risk-off exercise. You should use it as a way to capture alpha sources as well.”

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the beginning of 2022, we partnered with the Joint Program on the Science and Policy of Global Change at the Massachusetts Institute of Technology to work on transition risk specifically.

What it will allow us to do is explore a whole host of policy projections as it relates to implementing things such as a carbon tax or shifting sectoral bases as economies move toward a more green, forward-looking state, and will allow us to consider and understand some of those risks, not only through an engagement lens with the portfolio companies we have, but also through some stress testing as well.

At the end of last year, we also moved our capital market assumption process to be wholly-ingrained from a climate-aware fashion, meaning we have transition risks and physical risks embedded in all of our asset class returns for the next 10 years.

