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“New Developments in the Regulation and
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Layout & Distribution: Valéria Kozakova & Bernadette Curty

Rationalizing the regulation of reinsurance

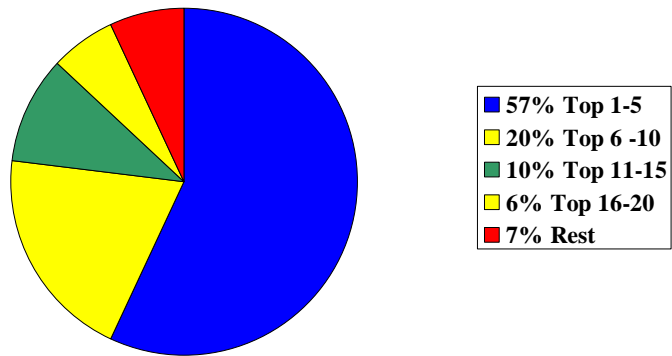
William C. Marcoux

Rationalizing the Regulation of Reinsurance

The 20th Progres Seminar
William C Marcoux
LeBoeuf, Lamb, Greene & MacRae
Geneva, 4 November 2004

LeBoeuf, Lamb, Greene & MacRae
a London-based multinational partnership

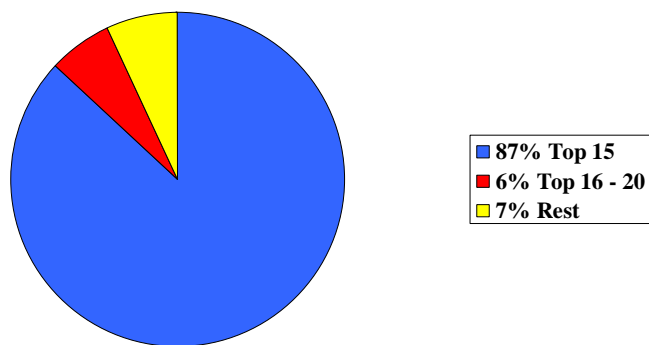
Reinsurance Recoverables Concentrated in High Quality Reinsurers



Source: Swiss Re, sigma No. 5/2003

LeBoeuf, Lamb, Greene & MacRae

Reinsurance Recoverables Concentrated in High Quality Reinsurers



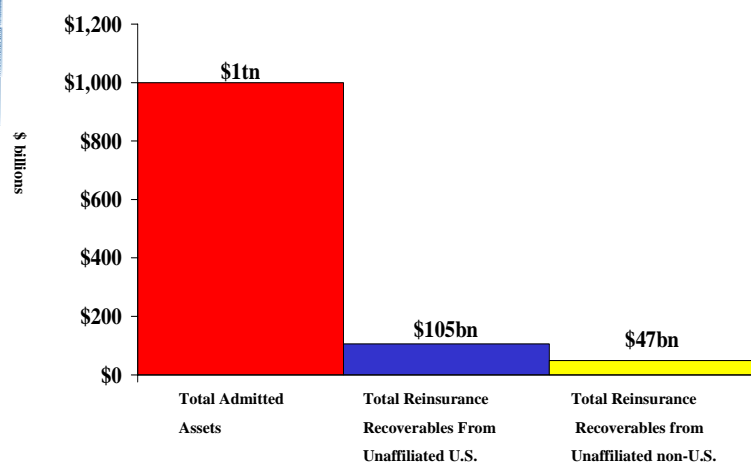
Source: Swiss Re, sigma No. 5/2003

LeBoeuf, Lamb, Greene & MacRae

Reinsurance recoverables are modest compared to industry balance sheet

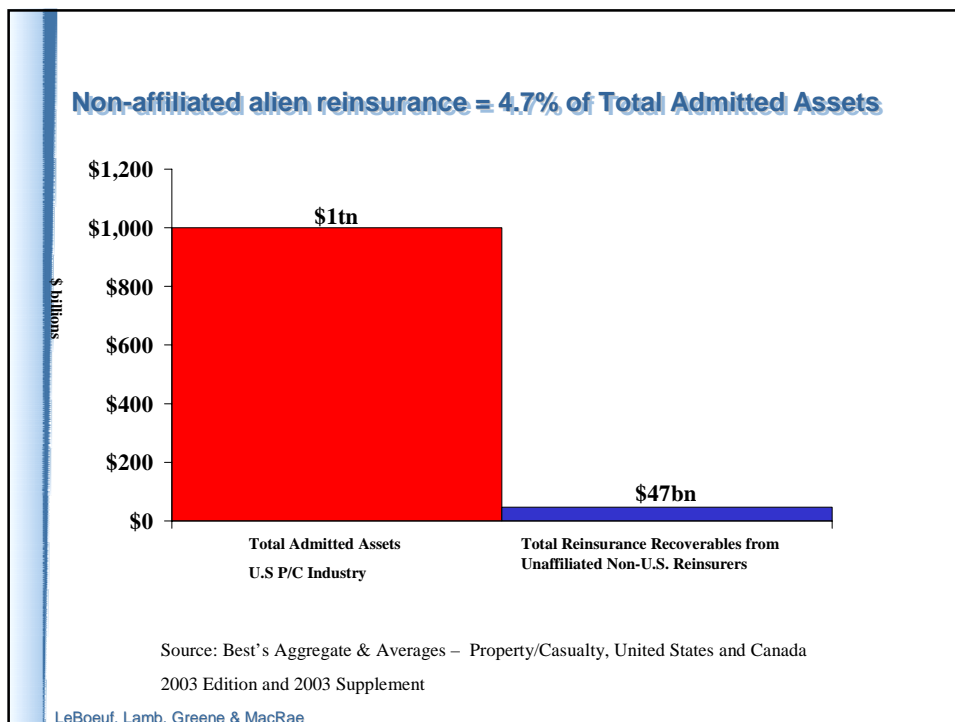
LeBoeuf, Lamb, Greene & MacRae

Non-affiliated Reinsurance Credit Exposure of U.S. P/C Industry

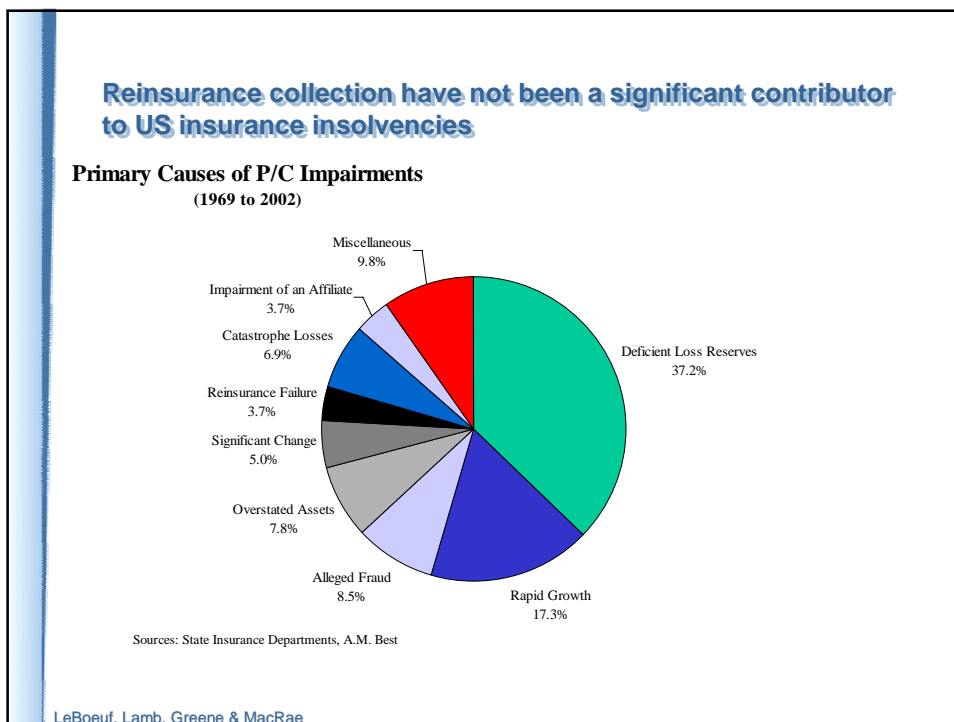
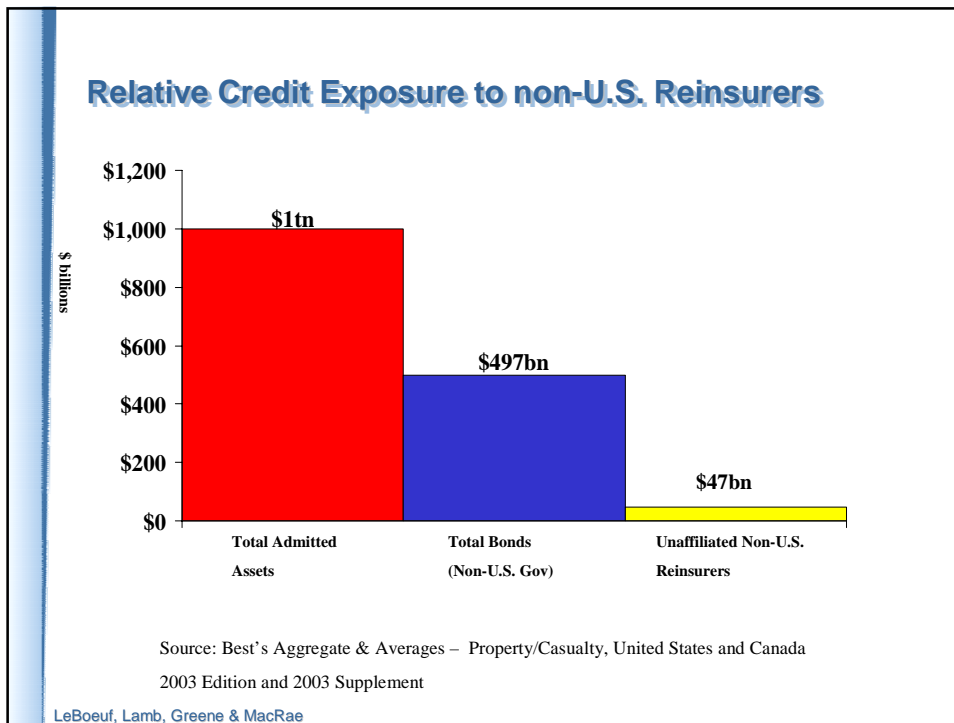


Source: Best's Aggregate & Averages – Property/Casualty, United States and Canada
2003 Edition and 2003 Supplement

LeBoeuf, Lamb, Greene & MacRae







Reinsurance recoverables are a counter-party credit risk. The industry and its regulators are skilled at managing these types of risk



Practical Considerations









“Indigenous Regulators” are motivated and skilled

-  **Ceding company security committees**
-  **Broker security committees**
-  **Analysts**
-  **Rating Agencies**

Government regulators should build upon these commercial realities





LeBoeuf, Lamb, Greene & MacRae

In Establishing Requirements for Reinsurance Regulators should:

-  **Tailor regulation to fit the market place.**
-  **Avoid “one size fits all” regulation.**
-  **Reject collateral requirements, except in exceptional circumstances.**
 -  **Collateral unnecessarily restricts capacity and increases prices**
 -  **Undermines the risk spreading**
 -  **Encourages careless reinsurance purchases**
 -  **Exacerbates liquidity problems**
 -  **Creates inappropriate preferences**

LeBoeuf, Lamb, Greene & MacRae

Conclusion

-  **Global players dominate the field**
-  **Reinsurance has a strong solvency record**
-  **Reinsurance is the epitome of “B to B”, with effective indigenous regulators**
-  **New requirements must be subject to a cost benefit analysis**