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Munich Re eyes opportunities to grow \$250mn+ E&S book

Munich Re Specialty Insurance (MRSI) is bullish its nascent excess and surplus (E&S) lines platform can maintain the growth trajectory that has already seen it become a \$250mn-plus premium-generating business in less than three years amid plentiful opportunities to expand its existing middle market-focused offerings and add new products.



German reinsurance giant Munich Re established MRSI in 2019 by pulling together several of its specialty insurance operations into one division.

The platform also includes various specialty-focused units such as a programs business, a public entity risk solutions operation and Digital Partners – which provides insurtechs and digital distributors with a comprehensive go-to market partnership. It also includes Bell & Partners, a provider of specialist insurance solutions to US coverholders and brokers.

The launch of an E&S-focused unit has enabled the business to take advantage of the rampant growth in that segment in recent years with the platform having generated approximately \$250mn of premium in 2021, MRSI’s CEO Michael Kerner told ***The Insurer***.

“We’ve been pretty well aligned with where the market opportunity was, and we’ve taken full advantage of that,” Kerner said.

“It’s been very well received by the broker community who welcomed us to the market with our capacity and our capabilities,” the executive added.

MRSI has been steadily building out the ranks of its E&S business since its formation, but its recruitment drive has ramped up this year.

One of the [new arrivals is Sabrina Hart](#) who joined from Zurich North America in February as president of E&S, a role that had been vacant following Jill Beggs' departure last October.

The E&S platform's focus initially was on general liability and property, but MRSI has since added capabilities in the primary and excess casualty, financial lines, healthcare and surety sectors too.

"We've introduced in the E&S space 14 products in three years, and that was in the face of a pandemic, a war breaking out, and all the other uncertainty in the world," Hart told ***The Insurer***.

"But certainly, there's opportunity for growth," Hart said, pointing to Munich Re's strong brand and significant financial strength as reasons why MRSI is well placed to further build out its presence in the E&S market.

Munich Re Specialty Insurance's E&S product suite

MRSI E&S Products	Product lead	Launch date
Primary casualty	Sean O'Connell	Q3 2019
Property	Jim Wallace	Q1 2020
Excess casualty	Megan Kelley	Q1 2020
Miscellaneous professional liability	Marcia Blanco, Kelly Basler	Q2 2020
Lawyers professional liability	Marcia Blanco	Q3 2020
Allied healthcare	Tyler Coleman	Q3 2020
Senior living facilities	Tyler Coleman	Q3 2020
Property equipment breakdown	Jim Wallace	Q2 2021
Management liability	Marcia Blanco, Nan Murphy	Q2 2021
Hospitals	Tyler Coleman	Q3 2021
Miscellaneous professional liability cyber	Marcia Blanco, Kelly Basler	Q3 2021
Contract surety bonds	David Pesce	Q2 2022
Commercial surety bonds	David Pesce	Q2 2022
Management liability risk mitigation/loss control	Marcia Blanco, Nan Murphy	Q3 2022

Source: Munich Re, The Insurer

Both Kerner and Hart forecast the flow of business from the admitted into the E&S space will continue.

"We're making a bit of a bet on that [flow of business continuing]," said Hart. "When we look at the business that has been flowing in, and then we look at also how risky the world is

becoming with new exposures and the need for new solutions, we believe there will be continued growth in the E&S market.”

And Hart believes growth in the E&S market, given the right products and solutions, could potentially outpace the expansion of the retail market for the foreseeable future.

“The caveat is that probably the rate of E&S growth will not continue at the same pace as we get larger as a total market,” Hart noted.

Looking ahead, Hart said the most obvious source of growth is in MRSI’s E&S property book which has been the platform’s fastest growing business. Surety and construction are also primed for further expansion, Hart said.

MRSI’s E&S primary and excess casualty offerings have significant runways ahead of them too, as do other specific business segments such as financial lines, as well as healthcare with a focus on senior living and allied health.

A further growth opportunity may be in writing smaller business via a digital platform, Hart said.

MRSI eyes seat at specialty insurance’s top table

In 2019, MRSI generated \$1bn of premium. That increased to \$2.2bn in 2021, and included circa \$250mn from the E&S business

Kerner said there is considerable scope for further growth as the platform targets becoming a \$3bn business by 2025.

Building out the E&S platform is a core element of MRSI’s bid to become a top 10 specialty commercial insurer in North America, but other areas are also primed for growth, including its well-established public entity practice, Kerner said.

“We’ve been in that business for more than 30 years providing insurance and reinsurance capacity to schools, religious institutions and municipalities. We’re a market leader in that space and have been for quite some time.

“We’ve had the ability to double down on it over the course of the last three or four years because we think it’s an area where we have growth opportunities as well,” Kerner said.

Another area is the programs and delegated authority space – MRSI has nearly 30 programs on its books already.

“Again, we are a market leader in that space and recognized as such and have been for a while. We’ve got the capabilities to grow that too,” Kerner stated.

The investment in its surety practice also means MRSI is targeting growth in the construction market as well.

Focus on organic growth

MRSI has built out its platform organically, and Kerner said there was little interest currently in a potential merger or acquisition.

“While we do see things in the market, and we do look at opportunities, as a general statement the things that we’ve seen really don’t either fit from a capabilities perspective, or they don’t fit from a valuation perspective,” Kerner said.

Instead, MRSI’s strategy has been focused on bringing in a diverse group of people, not only in terms of background, or gender, but also with regards to the companies they have joined from.

“We think that there is a race to being able to leverage data and analytics in specialty lines, like it’s done in standard lines”

Munich Re Specialty Insurance CEO Michael Kerner

“That’s a key element of the strategy because we didn’t want to embed a culture from some other company at MRSI,” Kerner said.

“Of course, it’s heavily informed by the Munich Re culture, but we want to make sure that what we are building at MRSI has its own culture and that we can put our stamp on it.”

Data and analytics investments

As well as strengthening in existing markets and establishing footholds in others, Kerner said another core element of MRSI’s buildout is its investment in leveraging data and analytics.

“We think that there is a race to being able to leverage data and analytics in specialty lines, like it’s done in standard lines,” said Kerner.

“[We want to] build our capabilities to have data and analytics inform our decision making and our risk taking on the underwriting side, on the claim side, on the distribution side.”

In doing so, Kerner believes MRSI will have a competitive advantage by allowing it to more accurately assess and price risk.

Kerner said MRSI is also investing in automation and process improvement.

“We recognize that costs are too high in our industry, and the frictional cost of a transaction for insurance is more than it needs to be for clients. We are looking at ways to improve our speed of response and improve our efficiency to make sure that we take the cost down as much as possible.

“Our broker partners are also interested in figuring out ways to be more efficient in the business because we can’t just continue to load on expense after expense without the end customer ultimately feeling it,” Kerner added.