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**Geneva
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Newsletter**

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Survey of Insurance CEOs

Geneva, 3 June 2010. Leaders of the world insurance industry see inflation/deflation, the sovereign debt crisis and regulation as the most significant current threats to the insurance industry according to the results of a survey from the leading insurance economics think tank, The Geneva Association.

In a survey that spanned industry threats, opportunities and key influences on the business in the next two to five years, the world insurance industry leaders attending The Geneva Association's 37th annual General Assembly were asked to respond anonymously to ten questions. The results of the survey provide an insight into the key issues in the minds of the world's leading insurance CEOs and their perceptions of the economic and regulatory environment in the next few years.

The Survey

Top current concerns: Regulatory and Macro-economic threats

"Injection of liquidity in the past few years will inevitably lead to a surge of inflation."

"It is poor regulation that's the threat, not regulation itself."

Recent events in European capital and sovereign debt markets had a considerable influence on the results of the survey. When asked to rate the key current threats to the insurance industry, some 79 per cent listed the macro-economic factors of either inflation/deflation or the sovereign debt crisis as the current number one threat to insurers. The CEOs also revealed significant concerns about the implementation of regulatory reforms to address systemic risk in the wake of the financial crisis. Some 87 per cent believed that systemic risk regulation would have a significant impact on insurance. The fear is that it might not take properly into account the specific nature of insurance activities. When asked whether a lack of industry knowledge and understanding played a part in moves to include insurers in systemic risk, 90 per cent indicated that they believed it played a significant (4/5) or highly significant (5/5) role.

Insurance leaders are sceptical about the timeline: The achievement of a comprehensive international regulatory framework for financial stability was not considered likely in two years time by 76 per cent of respondents. Only 50 per cent believed it would be possible to achieve one in 5 years time. Some respondents expressed concern that differences in regulation around the globe offered advantages to companies in certain jurisdictions and could present risks related to regulatory arbitrage.

Solvency II

“Whether Solvency II has a positive or negative impact depends on the specifications still to be determined.”

Another issue that is on insurance CEOs’ minds these days is solvency reform. One CEO said, *“Getting Solvency II right is of crucial importance. Any unjustified prudence may have a long-lasting negative impact on the industry.”*

The CEOs were asked to provide the three most relevant changes to the regulatory landscape over the next two years and were asked to say whether their selections would be positive or negative for the industry. Solvency II was chosen by an overwhelming majority of 78 per cent as the most important regulatory change. In general, CEOs see it as a positive project, with 56 per cent saying so. However, comments accompanying the selections indicated that there were reservations about some aspects of Solvency II, including rules for capital adequacy, and concerns whether other issues might surprise the industry during the current implementation phase.

Global Economic Prospects

“The adjustment in public sector deficits and the reduction in private sector indebtedness may put the economic recovery in advanced economies at stake and even cause an outright depression.”

A survey of economic prospects for both the developed and the developing world revealed an expectation that especially the developed world faced an uncertain future. A recession in developed economies was the most likely economic scenario chosen by 43 per cent of respondents; whilst two-thirds expected a mid or high growth trajectory in the developing world.

Opportunities

The final question of the survey looked at the business opportunities for insurers over the next two to three years in both regions and products. Asia was cited as the most significant area of opportunity with 48 per cent of the vote - more than twice the regional runner up of the US & Europe. Opinions on the perceived opportunities in insurance products were far more varied but pensions/savings and investments topped the list with 19 per cent of the vote followed by life and health insurances with 16 and 12 per cent of the vote respectively.

Commenting on the results, Dr Nikolaus von Bomhard, Chairman of the Geneva Association and CEO of Munich Re said, “The results of this survey confirm the wider position of the industry on systemic risk regulation. Whilst it is understandable that macro-economic factors are the most serious concern to insurers - that regulation is listed as a key threat is a demonstration of how seriously potentially mistaken regulation could affect our industry. As an industry we have been very clear that we are not against more regulation, as long as it is the right regulation. We believe that ongoing discussions, like the ones on Solvency II, are showing the potential for real progress. It is up to regulators and governments to set the course for the next generation of insurance regulation and it is crucial that they get it right.”

Secretary General and Managing Director of The Geneva Association, Patrick M. Liedtke, said, “We are pleased to be releasing the results of this survey of our members which provide an insight into the minds of leading figures in insurance. As an industry we are working hard to promote an active and constructive dialogue between the industry and governments, regulators and supervisors. This survey underlines that amongst the industry’s leading concerns are those of excessive or counterproductive regulation. Some of it might be based on lacking or inadequate understanding of the insurance sector and its mechanisms. We will continue to proactively engage with the relevant bodies to ensure that the solutions implemented by governments and regulators are well informed and take into account the specific difference of insurance relative to the wider financial services market.”

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Notes to Editors

The Geneva Association is the leading international insurance “think tank” for strategically important insurance and risk management issues.

The Geneva Association identifies fundamental trends and strategic issues where insurance plays a substantial role or which influence the insurance sector. Through the development of research programmes, regular publications and the organisation of international meetings, The Geneva Association serves as a catalyst for progress in the understanding of risk and insurance matters and acts as an information creator and disseminator. It is the leading voice of the largest insurance groups worldwide in the dialogue with international institutions. In parallel, it advances—in economic and cultural terms—the development and application of risk management and the understanding of uncertainty in the modern economy.

The Geneva Association membership comprises a statutory maximum of 80 Chief Executive Officers (CEOs) from the world’s top (re)insurance companies. It organises international expert networks and manages discussion platforms for senior insurance executives and specialists as well as policy-makers, regulators and multilateral organisations. The Geneva Association’s annual General Assembly is the most prestigious gathering of leading insurance CEOs worldwide.

Established in 1973, The Geneva Association, officially the “International Association for the Study of Insurance Economics”, is based in Geneva, Switzerland and is a non-profit organisation funded by its members.