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Article abstract

Certaines grandes sociétés de réassurance se rapprochent du courtier de réassurance sur le marché de Londres. C'est un fait nouveau que rapporte l'excellent organe trimestriel des Algemeene Reinsurance Companies, en février 1963 sous la signature de monsieur Monic. C'est avec plaisir que de notre côté, nous reproduisons l'article, qui indique une attitude nouvelle d'une société, en particulier, qui se rattache à un des groupes de réassureurs les plus importants dans le monde de la réassurance en Europe. A.

Le marché de Londres et le courtier de réassurance

par
B. M.

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Reinsurance Brokers Score

At the last so-called "Rendez-Vous de Septembre" in Monte Carlo, an address was delivered by the General Manager of the Mercantile & General Reinsurance Company Ltd., Mr. C. C. Calburn. As I did not attend the annual "Rendez-vous", I had an opportunity of studying the address only recently when its printed version was sent to me by the Author. It is an extremely fitting and as is to be expected, knowledgeable description of the London reinsurance scene.

The address contained a very flattering eulogy of the reinsurance broker — an understandable courtesy to the London market. But this was not the first courtesy of this kind. It was only a year before that Mr. Calburn's group bid for a reinsurance company in London whose business was based almost entirely on reinsurance brokers. An even greater compliment to reinsurance brokers was paid by M.

Calburn's group since his paper was read at Monte Carlo. Witness an announcement in "The Times" according to which the Mercantile and General, together with a cognate Swiss reinsurance concern, is embarking on a new venture from an ad hoc underwriting room in the City; this activity is novel insofar as business there will be accepted from brokers whereas it had been hitherto the business policy of the two companies to approach their cedents directly and to refuse all intermediaries. That two other reinsurers (who had no such policy) are joining the venture does not disguise the fact that an important matter of principle has been thrown overboard. This is nothing short of a sensation.

The companies concerned have said, it is true, that their new initiative will not affect in any way the reinsurance operations at their head offices. But the decision means doubtless that the reinsurance broker has scored a substantial success. There are only a few, though amongst the largest, reinsurance groups remaining which profess the strict exclusion of the broker from their inward operations and the present decision to change this policy gives the reinsurance broker a hope that the last strong rampart which barred his full-scale domination of reinsurance is not entirely out of his reach.

The role of the reinsurance broker as a useful link in the process of reinsurance operations has been gaining momentum, and even those few groups which refused to acknowledge this fact were known to make occasional allowances, granting as a special exception to some particular broker an obolus or two "on the quiet". Also, they were often using reinsurance brokers for their outward business. Some of them organized, or purchased, their own broking concerns (referred to sometimes as "captive brokers") from whom they accept all desirable business and whom they use for placing business they cannot absorb.

This peculiar form of marketing is in itself, in some way a compliment to the reinsurance broker's role and vocation. But the principle of seing in the reinsurance broker, as Mr. Calburn puts it, a "friendly competitor" rather than an ally was never abandoned, and we have all witnessed, a few years ago, a rather frustrating exchange of views on this point in the professional press, when anything but a friendly spirit seems to have prevailed.

In the reinsurer's kitchen, doctrines cannot be based on anything other than hard reckoning. A company working without reinsurance brokers has naturally to maintain a large organization abroad based either on branch offices or on frequent visits by Executives from Head Office, in order to keep contact with the cedents. This organization is at the same time one of study, service, underwriting, prospecting and liaison. It is in the nature of such an organization that it is by no means cheap and it is quite a good guess to assume that the brokers' organization might have worked more efficiently. 27

The extremely complex specialization of direct insurance has moreover enforced specialization of the reinsurer. Specialization, however, favours large multiple markets with which even the strongest groups cannot always compete. It has therefore been in the air for some time that large organizations, in spite of their great financial strength, would one day find the large-scale travelling activities of their Executive to be of a diminishing economic attraction, at least in certain countries or in certain fields. On the other hand, as the domain of the reinsurance broker expands, no organization could risk a confirmed estrangement with the brokers as this might one day weaken its own position. The doctrine of selling reinsurance directly to the consumer has been in danger for some time, but its formal abandonment is an acknowledgement of the reinsurance broker's triumph. None-

theless, it is obvious that the immediate general inclusion of the broker into a chain of world-wide reinsurance operations hitherto undertaken directly would influence the accounts of any company beyond all proportions. It is therefore out of the question that the reinsurance broker is likely to establish full supremacy in the immediate future. But once a principle of creed is dropped, there is no strictness in applying its disciplines.

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What will be the new configuration of the London market — and perhaps gradually of other markets — when “direct selling” reinsurers open themselves to accepting business through brokers? The developments are naturally difficult to forecast. Obviously, the existence of a new, financially strong and probably — at least at the outset — not too restrictive market alongside with that already in operation is bound to give the ever changing face of the London market yet another twitch. It is very probable that, where there is a crush, there is a bargain to be had, and cedents might here and there benefit from the new grouping of forces. Nevertheless, I would not be inclined to forecast any immediate spectacular change either way. A period of adjustment is on the way for the protagonists of the weaver-to-wearer system, before large groups will probably find the expense of brokerage more worth their while than the upkeep of their own travelling organization. The process is likely to be slow but, if our present economic systems do not undergo any changes, the reinsurance brokers know they will have no difficulty in holding their own; just like their colleagues in direct business, they have become an essential element of the world-wide market of which substantial parts could ill-afford their absence. Perhaps one day we shall see that direct-to-consumer selling in reinsurance is dead. And we shall not shed tears but perhaps sigh “the mortuis aut nihil aut bene”.