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International Association for the
Study of Insurance Economics

Information on Geneva Association activities and publications

Geneva Association Information Newsletter

Open Letter to Finance Ministers and Central Bank Governors of the G-20

Geneva, 17 February 2011 – Leading international insurance think tank, The Geneva Association (www.genevaassociation.org), today issued an open letter to the Finance Ministers and Central Bank Governors of the G-20 following an observer meeting of the International Association of Insurance Supervisors (IAIS). The letter highlights the key findings of The Geneva Association's recent and ongoing research on systemic risk in light of regulatory discussions around systemically important financial institutions (SIFIs).

The text of the letter is as follows:

Core insurance activities do not cause systemic risk

The Geneva Association, the leading international insurance think tank, has a great interest in contributing to the IAIS and FSB work on systemic risk and financial stability, but remains very concerned about the political decision taken to develop a list of insurance SIFIs. This view is shared by the world's leading insurers given that the core activities of insurers do not pose a systemic risk.

Extensive Geneva Association analysis published in 2010 and recently refined demonstrates that core insurance activities are not a threat to the stability of the financial system. This is a result supported, not only by the global insurance industry, but also by prominent government leaders, politicians, national regulators and industry experts.

The same research indicated that there are two non-core insurance activities that have the potential, in certain circumstances, to be systemically risky (derivatives speculation/financial guarantees and the mismanagement of short-term funding). New analysis shows that a focus on activity-based indicators (not institutions) will target these potential sources of systemic risk whilst also reducing the regulatory resources required for supervision and the scope for regulatory arbitrage.

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Indicators of potential systemic risk activity

The Geneva Association welcomes the opportunity to engage with the IAIS in developing systemic risk indicators. These indicators must be embedded in a sound methodology that first identifies systemically risky activities. They then need to measure these activities in a targeted and effective way. Today, The Geneva Association published a methodology that achieves this whilst providing a framework that matches the stated aims of the IAIS and the Financial Stability Board (FSB).

The Geneva Association believes that insurance expertise needs to be directly involved at all times for making well-informed decisions about a potential SIFI status. The IAIS is best placed to coordinate macro-prudential surveillance and indicator-based standards but should rely as far as possible on group supervision and industry input into the current process. The insurance industry is supportive of The Geneva Association methodology and believes that it will contribute in a constructive way to the setup of an effective and efficient process for identifying potentially systemically risky activities and the institutions undertaking them.

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Chairman of the Board of Management, Munich Re Group*

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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 90 Chief Executive Officers (CEOs) from the world's top insurance and reinsurance 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.

Further information on Geneva Association systemic risk research can be accessed on the website www.genevaassociation.org and at the following links:

The Systemic Risk in insurance Report

http://www.genevaassociation.org/pdf/BookandMonographs/Geneva_Association_Systemic_Risk_in_Insurance_Report_March2010.pdf

Key Financial Stability Issues in Insurance

http://www.genevaassociation.org/pdf/BookandMonographs/Geneva_Association_Key_Financial_Stability_Issues_in_Insurance_July2010.pdf

Presentation at the IAIS February 2011 Observer Meeting

http://www.genevaassociation.org/pdf/News/GA_Presentation_IAIS_Hearing_17Feb2011.pdf