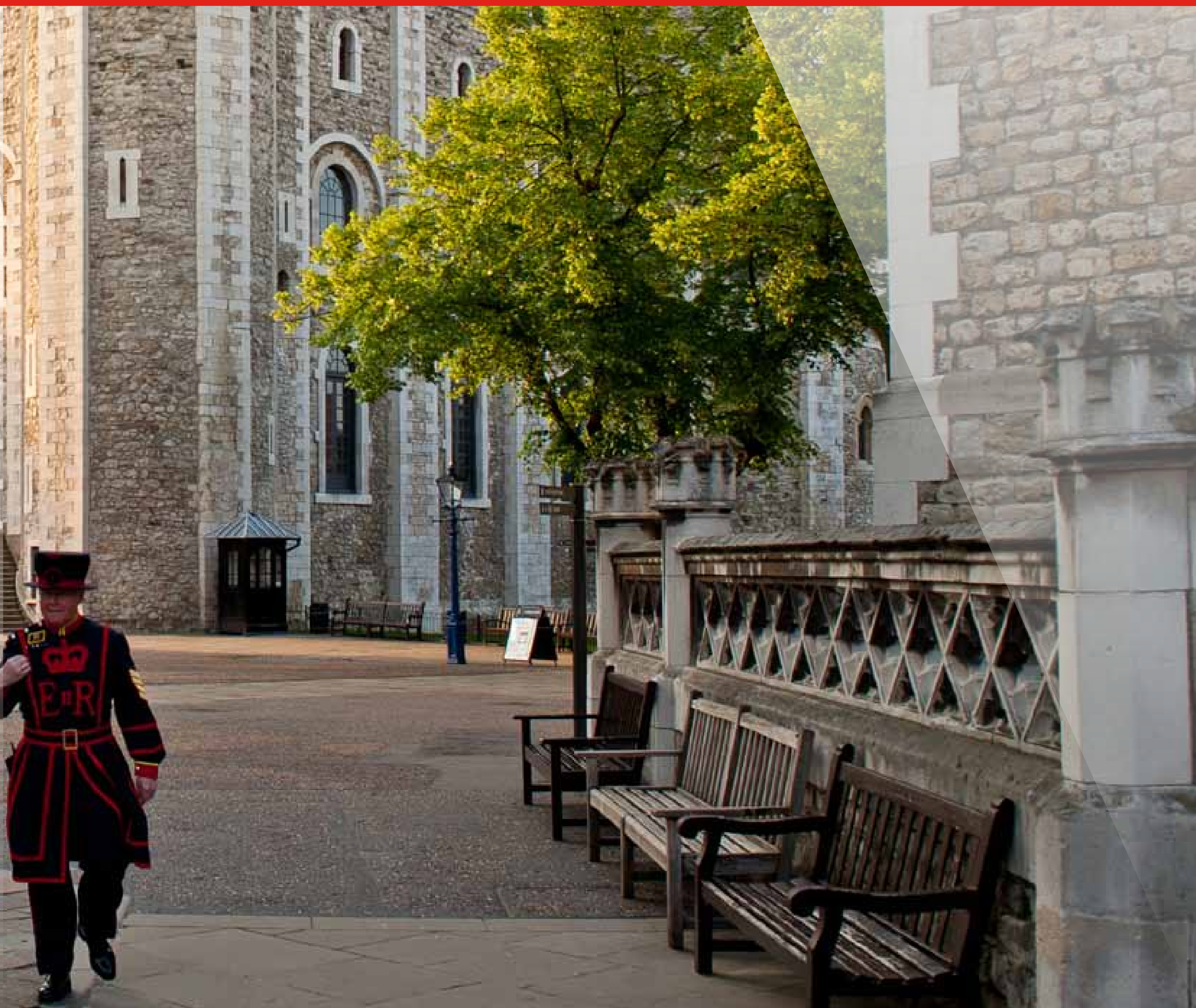
# General Assembly Review 2013

THE GENEVA ASSOCIATION



# The Geneva Association

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", has offices in Geneva and Basel, Switzerland and is a non-profit organisation funded by its members.

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September 2013
*The General Assembly Review 2013*


Published by The Geneva Association (The International Association for the Study of Insurance Economics), Geneva/Basel.

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# SECRETARY GENERAL'S STATEMENT

*John H. Fitzpatrick*
*Secretary General,*
*The Geneva Association*

Welcome to the 2013 General Assembly Review. This year marks the 40th anniversary of The Geneva Association's founding as a think tank focused on the economics of insurance and its role in society. London, one of the world's pre-eminent centres of insurance, proved to be a fitting location for the celebrations of this landmark year. The London Members, Amlin, Aviva, Bupa, Catlin, Hiscox, Lloyd's, Prudential and RSA hosted a spectacular General Assembly, where the discussions of strategic insurance issues were complemented by an outstanding series of networking and cultural events. It was a fantastic meeting and on behalf of the entire Membership, I would like to offer them my heartfelt thanks for their efforts to create a very memorable event.

Our keynote speakers reflected the strategic perspective of the Assembly with the attendance of the Chancellor of the Exchequer, George Osborne, addressing the importance of the insurance industry to the U.K. as well as the world economy. Paul Tucker, Deputy Governor of the Bank of England and member of the Financial Stability Board (FSB), spoke candidly on the objectives of the FSB as respects the insurance industry. A special address by HRH The Prince of Wales also called on the industry to continue its efforts to support and effect adaptation efforts in the face of a changing climate. Former U.K. Labour Party leader and former Secretary of State for Foreign and Commonwealth Affairs, David Miliband, also gave an outstanding speech addressing the international political outlook and the challenging global economic environment at a gala dinner at Mansion House.

The General Assembly opened with a Geneva Association press conference focused on the launch of its research report *Insurers contributions to disaster risk reduction—a series of case studies*. The press conference, hosted at Lloyd's, was led by our then Chairman Dr Nikolaus von Bomhard and Michael Butt, co-Chair of the Climate Risk and Insurance working group. They were joined by Margareta Wahlström, Special Representative of United Nations Secretary-General, Ban Ki-moon, for disaster risk reduction, as part of the longer-term collaboration between the Geneva Association and the United Nations Office for Disaster Risk Reduction (UNISDR). Following the working group's contribution of a series of case studies to the UNISDR *Global Assessment Report* launched in May 2013, Margareta joined the Association press conference to support the conclusions of the report and to provide the UN perspective on the role of insurance in disaster risk reduction. Her presence represented significant support of our report and the points we made. A report on the conference is available on page 8.

With the announcement of a list of designated global systemically important insurers (G-SIIs) due imminently, there was considerable focus on the presentations on financial stability, not least the interventions of Paul Tucker and Paul Sharma, respectively Director of Wholesale and Prudential Policy Division, U.K. Financial Services Authority (FSA) and Chairman of the IAIS Financial Stability Committee. An insight into the meeting and the key comments made in this session are provided on page 12 of this review. Also as part of the financial stability theme, Denis Kessler provides a synopsis of his discussion session on the impact of low interest rates on the insurance industry, which is available on page 14.

The strategic outlook for the industry was the underlying focus of the sessions on insurance relevance in the modern economy. Mike McGavick provides a summary of the session he chaired on page 16 of this report. Joined by Patrick Ryan, Founder of Aon and Chairman and CEO of Ryan Specialty Group, LLC, and Dr Martin Mullins, Head, Department of Accounting and Finance, Insurance, University of Limerick, the session highlighted the need for innovation and creativity in insurance if the industry is to maintain its relevance in our fast-evolving societies.

The subsequent session on insurance in the developing economies looked at the opportunities and challenges for insurers seeking to break into developing world markets. Andrzej Klesyk provided the perspective on Poland and Central and Eastern Europe, while Patrick de Larragoiti Lucas analysed his headquarter country, Brazil. The conclusions from these analyses and the World Bank perspective on the potential role of insurance in supporting growth in developing economies can be found in session leader Michael Diekmann's piece on page 20.

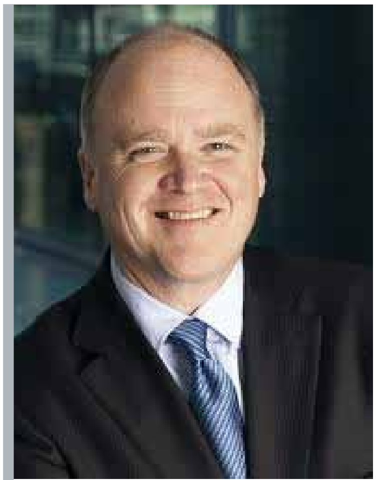
If any evidence were needed of the ongoing relevance of insurance in the modern economy, one might surely look to the issue of cyber risks, a subject covered in a breakout session at the Assembly, led by Robert Benmosche, CEO of AIG. He was joined by Sir Richard Dearlove, former Head of British intelligence agency MI6, Patrick Connelly, Chief Broking Officer at Aon and Kim Peretti, white collar crime specialist at Alston & Bird LLP. Beyond considerations of their own vulnerability and security, discussants were focused on the understanding of cyber risks and the development of products and the insurance market to meet the burgeoning demand cyber risks are creating. The key themes of this meeting are available on page 24.

On the statutory side of the meeting, I am pleased to report the Membership voted unanimously to appoint Mike McGavick as the new Chairman of The Geneva Association. We welcome Mike to this new role with the Association. He succeeds Nikolaus von Bomhard who has stepped down after having made considerable strides in the development of the Association over the last four years. We thank Nikolaus for his personal interest and support of the Association over these past four years. We were also delighted to be able to announce the appointment of Shaun Wang as the Deputy Secretary General and Head of Research, who will oversee the development of our research agenda and support the development of the Association in the future.

With some 60 chief executives and company leaders present, this was the best attended Assembly to date, a fitting tribute to our 40$^{th}$ year and a credit to the London Members. Donald Guloien provided an exciting and enticing preview of next year's Assembly in Toronto on behalf of the Canadian Membership. I am looking forward to seeing many of our Members there and reporting to them on the progress we will have made in the interim.

John H. Fitzpatrick
Secretary General,
The Geneva Association

# INTERVIEW WITH MIKE McGAVICK, CHAIRMAN OF THE GENEVA ASSOCIATION



*Mike McGavick*
*CEO, XL Group plc and Chairman of The Geneva Association*

***As the new Chairman of The Geneva Association, what strategic objectives do you have for the next two years?***

It is important to recognise the work done by my predecessors Henri de Castries and Nikolaus von Bomhard in raising the profile of The Geneva Association and utilising its research to make the voice of the insurance industry heard—particularly at the regulatory level in the wake of the financial crisis. We will build on that work and continue to voice our concerns in the area of financial stability and supervision, but we will also be relying on the Association to play an essential role in how we collectively answer the challenges facing the industry: the global economic recovery, low interest rates, an increasing rate of change and a decline in relevance in the modern economy.

We will also be harnessing the resources of The Geneva Association and its Members to respond to global strategic issues such as climate risk and the challenge of global ageing and retirement funding. The primary aim in this regard is to raise awareness of the challenges societies face, highlight the role of insurance in mitigating these risks and working with governments and consumers in designing solutions.

***How did the insurance industry perform during the financial crisis and in its aftermath?***

The industry has not only proved its resilience since 2008, but acted as a stabiliser and shock absorber during the financial crisis and the ensuing recession. Indeed, in almost all markets, there has been an increase in gross written insurance premiums, particularly in the life sector and in emerging markets. And though pricing continues to be lower than it should in relation to the risks the industry takes on, it is also rising once again to adequate levels.

***What is your perspective on the list of G-SIIs that was just published by the FSB, and on IAIS policy measures and their consequences?***

It is important to take time to read through and consider the implications of this list in detail. The Geneva Association has long advocated that the designation methodology should take an activities-based approach, which, indeed, the IAIS has done. It is still not clear where the threshold lies. Why the number of named companies on the list? Understanding that will be very important, so the criteria and measurements used to designate a G-SII should be made available as soon as possible. These need to be transparent, predictable and measurable. Without a transparent and predictable process, it is impossible for management to monitor and manage systemic risk and run their businesses accordingly.

***Do you think that The Geneva Association has been effective in explaining to regulators that insurers are different from banks?***

The industry has largely succeeded in asserting the essential difference between our sector and the banks, particularly in how the insurance and reinsurance sector connect to the wider economy and, correspondingly, how regulatory needs differ between each industry. Thanks to these efforts, regulatory bodies such as the IAIS have taken a more activities-based approach to their methodology than they may otherwise have done, possibly preventing a wide-scale designation of large insurers as systemically important financial institutions in need of greater regulatory scrutiny. Yet the recent decision to apply the SIFI label to AIG, for instance, which no longer deals in the financial product lines that led to the company needing government assistance, makes little sense. So there is still more work to be done, particularly in light of the recent designations.

***Will climate change have a serious impact on the solvency of insurers and reinsurers?***

There is no doubt that climate change will have an impact on the sector, but solvency should not be brought into question. There are opportunities as well as challenges. For both national economies and the insurance sector, 2011 was the most expensive year on record, with original insured losses amounting to approximately US$105bn. And yet this did not threaten the solvency of the sector, indeed, of any insurer. In fact, I would argue that it highlighted the real benefits that insurance provides, and the stabilising role that it can play, in disaster recovery.

***At The Geneva Association's General Assembly in London this year, a concern was raised about the the insurance industry's negative image in many countries. How can we improve this perception of our industry in society?***

I would challenge that assertion. From the emergence of Lloyd's of London to solving the liability shortfall in the U.S. in the 1980s to the role now being played in stimulating the development of new energy technologies, insurance has been critical to personal and societal progress. And we see the vital recovery role play out frequently as the sector steps in to rebuild after natural disasters.

It is true, though, that the sector has not always been the best at selling itself and the vital role we play, and it's up to those of us in the industry to make that clear as often as we can.

***You chaired a panel at the General Assembly on the diminishing relevance of insurance to the economy? Does this mean that insurance today plays less of a role in advancing societal progress?***

The purpose of the discussion session on the relevance of insurance was to highlight a changing business and technological environment, whereby the increasing size of companies and the rapid pace of change mean that insurance, traditionally an industry that has been slow to innovate, faces a relevance vulnerability and is at risk of participating less in the modern, technology-driven economy today. I would argue, however, that its role is as important as ever, and any threat to our relevance can be overcome. As a sector, we have to push ourselves constantly to keep pace with change, innovate and serve our clients in the most advanced ways possible.

***What scenario do you envisage for the (re)insurance industries and for 2013, 2014 and in the long run?***

I'm feeling quite confident about the outlook for the (re)insurance sector over the next few years. As pricing and the volume of premiums rises to align with global GDP, it will strengthen even further. We can't ignore the many challenges that the sector faces, but if we maintain our focus on innovation and creativity in the products we offer and the coverage we provide, particularly with regard to new technology, I have no doubt that we will continue to play an essential role in supporting global economies.

# INSURERS' CONTRIBUTIONS TO DISASTER RISK REDUCTION

***Walter R. Stahel***
*Vice Secretary General and Head of Risk Management, The Geneva Association, co-editor of Geneva Report No. 7*

The frequency and severity of extreme events have increased since the turn of the century, causing major economic losses and gross human suffering. Climate impact, the continuous degradation of our natural environment, the accumulation of concentrated wealth due to urbanisation and the swift build-up of infrastructure as economies grow are all factors that contribute to greater risk exposure and higher economic losses and human suffering from natural catastrophes.

Mitigating losses and protecting populations from climate-related extreme events has thus now become one of society's greatest challenges. The magnitude and scope of these events require the involvement and cooperation of multiple actors to strengthen societal resilience.

While natural catastrophes, particularly in the developing world, can lead to poverty and economic stagnation, greater cooperation between insurers and governments can reduce the scale of the disaster itself as well as its subsequent economic impact.

This is one of the conclusions of Geneva Report N° 7: *Insurers' contributions to disaster reduction—a series of case studies*, launched at a press conference ahead of the 40th General Assembly in London. The report presents case studies on four topics—floods, earthquakes, resilient communities and liability litigation as a tool for disaster remediation—and analyses the role of insurance in events such as the 2011 Thai floods and the Tohoku earthquake and tsunami in Japan.

Insurance has a unique capacity for mitigating the losses resulting from extreme events and "is a shock absorber for the real economy when natural catastrophes occur", said John Fitzpatrick, Secretary General of The Geneva Association.

Margareta Wahlström, Special Representative for Disaster Risk Reduction of the United Nations Secretary-General, Ban Ki-moon, and a panellist at the press conference said, "Insurance is a significant instrument in mitigating risk", but is only one among a number of other financial and socio-economic instruments. "How can insurance be used proactively?" she asked. Wahlström went on to say that the United Nations Office for Disaster Risk Reduction (UNISDR) can and does encourage private–public cooperation for the development and implementation of disaster reduction policies.

## RISK TRANSFER, PRICE SIGNALLING AND PUBLIC–PRIVATE COOPERATION

Efficient cooperation with governments can optimally exploit the sector's deep knowledge of risk management. Indeed, as risk exposures multiply with rapid population growth and expanding urban areas, insurers have the ability to reduce

**WHILE NATURAL CATASTROPHES, PARTICULARLY IN THE DEVELOPING WORLD, CAN LEAD TO POVERTY AND ECONOMIC STAGNATION, GREATER COOPERATION BETWEEN INSURERS AND GOVERNMENTS CAN REDUCE THE SCALE OF THE DISASTER ITSELF AS WELL AS ITS SUBSEQUENT ECONOMIC IMPACT.**

risk concentration. Risk-pooling solutions such as spreading risk around the world via the global reinsurance industry are therefore essential, and effective. Though 2011 was the most expensive year in recorded history for the insurance sector, the industry comfortably met total insured costs for events in Thailand, Japan, Australia and the U.S. of more than US$105bn.

Michael Butt, Co-chairman of The Geneva Association's Climate Risk and Insurance (CR+I) project and Chairman of Axis Capital Holdings, recalled that 90 per cent of the claims filed subsequent to the Tohuku earthquake and tsunami were settled within three months.

Government insurance pools can help—but they can also lead to the distortion of well-functioning markets by undercutting them, as highlighted by Wahlström when she said that "governments don't realise when they make promises about solutions that it takes away incentives". Nevertheless, when properly coordinated, as demonstrated by the "Room for Rivers" programme in the Netherlands, governments and insurers can promote risk awareness together by drawing attention to the true costs of living in a risky area through price signalling. Furthermore, public–private cooperation helps to create resilient infrastructure through building codes and regulation.

Government schemes that provide post-disaster financial relief can also work in terms of risk transfer, as shown by the Japanese Earthquake Insurance System, but programmes used to transfer risk between the private and public sectors must be carefully designed to effectively spread risk and maintain low premium prices. The government can also contribute to disaster reduction by rebuilding failing public infrastructure, which causes the greatest impact on the private sector in the event of a catastrophe, according to Wahlström.

It is of course crucial to build on lessons learned from disasters. Michael Butt said, "After a catastrophe we can decide whether we want to rebuild, or if we make way for nature and relocate. When we rebuild, we can do so in a risk-resilient, energy-efficient way. Strong local government policy on land use and building codes, coupled with disaster recovery plans, will allow communities to rebuild quickly and sensibly. But people will need encouragement to adapt;

*From left to right: Margareta Wahlström, Special Representative of the United Nations Secretary-General for Disaster Risk Reduction; Nikolaus von Bomhard, former Chairman of The Geneva Association and Chairman of the Board of Management, Munich Re; and Michael A. Butt, Co-chairman of The Geneva Association's Climate Risk and Insurance (CR+I) project and Chairman of Axis Capital Holdings* policymakers and the industry can work together on a shared vision for sustainable development. Local government actions in New Jersey and New York in the wake of Sandy are a positive step in the right direction and an example to other jurisdictions."

As major flooding was occurring in early June in Germany, Nikolaus von Bomhard, outgoing Chairman of The Geneva Association and Chairman of the Board of Management of Munich Re, spoke to Reactions Magazine on the sidelines of the conference. He criticised policymakers' slow reaction to flooding in Germany in 2002 and said, "Many plans were made after the last big floods but it took way too long to turn into action... I hope they won't make the same mistakes this time."

## A CALL FOR COUNTRY RISK OFFICERS

Governments have indeed often been slow to recognise, or address and plan for, the need for disaster reduction. Michael Butt explained that the financial crisis overshadowed concerns about climate change, but quoted HRH The Prince of Wales in saying that "the financial crisis will pass, climate change won't, unless we do something about it".

He said that the insurance industry was a deep well of knowledge on issues of risk assessment and adaptation, and stressed once again the need to coordinate efforts between the private and public sectors, and between governments.

*A house lifted from its foundations on the beach on 13 January 2013 in Mantoloking, New Jersey. Clean-up continued 75 days after Hurricane Sandy struck in October 2012*

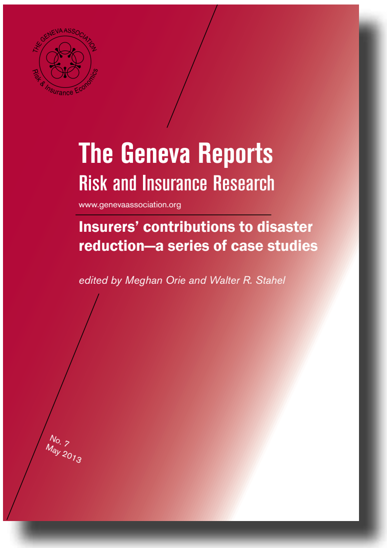
Margareta Wahlström concurred on the need to raise awareness of the urgency of climate-related risks and for coordinated disaster reduction policies. "How do we get the message across?" she asked.

Nikolaus von Bomhard highlighted the overarching role of chief risk officers (CROs) at global companies and their long-term view of risk assessment. He was joined in his praise by Michael Butt who said, "The international and multinational companies are at the front end of disaster reduction. One, because they are easier to communicate with and, two, because they are taking a longer-term view. They understand and look at risk permanently."

John Fitzpatrick echoed these comments and reminded the audience it would be unthinkable in today's modern world to allow a bank, an insurer or major corporation to operate without a CRO—yet many cities, states and countries operate without the input of a professional CRO. The presence of a country risk officer would permit a proper economic evaluation of pressing current needs and costs that would mitigate very large expenditures for governments after disaster occurs.

Climate-related events are trans-national and don't stop at borders, said Fitzpatrick. With the interconnectivity of the world economy, the impact of such events is global. Therefore the solutions must be global.

## THE GENEVA REPORT No. 7: *INSURERS' CONTRIBUTIONS TO DISASTER REDUCTION—A SERIES OF CASE STUDIES*

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*Thai men pulling a raft packed with their belongings through flood waters on a road near Bangkok, Thailand on 27 October 2011*

Download the Geneva Report No. 7 from www.genevaassociation.org

# FINANCIAL STABILITY IN INSURANCE

Ahead of the July announcement of designated global systemically risky insurers (G-SIIs), Michel Liès, Group CEO of Swiss Re and Chair of the Financial Stability in Insurance session, was joined by panellists Yoshihiro Kawai, Secretary General of the International Association of Insurance Supervisors (IAIS), Michael McRaith, Director of the U.S. Federal Insurance Office (FIO), Paul Sharma, Director, Wholesale and Prudential Policy Division, Financial Services Authority (FSA), and Paul Tucker, Deputy Governor of the Bank of England and member of the Financial Stability Board (FSB).

Michel Liès approached the topic of policy measures and consequences of G-SII designation from a global and international angle, as well as from a domestic and regional level. He asked panellists in particular to elaborate on the market implications of G-SII designation.

Paul Tucker opened the discussion explaining the institutional set-up and responsibilities in the discussion. He explained that the FSB was the layer between the G20 and international standard-setting bodies such as the IAIS, the Basel Committee and the International Organization of Securities Commissions (IOSCO).

As it was ultimately held accountable for the development and implementation of policy measures for global systemically important financial institutions (G-SIFIs), the FSB set the policy agenda and ensured that standard setters were pursuing the ultimate goal of financial stability in the financial services industry.

Even though FSB is leading the regulatory reforms, the IAIS and the insurance industry have "a just right of passage" and would gain greater strength and respect in the process, he said. He was of the opinion that the next financial crisis might not necessarily centre in North America and Europe, but could emanate from the emerging markets. Therefore, it was important to create comparability across borders and include emerging markets.

Paul Tucker clarified that it was not the intention to designate G-SIIs every year for decades. Society should not accept that there are too-big-to-fail institutions because, otherwise, a free market economy would no longer exist.

Instead, the objective was to reduce the probability of failure and of bailouts with taxpayers' money. Tucker agreed that the impact of G-SII policy measures had to be carefully evaluated to avoid unintended consequences, namely, market consolidation resulting in even bigger insurance groups.

He also admitted that inadequate regulation could be the origin or the amplifier of systemic risk, as examples in the banking sector have demonstrated, stating that, in that sense, "regulators can also create systemic risk".

Yoshihiro Kawai gave an overview of recent developments with regard to G-SII designation and the intended policy measures. He explained that insurance was in

***Kathrin Hoppe***
*Insurance Regulation and Supervision Expert, The Geneva Association*

**"WITHOUT SOLID GLOBAL INSURANCE REGULATION WE CANNOT EFFICIENTLY SUPERVISE INTERNATIONALLY ACTIVE INSURANCE GROUPS."**

YOSHIHIRO KAWAI

WITH THE ANNOUNCEMENT OF DESIGNATED GLOBAL SYSTEMICALLY IMPORTANT INSURERS (G-SIIs) IMMINENT, ONE BREAKOUT SESSION AT THE GENERAL ASSEMBLY WAS DEDICATED TO "G-SIIs: POLICY MEASURES AND CONSEQUENCES".

focus because American International Group (AIG) had entered into risky non-insurance activities. It was an exceptional case that needed to be avoided in future.

Designation was therefore primarily focusing on non-traditional non-insurance (NTNI) activities and the interconnectedness of the insurance group with other areas of the financial sector and the overall economy. Paul Tucker added that the insurance industry would probably have been hit harder if governments had not bailed out banks to which insurance companies had large exposures.

Among the envisaged policy measures are: (i) enhanced supervision, (ii) recovery and resolution plans, and (iii) higher loss absorbency. Kawai explained that they were focusing on NTNI activities and interconnectedness to identify and designate G-SIIs. With regard to the applicable measures, it was highlighted that recovery and resolution plans were critical, and the role of the group supervisor was of significant importance to supervise non-regulated activities. Higher loss absorbency was an additional tool to reduce the probability and the impact of failure.

All panellists agreed that the financial crisis had shown that there was a need for globally consistent regulation. Furthermore, national legislation addressing domestic systemically important insurance companies (D-SIIs) required close coordination with measures taken for G-SIIs. Michael McRaith explained that the Financial Stability Oversight Council (FSOC) would, therefore, consider any American insurance group designated at global level for their national designation process.

Paul Sharma added that the European legislator would proceed similarly, and that it was very likely that the European list would comprise the designated European G-SIIs. With regard to the applicable policy measures, he clarified that designated insurance groups had six years to execute a company strategy to reduce or manage its systemic riskiness before any higher loss absorbency would apply.

Yoshihiro Kawai concluded by saying that there was a lot of room for improvement on data collection, data exchange and data comparability, to allow for the effective functioning of supervisory colleges.


*Paul Tucker, Deputy Governor of the Bank of England and member of the FSB and Paul Sharma, Director, Wholesale and Prudential Policy Division, FSA*

*Michel Liès, Group CEO of Swiss Re*

# A NEW ROUND OF LOW INTEREST RATE COMPETITION? EFFECTS AND RESPONSE

Risk-free rates, such as most government bond yields, have never been so low. More recently, credit spreads on corporate bonds have fallen too. As a result, insurers' reinvestment rates are plummeting, meaning a significant fall in investment yields on current asset allocations over the next few years. This will inevitably undermine profitability.

According to a study by Morgan Stanley,[1] due to the insurance industry's high asset leverage to tangible book value (470 per cent), their forecast drop of 140 basis points in investment yields would result in a 6.6 percentage point impact on the return on tangible book value.

Regulators are on their toes too. A prolonged period of low interest rates is the second most important risk identified by national European supervisory authorities—the most serious risk after regulatory changes and ahead of equity risk and economic downturn, according to the classification of the most imminent risks for the insurance sector established by the European Insurance and Occupational Pensions Authority (EIOPA).[2]

P&C insurers are already feeling the pain in their short-tail businesses. For a given combined ratio, returns on equity (ROEs) today are much lower than they used to be, and comparatively short duration portfolios mean P&C insurers are hit first. Repricing contracts to offset falling yields is difficult because of the excess capital and competition. Longer-tailed business also presents a risk, and it may make more time for the impact of low rates to be felt, but the effects could be more pronounced.

In fact, life insurers are the most exposed. Comparatively long asset duration means that the effect of low interest rates is delayed, but some life products, particularly those with built-in guarantees and subject to "yield spread compression" such as fixed annuities, can be greatly impacted.

The consequences are earnings charges; capital hits; reserve strengthening and write-off of intangibles (deferred acquisition cost, value of business acquired, and/or goodwill); and falling sales for interest-rate sensitive products. For instance, according to Moody's, fixed annuity sales in the U.S. declined 51 per cent in Q3 2012 compared to Q3 2011.

***Denis Kessler***
*Chairman and CEO, SCOR, and Chairman of Discussion Session 3 on "Insurance in an Era of Financial Repression"*

**"WE HAVE CHANGED INVESTMENT WITH MORE FOCUS ON ALM (...) PARTICULARLY WITH A SHIFT TO LONG-TERM ASSETS."**
ERIK OPPERS

1 *2013 Outlook: Earnings Headwinds—Focus on Growth and Restructuring*, 5 December 2012.
2 *Financial Stability Report 2012—Second half-year report*, p. 26.

## LOW INTEREST RATES ARE HELPING GOVERNMENTS, BANKS AND BORROWERS AT THE EXPENSE OF SAVERS, PENSION FUNDS AND (RE)INSURERS, POSING A THREAT TO THE PROFITABILITY OF THE INDUSTRY IN THE YEARS TO COME.

### WHAT CAN INSURERS DO?

Insurers have several options to cope with the low interest rate environment—but they all have drawbacks:

- cost-cutting, which has limited impact;
- changing business mix from traditional life savings to fee-based and protection products—however, customers may be reluctant to switch to other products;
- longer asset duration—but losses can occur if interest rates rise;
- re-risk bond portfolios—but credit spreads are low;
- invest in other alternative asset classes (infrastructure projects, private placements, loans, etc.); this option, however, creates liquidity constraints as well as capital requirements, and is not without risk.

### WHAT'S NEXT?

Interest rates will rise—the question is when, how and how quickly? A sharp rise in interest rates would in any case be a shock for (re)insurers, with a loss of value of bonds on the asset side, and in-force savings insurance products suddenly becoming unattractive. High surrenders could force life insurers to sell their assets at lower prices.

Under extreme scenarios, liquidity shortages cannot be ruled out altogether—and insurers do not have access to central bank liquidity. Shareholders' equity would suffer; thus reinsurance capacity would appear to plunge by about 10 per cent for every increase of 100 basis points in interest rates. And inflation might simultaneously lead to a re-evaluation of long-tail reserves, putting more pressure on balance sheets.

In order to avoid such situations, it is key that central banks succeed in reverting to normal monetary policies and normal interest rates in a gradual and orderly fashion.

*From left to right: Andrew Bailey , Deputy Governor for Prudential Regulation and Chief Executive Officer of the Prudential Regulation Authority, Bank of England; Denis Kessler, Chairman and CEO, SCOR ; Erik Oppers, Deputy Division Chief for the Global Financial Stability Division in the Monetary and Capital Markets Dept., IMF and Horishi Shimizu, Managing Director, Nippon Life Insurance Company*

# HOW TO MAKE INSURANCE RELEVANT AGAIN

The relevance vulnerability faced by the insurance industry can be attributed to three principle causes. First, as companies become ever larger, they tend to find insurance less relevant to their activities, and are able and willing to hold more risk on their own balance sheets.

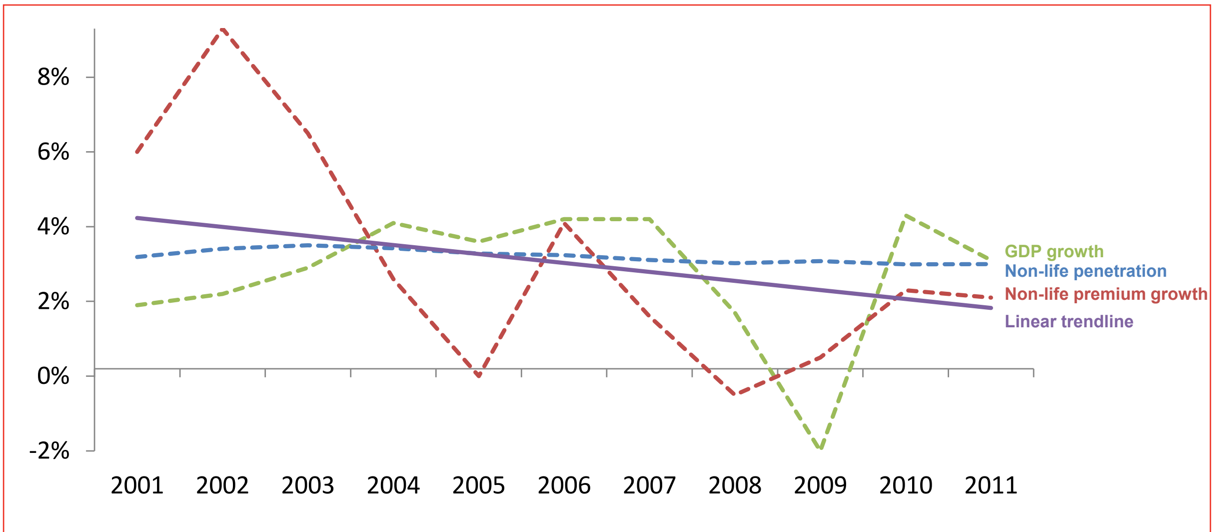
Second, technology is driving the rate of change faster and faster, and has disrupted products that insurance usually provides. In the span of time insurers would traditionally take to amass the amount of data for underwriting comfort, entire industries now come and go. And physical products, the manufacturing, transportation and value of which are insured, are being replaced by digital formats where insurance plays a relatively small role. Cell phone applications, for instance, are concentrating capabilities into one product and are taking the place of watches, clocks, cameras, GPS devices, music players and so on.

For an industry that requires long data sets before transferring risk, it is difficult to keep step with these new and constantly evolving products. And where we are starting to make an impact, in areas like cyber risk, the low product take-up rate demonstrates that the coverage itself is not yet viewed as critical to the risk management framework of many clients.

Finally, there is the complexity of the interconnected economic system today, as the insurance industry continues to struggle to find ways to insure global business supply chains. This was evidenced most recently by the floods in Thailand and the

***Mike McGavick***
*CEO, XL Group plc, and Chairman of the discussion session on "Insurance/GDP—Insurance Relevance in the Modern Economy"*

***FIGURE 1: OVERALL NON-LIFE PENETRATION AND GROWTH—DOWNWARD TREND***




*Source: Swiss Re and IMF.*

THE INCREASING SIZE OF COMPANIES AND THE RAPID PACE OF CHANGE MEAN THAT INSURANCE, TRADITIONALLY AN INDUSTRY THAT HAS BEEN SLOWER TO INNOVATE, FACES A RELEVANCE VULNERABILITY AND IS AT RISK OF PARTICIPATING LESS IN THE MODERN, TECHNOLOGY-DRIVEN ECONOMY TODAY.

tsunami in Japan, which disrupted the delivery of auto parts throughout the world.

Non-life products are particularly affected by this trend; most mature markets have experienced eroding levels of the insurance sector's contribution to GDP since 1995. Emerging markets generally post rising ratios, but since they still represent a small portion of the market the overall global trend is down (see Figure 1).

Life products, on the other hand, have experienced mildly increasing ratios in the past 15 years, but here, too, there is the fear of a technologically driven disruption of life services. The precision of genetic testing, for example, could remove fortuity from its proper role.

## SUMMARY OF THE DISCUSSION SESSION ON THE RELEVANCE OF INSURANCE TO THE ECONOMY

### Innovation and creativity

Patrick Ryan, Chairman and CEO of Ryan Specialty Group, LLC, and one of the panellists at the discussion session, highlighted the important role that innovation and creativity in the insurance sector have played in solving problems in the past—and can play now. "Insurers have often displayed solid risk management over the years, as evidenced by the frequency rates of so many lines of coverage," he said.

He also recalled the very real societal benefits that insurance provides the world. "When we are innovative and creative, we bring solutions to those who need them," he added, pointing as an example to the convergence between the reinsurance sector and capital markets.

In the U.S., consortiums are being developed to allow companies to take on smaller portions of very great risks, such as California earthquakes. As businesses increasingly forego discretionary insurance for budgetary reasons (or by self-insuring), consortiums can offer a solution for compulsory insurance (real estate, workers' compensation, professional protection) and lines of business that are too risky for one carrier.

Ryan also cited tax, indemnity requirements, litigation risks and other lines of business related to mergers and acquisitions as further avenues of growth for the insurance sector. He concluded by saying, "The industry started with people pooling their risks, and it should do so again in a creative and innovative way. The industry has a need for talent, and it is now attracting that talent. We must come together as an industry to solve these issues."

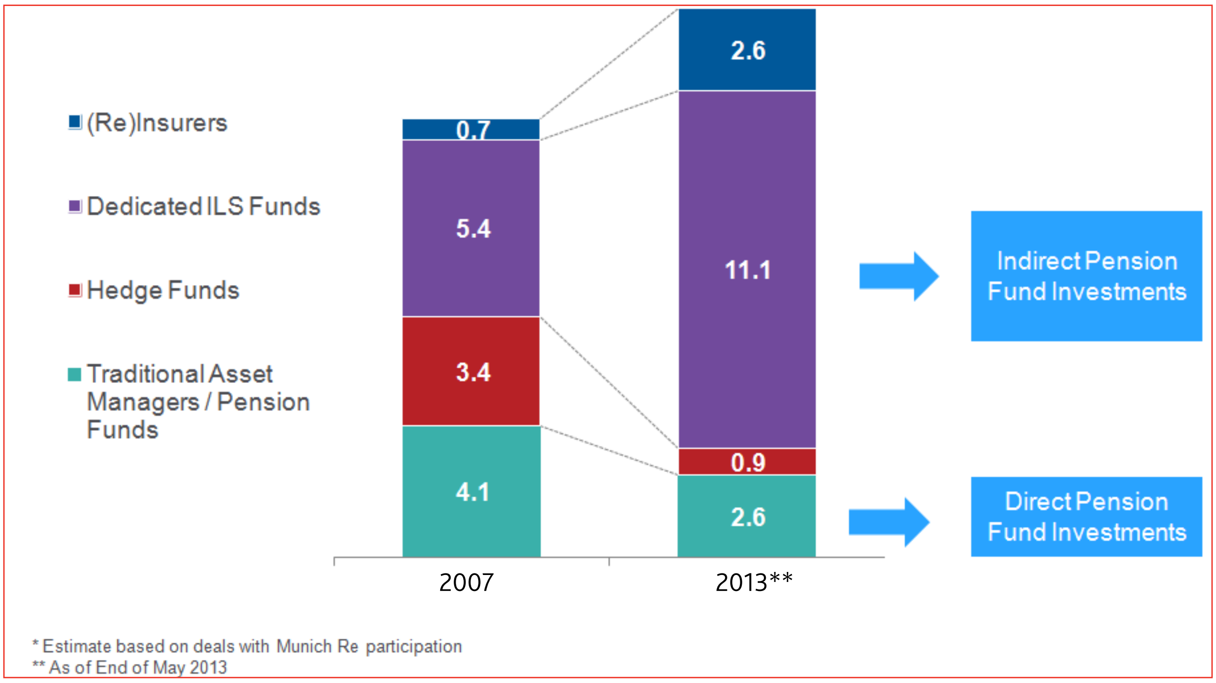
Panellist Rupert Flatscher, Head of Risk Trading, Munich Re, also touched upon alternative capacity sources, such as catastrophe (cat) bonds, as a solution to a lack of traditional capacity, which can occur in narrow markets (wind insurance in the U.S.) or in sectors where it is difficult to achieve sufficient traditional cover (business interruption, extreme mortality). In these cases, cat bonds can provide not only sufficient cover, but also a price advantage through a parametric trigger (e.g. earthquake securitisation).

He also mentioned cycle management, the long-term build-up of alternative capacity, regulatory considerations, temporary market dislocations, diversification, reputational concerns and better-than-market terms, as strategic and opportunity-driven motivations for insurers to turn to capital markets for support, coverage and capacity. A review of asset allocation data shows that U.S. pension funds in particular have increased their commitment to alternative capital sources such as cat bonds in their hunt for uncorrelated investments, mainly through investments in dedicated insurance-linked securities funds (see Figure 2).

### The danger of intangible assets

Dr Martin Mullins, Head of the Department of Accounting and Finance and Lecturer, Insurance, at the University of Limerick in Ireland, suggested that the advent of the information society, where economic

*FIGURE 2: CAT BOND INVESTOR BASE COMPOSITION (IN US$BN)**




*Source: Munich Re.*

value is increasingly tied up in values and ideas, was a real danger for the long-term relevance of the industry to the economy.

"It's less about what's on the streets and more about what is in people's brains—that's where the risks of the modern economy reside," he said. He invited the Members of The Geneva Association to consider insurance through the principles of history and philosophy, and suggested that the two main axes of insurance—risk and value—are rendered potentially obsolete.

Indeed, never has so much attention been given to beliefs and attitudes since the Middle Ages. Insurance came to age in the 17th century, in an era of materialism and reason. But now, economic value has migrated from the material to the non-material, from the physical to the metaphysical.

The knowledge society has taken us into a very different, indeterminate world where value is concentrated in assets that are underpinned by trust, beauty, confidence, aesthetics and memory. These assets are elusive and it is difficult to assign a numerical value to them—and yet, they are ubiquitous and likely to last a long time. Furthermore, the event that triggers a claim is far from self-evident when it comes to intangible assets.

Dr Mullins went on to say that the issue of intangible assets in insurance is an interdisciplinary challenge, not just an accounting one. It has become difficult to track real value in modern companies, particularly as there has been a profound shift in where value resides in the economy: in 1978, 5 per cent of economic value was considered intangible; today it is in excess of 70 per cent.

Aside from some work in the area of reputational risk, Mullins claimed that there has been no adequate response from the industry. And even in this area, 80 to 90 per cent of reputational risk exposures are not captured by current policies. More nuanced, intuitive measures and wisdom are required.

Nikolaus von Bomhard, Chairman of the Management Board, Munich Re, said that the coverage of what he called "brain risks" would require a lot of education, not only for staff, but also for stakeholders. He said that he felt the industry was willing to adapt and had the stamina to do so, but he was not sure that shareholders would follow.

Dr Mullins concluded by saying that the industry might not have the choice, and agreed that it was a long-term project. He believed that the solution is in an interdisciplinary space—part financial, part psychological—and that the industry needed to be much more emotionally aware.


*Patrick Ryan, Chairman and CEO of Ryan Specialty Group, LLC, and Rupert Flatscher, Head of Risk Trading, Munich Re*


*Dr Martin Mullins, Head of the Department of Accounting and Finance and Lecturer, Insurance, at the University of Limerick, Ireland*

# INSURANCE IN THE DEVELOPING ECONOMIES

Premium growth in developing markets has now largely surpassed that in developed markets due to a growing middle class and rising GDP, albeit from a low base. Current low levels of insurance penetration and greater liberalisation of insurance markets in these countries represent an attractive proposition at first glance. For example, the premium potential in the emerging markets is considerable.

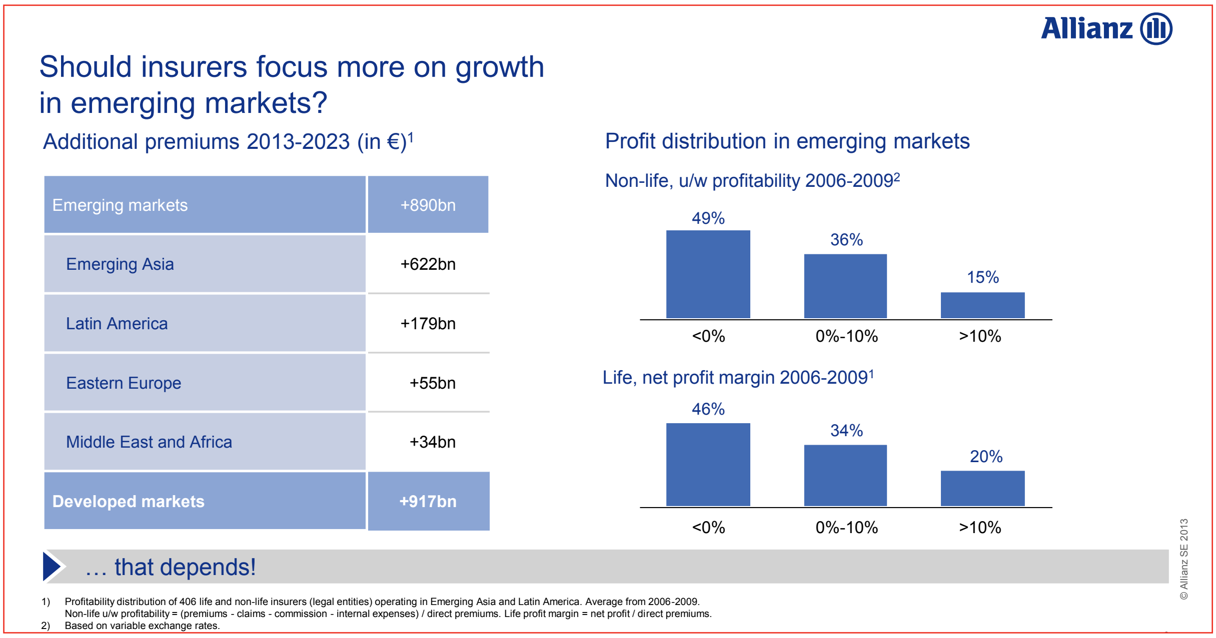
However, markets are becoming less liberalised and more restrictive, and profitability is often a challenge (see Figure 1 below). Indeed, there are various barriers to an emerging market strategy that must be considered: high set-up costs, regulatory restrictions, access to distribution, local market knowledge and domestic competitors, to name but a few.

***Michael Diekmann***
*Chairman of the Board of Management, Allianz SE and Chairman of Discussion Session 2 on "Insurance in the Developing Economies—Building Resilience and Supporting Growth"*

## THE ROLE OF INSURANCE IN SUPPORTING GROWTH

At the discussion session on insurance in the developing economies, panellist Michel Noel cited the value that his employer, the World Bank, places on the role insurance can play in supporting growth in emerging markets. "Over four

***FIGURE 1: PREMIUM GROWTH IN DEVELOPING MARKETS***




*Source: Allianz SE, GER&CD; Swiss Re,* sigma

INSURANCE IS ESSENTIAL IN SUPPORTING AND ACCELERATING GROWTH IN DEVELOPING ECONOMIES. THERE ARE CHALLENGES OF BREAKING INTO DEVELOPING WORLD MARKETS, WHERE ATTRACTIVE LOW LEVELS OF INSURANCE PENETRATION AND GROWTH PROSPECTS ARE COUNTERBALANCED BY LIMITED GDP PER CAPITA, HOME-COUNTRY INCUMBENTS AND REGULATION.

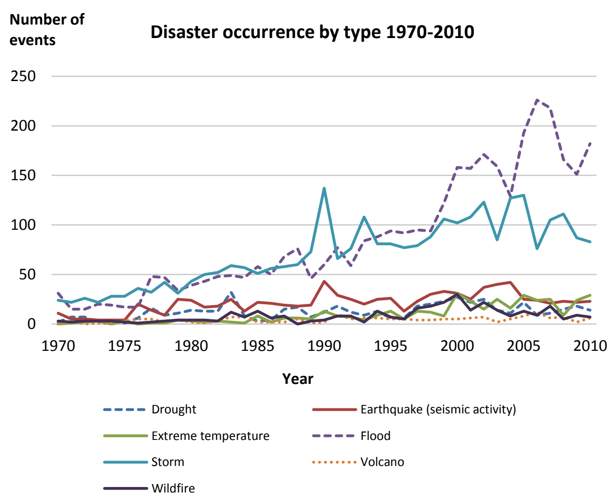
billion people experience hardship in paying for affordable care," he said. "Collaboration between the World Bank and the insurance industry can make a huge difference for the life of people on the ground."

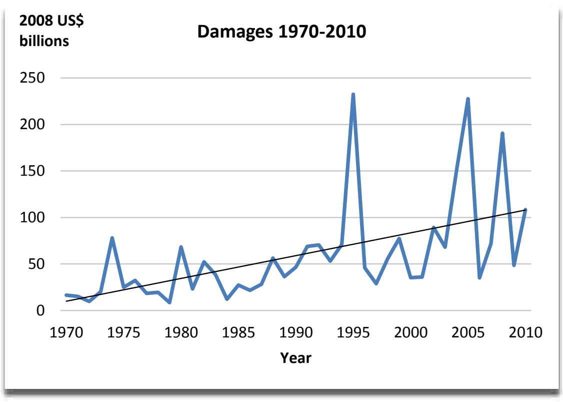
He also cited the work being done in developing support for disaster risk financing and increasing resilience to natural disasters. The average annual number of disasters has almost doubled since the 1980s, and droughts and storms even more so. As Figure 2 illustrates, damages and losses resulting from these natural catastrophes are constantly increasing, and fatalities reached over 3.3 million between 1970 and 2010.

In its work to prepare for these crises, the World Bank is focusing on global approaches to post-disaster needs assessments and coordinated emergency surge capabilities for rapid responses and risk-sharing mechanisms (after the Japan earthquake, G20 countries made serious commitments to support measures). Noel said the World Bank hopes to engage with the insurance industry to help develop risk-sharing mechanisms and design innovative finance and insurance products, as well as provide knowledge and expertise.

Another area where insurers can contribute to developing economies is by investing in infrastructure, which is attractive as a fixed-income alternative that is largely uncorrelated to capital markets. "It is clear that, due to limits on government budgets and the increasing reluctance of

*FIGURE 2: FREQUENCY OF AND DAMAGES RESULTING FROM NATURAL CATASTROPHES BETWEEN 1970 AND 2012*




The average annual number of disasters has almost **doubled** since the 1980s.

Damages and losses are **increasing**.

Natural disaster **fatalities** totaled about over **3.3m** between 1970–2010

*Source: World Bank*

banks to provide long-term financing, institutional investors can play a very important part in supporting infrastructure investments," said Noel.

## THE CEE AND THE LATIN AMERICAN PERSPECTIVE

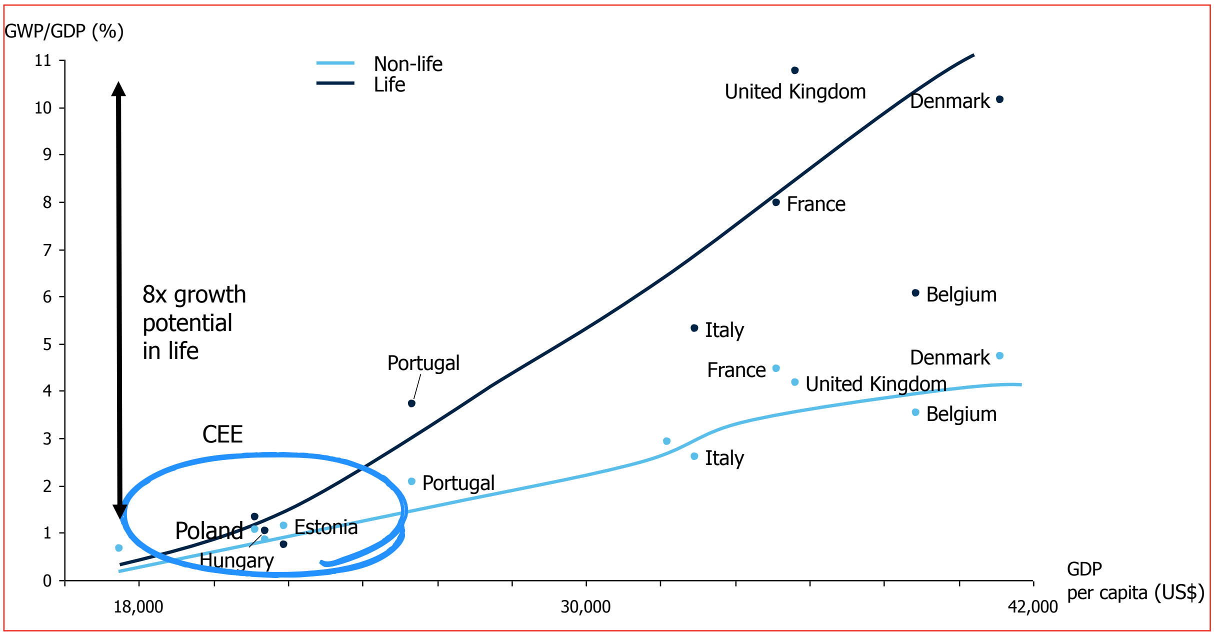
In his presentation at the discussion session, Andrzej Klesyk, CEO, PZU Group, touched upon the specific advantages and risks for insurers moving into Central and Eastern Europe (CEE). He said that, while both life and non-life markets were attractive and certainly expected to grow (see Figure 3), the CEE was a large and very diverse area, with a variety of languages and cultures, no economies of scale, and differing regulation and accounting standards.

There were also issues of brand recognition, Klesyk said, as well as best practices in asset and risk management that were different to those developed in Western Europe. "Players should enter in a smart move, otherwise it will be a value-destructive move for the shareholders," he concluded.

The Latin American perspective was provided by Patrick de Larragoiti Lucas, President, SulAmérica Seguros S.A., who described the challenge of entering a market with a world share of GDP and population of 8 per cent, but a share of premiums of 3.4 per cent, and GDP per capita still only at US$10,000.

However, the region is demonstrating strong growth, particularly Brazil, where inflation is now under control, unemployment has dropped to 5 per cent and written premiums have experienced 9–10 per cent real growth in the last 10 years. The increasing middle class (five million people every

*FIGURE 3: GROWTH POTENTIAL IN CEE LIFE AND NON-LIFE MARKETS*




*Source: OECD*

year are lifted out of poverty) and strong demographics are redefining the economy and providing a growing customer base for goods and services. These factors suggest high market potential and room for growth in insurance penetration. There are hurdles, however, and these include the need to adapt insurance products and services to provide a more positive customer experience; partnerships between governments and insurers, particularly to promote education; tailored products (microinsurance can be expanded considerably); and more efficient regulation.

## REGULATION IN EMERGING MARKETS

Many questions from Members after the discussion presentations focused on the issue of regulation in developing economies. There is some sense that insurers receive little support from international organisations like the World Bank or the International Monetary Fund (IMF), who do not always tie their projects to the concept of open markets.

Michel Noel responded by saying that the World Bank could not impose liberalisation in countries such as India and China, as needed as it might be. The World Bank would, however, help countries assess their compliance with the core principles of the International Association of Insurance Supervisors (IAIS).

*From left to right: Andrzej Klesyk, CEO, PZU Group; Michael Diekmann, Chairman of the Management Board, Allianz SE; Patrick de Larragoiti Lucas, President, SulAmérica Seguros SA; and Michel Noel, Manager, Non-Bank Financial Institutions, World Bank*

# THE NEW AGE OF CYBER RISK

*Eric Grant*
*Communications Manager, The Geneva Association*

Robert Benmosche, CEO, American International Group (AIG), chaired the breakout session on cyber risk and opened with an anecdote about a personal hacking experience to illustrate society's vulnerability to cyber hacking and its ability to disrupt lives and businesses.

Indeed, deliberate misuse of sensitive company data can in some cases force a company into bankruptcy—and yet access to such confidential information is, unfortunately, far too readily available today, not only internally to employees, but also externally to hackers, organised crime and predatory governments. The need to protect persons and companies from digital theft must be balanced, however, with the ability to share information rapidly and effectively.

Panellist Sir Richard Dearlove, former Head of the British Secret Intelligence Service (MI6) and Master of Pembroke College, Cambridge, listed five sources of cyber risk:

- disgruntled employees stealing confidential information;
- skilled individuals who exploit cyber space for monetary gain and identity theft;
- "hacktivists" who take an anarchical approach to the Internet, claiming it should be a free space, entirely unregulated;
- cyber terrorism—the most recent risk, but not yet an immediate one;
- activities, such as industrial and corporate espionage, driven by nation states.

The most serious and invasive threat, according to Sir Richard, is state-sponsored attacks aimed at rapidly closing the economic gap with the West, using almost unlimited resources. In this regard, the landscape has shifted rapidly from exploiting systems with a view to draining information to disrupting systems, which underlines a more destructive motive.

According to panellist Kim Peretti, Partner, White Collar Crime Group, Alston & Bird LLP, "generally, three common scenarios exist in data breach and cyber intrusion response: an internal investigation to fix a technical problem, an assessment of credit card exposure or an investigation to determine compliance with state data breach notification statutes".

However, these responses may be insufficient if they do not involve a comprehensive review of the incident and its global impact on the company. "In every breach, companies should know how broad and deep the intrusion was. The price to pay down the road may otherwise prove unexpectedly steep."

Sir Richard concurred, stating that breaches today were no longer "smash and grab operations", but deep and prolonged intrusions that could last 18 to 36 months before being detected.

WITH AN OVERWHELMING MAJORITY OF COMPANIES REPORTING CYBER BREACHES, AND THE NUMBER OF BREACHES UP BY 50 PER CENT IN THE PAST YEAR, CYBER SECURITY HAS NOW BECOME, OR SHOULD BE, A TOP PRIORITY FOR CEOs.

## POTENTIAL FOR INSURANCE

With 93 per cent of companies reporting breaches, the number of breaches up by 50 per cent in the past year alone and each breach costing on average £450,000 to £800,000, there is the potential for insurance to play a significant role in addressing cyber risk.

Panellist Patrick Connelly, Chief Broking Officer, Financial Services & Professional Group, Aon Risk Solutions, said that where insurance has been most responsive since the late 1990s is with respect to the serious criminal element of data theft and financial fraud.

The legal and regulatory environment, at least in the U.S., has evolved to make businesses responsible for the response to and consequences of cyber threats, turning an almost non-existent market into a billion-dollar market today. But elsewhere, the idea of business responsibility for cyber attacks is only slowly gaining traction, and so exposure and the need for a product will grow accordingly.

Difficult areas for insurance are the threat to critical infrastructure and cyber terrorism, where attacks initiated digitally lead to physical and tangible damage. In this regard, it is important for companies and insurers to study exactly what part of the business would be affected in order to make an accurate assessment of the risk.

Another, essential issue for the industry to think about is how they write their general policies, said Connelly. Companies generally work with the assumption that general liability, property and casualty or reputational policies cover cyber risks, but often only very specific and limited aspects of a breach are covered.

Currently, the insurance capacity is there to meet demand—but that may also be because few companies are talking about the exposure. “It should be a common cover in the next few years, and there will need to be much more capacity,” said Connelly. But while insurers could meet demands for stand-alone cyber insurance, it may have difficulty in cases of attacks to critical infrastructure, particularly for energy companies where costs could be in the billions of dollars.

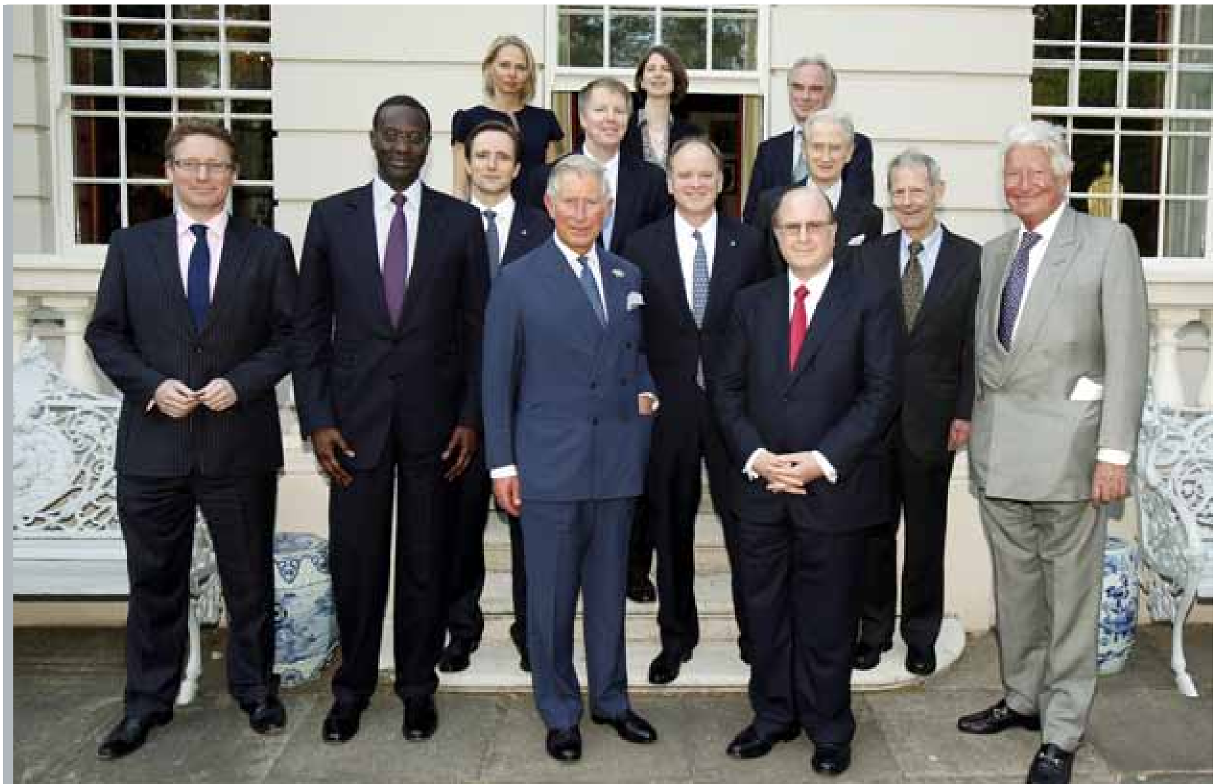
*Robert Benmosche, CEO, AIG*

*Sir Richard Dearlove, former Head of MI6 and Master of Pembroke College*

# KEYNOTE AND SPECIAL GUEST SPEAKERS

*This year's General Assembly in London opened with a video presentation by HRH The Prince of Wales. This was followed by a keynote speech by George Osborne, Chancellor of the Exchequer. Robert Peston, Business Editor for BBC News, was the special guest speaker on the second day.*

**HRH The Prince of Wales** touched upon the importance of insurance's role in addressing climate change. He spoke about ClimateWise, an initiative set up in conjunction with the Association of British Insurers (ABI), and thanked the insurance industry for its commitment to and investment in helping to reduce the impact of climate-related behaviour and raising awareness about how to deal with climate risk.



***Reception with HRH The Prince of Wales at Clarence House***
*From left to right and front to back: Rowan Douglas, CEO, Willis Analytics, London; Tidjane Thiam, Group Chief Executive, Prudential plc., London; HRH The Prince of Wales; Donald Guloien, President and CEO, Manulife Financial Corporation, Toronto; Michael A. Butt, Co-chairman of The Geneva Association's Climate Risks and Insurance (CR+I) project and Chairman of Axis Capital Holdings, London; Mark Wilson, CEO, Aviva plc, London; John H. Fitzpatrick, Secretary General, The Geneva Association, Basel/Geneva; Michael McGavick, CEO, XL Group plc, Hamilton, and Chairman of The Geneva Association; Carlo Acutis, Vice President, Vittoria Assicurazioni S.p.A., Turin; Dr h.c. Walter R. Stahel, Vice Secretary General and Head of Risk Management Research, The Geneva Association, Geneva; Barbara Botterill, Conference Coordinator, The Geneva Association, Geneva; Katharine Thoday, Programme Manager, Cambridge Programme for Sustainability Leadership, London; and Justin Mundy, Director, The Prince's Charities' International Sustainability Unit, London*

PAUL TUCKER, DEPUTY GOVERNOR OF THE BANK OF ENGLAND, AND PAUL SHARMA, DEPUTY DIRECTOR OF INSURANCE SUPERVISION OF THE U.K.'S FINANCIAL SERVICES AUTHORITY (FSA) ALSO GAVE KEYNOTE SPEECHES ON THE TOPIC OF FINANCIAL STABILITY IN INSURANCE, AND THEIR COMMENTS ARE REVIEWED ON pp. 12-13 OF THIS REVIEW.

He provided insight into how insurers can better engage in climate-related investment strategies and highlighted possible avenues of improvement for insurers to help protect ecosystems and encourage land-use strategies, as well as develop innovative products that encourage better, sustainable behaviour among consumers, promote dialogue with national and local authorities, support scientific research and educate the public about climate risk. He finished his address by stating that "in many ways, if you think about it, your sector could hold the key to overcoming the multiple risks the world now faces".

*George Osborne, Chancellor of the Exchequer*

**George Osborne, Chancellor of the Exchequer**, began by recalling the importance of insurance in underpinning trade and supporting the economy. He went on to say that the U.K. needed to do more if it wants to stay ahead in this global industry, in particular, the country required efficient regulation, a tax system that provides a competitive edge and an enlargement of free trade.
He summarised a list of policies that he had implemented to forward this ambition, and expressed his support for Solvency II and his understanding that insurers need certainty, but also said that "we need to get the framework right". He said that banks and insurers must be differentiated, and confirmed that long-term liabilities and long-term assets define insurance—and that this must be defended to protect long-term investment.

*Robert Peston, Business Editor for BBC News*

**Robert Peston, Business Editor for BBC News**, painted a stark picture of the current economic climate, with large deficits, account imbalances and growing labour costs in the eurozone. Reforms essential to the long-term stability of the eurozone such as a centralised pool of funds for resolution, insurance, deposit and spending remain elusive. He also raised the issue of the low-interest rate environment and whether we face a soft or hard landing.
The immediate bankruptcy of Spain and Italy was avoided, but recession and high unemployment mean that there is still significant risk, including of social unrest and political extremism, if we enter a long period of economic stagnation. "The immediate crisis is resolved, but fundamental flaws in financial globalisation have not been fixed—not remotely", he said. "People have been lulled into a false sense of security."

# PHOTO GALLERY

## THE MEMBERS OF THE GENEVA ASSOCIATION BOARD (JUNE 2013)

*Clockwise from top left: Esteban Tejera Montalvo, First Vice Chairman, MAPFRE, Madrid; Richard Ward, CEO, Lloyd's, London; Mark Wilson, CEO, Aviva plc, London; Henri de Castries, Chairman of the Management Board and CEO, AXA Group, Paris; Tidjane Thiam, Group Chief Executive, Prudential plc, London; Donald Guloien, President and CEO, Manulife Financial Corporation, Toronto; Patrick de Larragoiti Lucas, President, SulAmérica Seguros, Rio de Janeiro; Denis Kessler, Chairman and CEO, SCOR, Paris; Mario Greco, Group CEO, Assicurazioni Generali S.p.A., Milan; Carlo Acutis, Vice President, Vittoria Assicurazioni S.p.A., Turin; Michel Liès, Group CEO, Swiss Reinsurance Company Ltd, Zurich; Kunio Ishihara, Chairman of the Board, Tokio Marine & Nichido Fire Insurance Co., Tokyo; Mike McGavick, CEO, XL Group plc, Hamilton and Chairman of The Geneva Association; Nikolaus von Bomhard, Chairman of the Board of Management, Munich Re, Munich, and former Chairman of The Geneva Association; John Strangfeld, Chairman and CEO, Prudential Financial Inc., Newark; Michael Diekmann, Chairman of the Management Board, Allianz SE, Munich; and Yan Wu, Chairman and President, The People's Insurance Company (Group) of China Ltd, Beijing.* In absentia *Martin Senn, CEO, Zurich Insurance Group, Zurich*

*Mike McGavick, XL Group plc, thanks Nikolaus von Bomhard, Munich Re on behalf of the Membership for his four years of strong chairmanship*

*Guests arrive for the gala dinner beside the Lutine Bell on the main Lloyd's underwriting floor*

*The Right Honourable the Lord Mayor of London, Roger Gifford*

*Charles Phillips, Amlin; Stephen Catlin, Catlin; and The Right Honourable David Miliband, former Secretary of State for Foreign and Commonwealth Affairs, at Mansion House*


*John Strangfeld, Prudential Financial and Martin Strobel, Baloise in discussion at the Statutory Assembly*

*Ajit Jain, Berkshire Hathaway Reinsurance Group*

*Yoshihiro Kawai, IAIS and Mike McRaith, U.S. Federal Insurance Office at the General Assembly*

*Tidjane Thiam, Group Chief Executive, Prudential plc*


*Paul Tucker, Bank of England and Paul Sharma, Prudential Regulation Authority at the Financial Stability discussion*

*Tracie Grella, AIG Property Casualty*


*Michael A. Butt, Axis Capital Holdings*

*Shaun Wang, the newly appointed Deputy Secretary General and Head of Research, with John Fitzpatrick, Secretary General of The Geneva Association*

This review is a retrospective on some of the key discussions at The Geneva Association's 40th annual General Assembly in London. Comprising essays by insurance CEOs and staff of The Geneva Association, it is intended to provide an insight into the General Assembly, the most prestigious gathering of insurance CEOs worldwide, and some of the strategic issues discussed by the insurance leadership. Subjects include financial stability in insurance, climate risks, developments in liability and law, demographics, as well as opportunities open to the industry.

The Geneva Association is the leading international insurance think tank for strategically important insurance and risk management issues. Its members are the CEOs of the leading insurers and reinsurers.

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