



Gregory Hendrick

EDITORS' NOTE Before assuming his current position, Gregory Hendrick served as XL Group's Chief Executive of Insurance Operations starting in 2012. Before that, he served as Executive Vice President of Strategic Growth since 2010. Hendrick has held a number of other senior positions at XL Group, including President and Chief Underwriting Officer for XL Re Ltd. and Vice President of U.S. Property Underwriting for XL Mid Ocean Reinsurance Ltd. Before joining XL Group, he was Assistant Vice President of Treaty Underwriting for the Winterthur Reinsurance Corporation of America. Hendrick graduated summa cum laude from St. John's University with a Bachelor of Science degree in mathematics.

COMPANY BRIEF XL Group plc (xlgroup.com), through its subsidiaries, is a global insurance and reinsurance company providing property, casualty and specialty products to industrial, commercial and professional firms, insurance companies, and other enterprises throughout the world.

You assist organizations in managing risks. What's that like today?

It's totally fascinating and challenging. As the world advances, risks become more difficult to analyze and manage. Today, we have risks we understand that are changing in new ways and new risks that continue to emerge – cybersecurity risk, risk related to climate change, supply chain risk from an increasingly globalized world, and risk related to new technologies – just to name a few.

Why does technology pose a risk?

While technology is wonderful, nearly all new applications present some kind of risk. Consider drones, service robots, robotics in the hospital operating room, and driverless cars. Managing those risks is a learning process.

It's also important to recognize that managing risk isn't only about dealing with potential calamities. It's about assessing risks in a rational, positive way so technological advances can go forward and fuel growth.

Managing Today's Daunting Risks

An Interview with Gregory Hendrick,
Executive Vice President and Chief Executive, Reinsurance Operations, XL Catlin

We keep hearing about climate change. From a risk perspective, how do you deal with it?

The facts tell us we have no choice but to recognize that our climate is in a state of change as it has been countless times over the eons. We are co-founders of what we hope will be a forward-looking organization called the Insurance Development Forum (IDF). The IDF will support the G7's InsuResilience Climate Risk Insurance Target and look to integrate climate and natural hazard risk disclosure into mainstream financial and accounting systems.

We also sponsor the XL Catlin Seaview Survey, which studies what has amounted to a 40 percent loss in the world's coral over the past 30 years alone. That is in addition to our suite of insurance products we provide to our customers.

reach €700 million to €900 million as new legislation requiring companies to report cyber attacks and abide by tougher data protection rules comes into force. Most companies today strive to have the most up-to-date protection against hackers who might steal confidential data and customers' identities and attempt to disrupt business processes.

However, the hackers often seem to stay ahead of companies' security measures. Cyber crime is moving at lightning speed, and there are no easy answers. We'd be the first to say that the current cyber-risk protection products the insurance industry offers is only the beginning of the solution, and we have more to do to innovate here as well.

As risks become more tricky and complicated, how do you figure out how to insure against them?

The real winners in the insurance industry will be able to adapt by offering innovative products based on the combination of analytics and underwriting judgment. That kind of innovation is only achievable through curiosity and analytics. The use of sophisticated analytics is at the heart of the innovation we are seeing in the pricing and selection of risk in the insurance industry today. It enables underwriters to obtain a much clearer idea of the severity of a harmful incident and the likelihood of it occurring.

How is the insurance industry doing with innovation?

Overall, the industry has been slow to innovate, and we need to catch up. It's a major priority at XL Catlin. Every new risk coming over the horizon is a challenge for innovation and we need to step up to it.

With the world becoming smarter about managing risk, is everybody insured who should be?

Far from it. In fact, two-thirds of risks are uninsured today. In the developing world, more than 90 percent of its risk is uninsured. When we look at the emerging markets, often 80 percent of catastrophic losses are uninsured. In fact, even in the United States just 50 percent of the economic impact from Storm Sandy was insured. We have a great deal of room to increase the relevance of insurance to the world economy.

It is not an insurmountable problem; if we can make a gain of just 1 percent in insurance coverage, we can reduce the burden of disaster recovery on taxpayers by 22 percent. ●

Cyber crime is moving at lightning speed.

Cybersecurity risk is something we hear about constantly. Since it seems like such a terrifying threat, how can we mitigate it?

The exponential growth in data and the analytical tools to extract value from the data by companies has led to a rapid increase in cyber crime and in the amount of insurance being bought by companies to attempt to mitigate this risk.

The cyber protection market in the U.S. has grown to over \$2 billion of written premium annually, according to some sources. In part, it has been driven by regulation that obliges firms to inform individuals if they suspect that personally identifiable information has been breached.

It is obviously a global phenomenon. It is estimated that the European market by 2018 will