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Legacy market opportunities remain as firms define future direction

As delegates from across the world arrive in Brighton for the annual IRLA Congress and Business seminar 20th – 22nd, Steve Goate Managing Director Davies Insurance Services examines the key topics that will dominate the discussions both inside and outside of the conference hall.

The theme for IRLA's 2021 conference is "Roll of the Dice," which includes looking at Legacys' new normal and looking back at the 2020 pandemic and its fallout for the legacy market.

With legacy now an accepted part of the market, there are real opportunities for firms to reassess the shape of their businesses and how they wish to handle books that have underperformed in recent years.

Although there is much for the market to be hopeful about, without a doubt COVID has impacted re/insurers and their business and it will likely be the dominant talking point for those at the conference, with one of the questions the market will be asking itself whether COVID will prompt a new round of run off, as the level of COVID-related claims continues to develop.

Without a doubt COVID has changed the way the market worked and it is clear that the future working patterns will be very different to those which we saw prior to the pandemic. This includes a greater use of technology, which will likely be discussed as firms look to maximise the benefits of the available technology.

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At present the legacy conversations are being dominated by the US and Lloyd's. With the United States now looking at how it can make it easier for the run off and legacy market to ensure its firms have the ability and flexibility to manage their legacy or underperforming books of business, there is a huge level of interest and the sessions on USA regulation and USA legacy will be of great interest. It is also of interest that congress this year will feature a session with Peter Montanaro from Lloyd's.

The drive for the greater use of technology in Lloyd's processes and the ongoing focus on the poorest performing businesses has created a demand for legacy and run off services, be it at a book or syndicate level.

Syndicates and managing agents have been keen to examine how they can manage the runoff of those underperforming classes or books of business that have been identified as no longer acceptable to Lloyd's.

While the US and Lloyd's are seen as opportunities for the run off and legacy firms, the ongoing M&A activity within the broking sector has also created new demand.

Firms are, for instance, seeing teams move from a broking firm leaving behind a book which needs to be actively managed to the point of closure. Legacy firms are also finding that brokers are reassessing their books in the light of changing market conditions.

The legacy market has long been a sector that has shown a willingness to outsource. Increasingly, firms are faced with books of business or legacy operations that no longer fit into their future strategy, and they are examining the best and most cost-efficient way to manage those challenges. That could be by managing the runoff internally or outsourcing to a third party. COVID has had an impact as firms look at their cost base and their ongoing operating expenses, which is making the internal management option more difficult to justify unless you already have a large and dedicated legacy operation.

For those in the legacy and run off markets the chance to meet face to face will be a welcome return and given the opportunities and the uncertainties in the market at present the discussions are set to be pivotal to the year ahead for many.

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