

Annual Report 2015/2016

THE GENEVA ASSOCIATION



April 2016

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 policymakers, regulators and multilateral organisations.

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

Annual Report 2015/2016

THE GENEVA ASSOCIATION

The Geneva Association

Talstrasse 70, CH-8001 Zurich | Tel: +41 44 200 49 00 | Fax: +41 44 200 49 99

secretariat@genevaassociation.org

www.genevaassociation.org

April 2016

Annual Report 2015/2016

© The Geneva Association

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

The opinions expressed in The Geneva Association newsletter and publications are the responsibility of the authors. We therefore disclaim all liability and responsibility arising from such materials by any third parties.

Download the electronic version from www.genevaassociation.org

CONTENTS

4	CHAIRMAN'S STATEMENT
6	SECRETARY GENERAL'S STATEMENT
10	BOARD OF DIRECTORS
12	AN OVERVIEW OF THE GENEVA ASSOCIATION
16	2015/2016 HIGHLIGHTS
19	RESEARCH ACTIVITIES
19	Financial Stability and Regulation
27	Extreme Events and Climate Risk
33	Global Ageing
35	Liability Regimes
37	Protection Gap
40	JAPAN AND EAST ASIA LIAISON OFFICE
45	NETWORKS, PRIZES AND GRANTS
45	C-Suite Networks
49	Academic Networks
50	Academic Journals
53	Prizes and Grants

CHAIRMAN'S STATEMENT

The Geneva Association has made important progress during the reporting period both in the operations of the Association itself and in its research and engagement programmes.

Firstly, on the financial stability and regulatory side, the Association continues its work as an industry representative for the processes under way at the International Association of Insurance Supervisors and the Financial Stability Board (FSB) on developing capital requirements for Internationally Active Insurance Groups and further development of the regime for insurers deemed to be systemically relevant. The Association has acted as a platform for discussion between the industry and the regulatory and supervisory bodies through conferences and meetings and has provided detailed feedback on plans through four consultation responses. The growing importance of this role was visible at the recent Regulation and Supervision Seminar, PROGRES, where an unprecedented number of representatives from regulatory bodies, industry associations and companies gathered in Zurich to discuss ongoing policymaking and regulatory developments.

Further, the Association remains engaged with policymakers on a range of additional financial stability issues, not least the effects of long-term low interest rates. It is also closely following the FSB's creation of a 'Task Force on Climate-Related Financial Disclosures'.

Second, the COP21 climate summit in Paris was a major milestone for our Extreme Events and Climate Risk programme. Ahead of the meeting, 68 of our Members signed The Geneva Association's Statement of Climate Principles. Christiana Figueres, the Executive Secretary of the UN Framework Convention on Climate Change was one of the global governors who recognised the importance of the statement and, in early February, came to the Association's Board meeting to have a private discussion on the role of (re)insurance in disaster risk reduction and resiliency building.

The successful completion of the 'Paris Agreement' in December 2015 was an important moment for the (re)insurance industry. The explicit inclusion of (re)insurance mechanisms as a necessary part of national disaster risk management strategies is unprecedented in any previous global compact. The Geneva Association will continue to play an important role as a key representative of the industry with governments, IGOs and NGOs as international and national plans are developed and implemented.

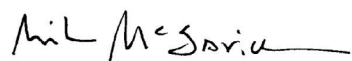


Mike McGavick

*CEO, XL Group and Chairman of
The Geneva Association*

On behalf of the Members, I would like to thank the Board for their engagement over the last year. I would like to thank Michael Diekmann, Tidjane Thiam and Martin Senn, who have decided to step down from the Board, for their support and participation. And, in particular, I would like to thank Michael Diekmann for his long service on The Geneva Association's Executive Committee. I would also like to commend Anna Maria and the team for their smooth move to Zurich and accomplishments this year. The transition has been successfully completed and the office is now fully staffed. And, the leaders of respective research programmes are now in place and have been proactively engaged in these important topics.

Finally, I would like to thank you as Members for your continued support. I look forward to seeing many of you at the General Assembly in Rome where we can expect an exceptional line-up of keynote speakers as well as a tremendous evening programme, including a private dinner at the Vatican.



Mike McGavick
Chairman

SECRETARY GENERAL'S STATEMENT

During 2015/2016 we took a series of steps to bring The Geneva Association closer to its membership and increase the insights and influence it delivers for its Members and the wider industry. We have now moved the Association to Zurich, one of the world's major hubs for (re)insurance and have finished building the team that will lead the Association going forward. We are well set to make good progress in 2016/2017.

A key priority has been to strengthen the research capabilities of the Association and to bring the research that we undertake closer to the business. To that end, I was pleased to appoint Dr Fabian Sommerrock as Deputy Secretary General and Head of Insight in August 2015. Fabian's experience will ensure that the Association's research remains best-in-class and is focused on the key international, board-room level issues facing your companies today. We have also significantly increased our activities in Asia and have, for example, signed a memorandum of understanding with the Insurance Society of China to deepen collaboration between our two organisations in research and knowledge-sharing.

Our work on [Financial Stability](#) and systemic risk during the past year focused on the Financial Stability Board (FSB) and International Association of Insurance Supervisors (IAIS) processes to develop international capital standards (ICS) for internationally active insurance groups and the ongoing iterations on the methodology to identify systemically-relevant insurers. Together with the Institute for International Finance, we have responded to four consultations and have also hosted a series of meetings for the discussion of regulatory issues with leaders of the IAIS and FSB. This included the annual PROGRES seminar which remains the industry's most important platform for discussion with policymakers and regulators as well as a very well-attended conference on the ICS. In 2015 we established a working group to discuss the implications of low interest rates for the (life) insurance industry with the Bank for International Settlements and published a report on the issue. Our annual Symposium on Insurance Strategies in November 2015 examined the drivers behind the current raft of M&A activity that is under way internationally. We were pleased to open the meeting with a panel of industry leadership, all of whom had been recently involved in significant transactions in the course of the year.

On [Extreme Events and Climate Risks](#), the Association has been focused on industry representation in the high-level dialogue with the UN, IGOs and NGOs pre- and post the COP21 Summit that took place in Paris at the end



Anna Maria D'Hulster

*Secretary General,
The Geneva Association*

of 2015. On 16 March 2015, The Geneva Association held a conference, kindly hosted by Tokio Marine, on 'Insurance as Contributors to Problem Solving and Impact Reduction' as a side event of the UN World Conference on Disaster Risk Reduction in Sendai, Japan. This was the most important global conference on disaster risk reduction since the conclusion of the Hyogo Framework for Action (HFA) agreement in 2005 and resulted in the successful agreement of its successor, the HFA 2. In June 2015, we co-hosted an international scientific seminar on climate risks with the SCOR Foundation and the Toulouse School of Economics on the implications of climate change for economies and the role of (re)insurance in potential solutions. In December 2015 at the COP21, the Association also held a side event with the Organisation for Economic Co-operation and Development (OECD) on public-private partnerships to evidence the potential role of insurance in disaster risk reduction to the 25 member countries represented at the meeting. Furthermore, we were very pleased to have our Chairman-Mike McGavick speak at an opening official session of the COP21, where he expressed the (re)insurance industry's support of climate resilience and disaster risk reduction under the proposed Anticipate, Absorb and Reshape (A2R) Framework. His presence was an important recognition of our organisation and our thoughtful ongoing work in this arena.

The [Global Ageing](#) research programme published a special edition of our leading academic journal, *The Geneva Papers on Risk and Insurance* (GPP), on longevity. The journal tackled a number of issues related to longevity risk, including factors driving the demand by individuals for longevity insurance, the design of public pension schemes to take longevity risk into account, the design of life annuities including product innovations in the form of enhanced and long-term care annuities, along with issues in designing longevity indices and measuring basis risk for financial market products. Our November 2015 Health and Ageing conference in Singapore provided a chance to discuss longevity and health-related issues in an Asian context including the nature and determinants of health care and the sustainability of its financing. Dr Christophe Courbage, who led the Global Ageing programme, stepped down from his research roles at the end of 2015 and will be succeeded by Ronald Klein, who joins us from the industry in May 2016. On behalf of Members, I would like to thank Christophe for the 14 years he has dedicated to The Geneva Association and we look forward to continuing our relationship with him in his ongoing capacity as the Editor-in-Chief of the GPP and as an ongoing contributor to the Association's academic activities.

A key priority has been to strengthen the research capabilities of the Association and to bring the research that we undertake closer to the business

In [Liability Regimes](#), our annual conference, led by Nicolas Roenneberg, discussed ongoing developments in asbestos litigation and U.S. tort reform as well as trends in health care-related liability and the liability implications of new technologies and disruption.

Since the start of 2015, we have published two research reports on the [Protection Gap](#), the first describing the scale, causes and dynamics of the gap, and the second an applied analysis of the gap in flood coverage in Asia and its implications for governments and people of the region.

We have appointed Michael Steel to drive our CRO-related activities forward and are increasing our contribution to the annual CRO Assembly, a meeting we have co-organised with Munich Re, Swiss Re and the CRO Forum since 2005.

We are also initiating work on [Cyber](#) as an emerging risk and opportunity, and our 2016 research grant was awarded for a proposal on 'How to organise cyber risk transfer?'. We will continue to consider collaborations in the academic and information technology spaces to bring the brightest minds to bear on our key issues of interest.

I have enjoyed meeting many of our Members this year and am looking forward to seeing the overwhelming majority of you at the forthcoming General Assembly in Rome on 8–11 June. I would like to thank our staff for their hard work over the last year. In particular, I would like to thank you as Members for your continued support and contributions to this unique network of industry leaders.



Anna Maria D'Hulster
Secretary General



The 2016 General Assembly will take place in Rome with a private dinner in the Vatican Museum.

BOARD OF DIRECTORS



Inga Beale
CEO
Lloyd's



Oliver Bäte (Vice Chairman)
Chairman of the Board of Management
and CEO
Allianz SE



Nikolaus von Bomhard
Chairman of the Board of Management
Munich Re Group



Denis Kessler
Chairman and CEO
SCOR SE



Patrick de Larragoiti Lucas
President
Sul América Seguros



Michel Liès
CEO
Swiss Re Group



Shuzo Sumi (Vice Chairman)
Chairman of the Board
Tokio Marine Holdings, Inc.



Mark Wilson
Group CEO
Aviva plc



Yan Wu
Chairman
The People's Insurance
Company (Group) of China



Henri de Castries
*Chairman of the Board of Management
 and CEO
 AXA Group*



Mario Greco
*CEO
 Zurich Insurance Group*



Donald Guloien
*President and CEO
 Manulife Financial Corporation*



Mike McGavick (Chairman)
*CEO
 XL Group*



John Strangfeld (Vice Chairman)
*Chairman and CEO
 Prudential Financial, Inc.*



Esteban Tejera Montalvo
*1st Vice Chairman
 MAPFRE S.A.*



Alexander R. Wynaendts
*CEO and Chairman of the Executive Board
 AEGON N.V.*

AN OVERVIEW OF THE GENEVA ASSOCIATION

Founded in 1973 by the CEOs of leading insurance companies, The Geneva Association is an international insurance think tank that produces and distributes high-quality research and analysis on global strategic insurance and risk management issues.

The Association is based in Zurich, Switzerland and is a membership organisation for a statutory maximum of 90 insurance and reinsurance CEOs. Its activities are governed by a [Board of Directors](#), while a [General Secretariat](#) handles the daily operations of the Association. Its work is directed by the [Secretary General](#).

The Association's research promotes policy-related, public discussions amongst its Members, academics, standard-setters, policymakers, governments, international organisations and the public at large. It interacts directly and constantly on global insurance issues with a broad spectrum of relevant international organisations such as the International Association of Insurance Supervisors, the Financial Stability Board, the United Nations, the World Bank Group, the Organisation for Economic Co-operation and Development (OECD) and other intergovernmental organisations, non-governmental organisations and national bodies.

The Association's objective is to educate and develop understanding on the unique role and importance of insurance in economies and for societies through publications, conferences and active discourse with policymakers and others. It strives to be known as the best and most influential research think tank on global insurance issues in the world.

The Association's objective is to educate and develop understanding on the unique role and importance of insurance in economies and for societies

RESEARCH PROGRAMMES

Financial stability and regulation

Since the financial crisis erupted in 2008, policymakers around the world have been working on improving financial market oversight in order to increase global financial stability. The role of insurance has been an area of particular focus.

Throughout this period, The Geneva Association has pursued an intensive dialogue with regulators, supervisors, central bankers and the insurance industry to develop research that tackles the issues that emerged during the process.

Extreme events and climate risk

The human and economic impact of natural catastrophes and extreme events has radically increased since the turn of the century, causing major economic losses and human suffering. Societal resilience, loss mitigation and the protection of populations require the involvement and co-operation of multiple actors: governments, corporations and individuals, as well as the insurance sector.

The Geneva Association analyses the existing and potential role of



insurance and risk management in tackling the challenges posed by extreme events and climate risk. In particular, it takes a close look at disaster risk reduction, where insurance can play a role in public-private partnerships to help reduce the impact of climate-related extreme events. In parallel, it is engaged in a high-level dialogue with leading IGOs such as the UN and government development bodies, the World Bank Group and the OECD, as well as NGOs on the post-COP21 implementation of national disaster risk reduction plans.

Global ageing

The financing of pension systems has not been adapted to account for changing demographics (impro-

ved longevity and lower fertility rates). Adding to this concern is the increase of age-related illnesses and the long-term care costs of ageing populations.

The Geneva Association continues to research funding solutions, including post-retirement work and ways in which the insurance mechanism can support governments and individuals in financing retirement and age-related health costs.

Liability regimes

Understanding liability, its dynamics and its trajectory is vitally important for the (re)insurance industry.

For example, the hunt for yield in the current febrile, low interest rate

environment is leading investors to develop inventive approaches to generate returns. The perceived deep pockets of the (re)insurance industry provide a tantalising prospect for hedge funds (ever at the forefront of financial innovation) who in increasing numbers are taking more interest in mesothelioma litigation as a means to earn a return. The U.S. tort system currently represents a permissive environment for increasingly questionable activities in this area. However, asbestos is just one aspect of the growing liability minefield.

Each year, The Geneva Association holds a liability conference to discuss the key themes of the moment. In 2015, issues such as casualty and liability accumulation, medical liability, implications of the Internet of Things and antibiotic resistance for the medical and (re) insurance industries were discussed at the annual Liability Regimes Conference.

Cyber risks are one of the major emerging global risks in a more digitally connected world

RESEARCH TOPICS

As well as its research programmes, The Geneva Association works on two specific research topics that are areas of special interest for the (re)insurance industry.

Protection gap

Insurance provides vital support to both society and the commercial world through financial compensation for the effects of misfortune. It thus helps stabilise the financial situation of individuals, families and organisations.

Underinsurance represents a gap between the current state and the full potential of the insurance industry in serving the economy. This is a hindrance or even a threat to economic development and the well-being of society.

The Geneva Association is therefore investigating the underlying causes for the existing gaps in protection in both the developed and developing worlds and providing analyses on potential solutions.

Cyber

Cyber risks are one of the major emerging global risks in a more digitally connected world with potentially significant economic impacts. Companies increasingly

face new exposures, including first- and third-party damage, business interruption and regulatory consequences.

Conducting research into the challenges and opportunities created by digitalisation is part of The Geneva Association's long-term strategic goal of supporting the role of insurance in the global economy.

PUBLICATIONS

The Geneva Association issues a number of publications throughout the year. These include research reports on specific areas of interest, for example, [*Insuring Flood Risk in Asia's High-Growth Markets*](#) (July 2015), responses to regulatory consultations, such as [*Developing Effective Resolution Strategies and Plans for Systemically Important Insurers*](#) (December 2015), conference reviews, for example, [*Special Session on Climate Change and the Insurance Sector*](#) (January 2016, a joint Geneva Association/OECD publication) and our flagship academic publications, *The Geneva Papers on Risk and Insurance—Issues and Practice* and *The Geneva Risk and Insurance Review* (see [page 50](#)).

Right: Attendees at the World Risk and Insurance Economics Conference (WRIEC), August 2015.



EVENTS

The Geneva Association organises or co-organises 15–20 conferences and seminars every year across the range of its activities. These include: the annual industry seminar on regulation and supervision (PROGRES), the Symposium on Insurance Strategies, the Extreme Events and Climate Risk Seminar, the Health and Ageing Conference and the Liability Regimes Conference, as well as a series of network meetings such as the Chief Investment Officers' meeting, the Annual Circle of Chief Economists, the Chief Risk Officers' Assembly, the Annual Round Table of Chief Risk Officers, and, of course, The Geneva Association's most important meeting, the General Assembly.

PRIZES, AWARDS AND GRANTS

Every year, The Geneva Association presents an award jointly with the International Insurance Society on applied research in the insurance area. The Association also annually awards the prestigious Ernst Meyer Prize for doctoral theses and offers two grants for research on insurance economics (see [page 53](#) for more details).

2015/2016 HIGHLIGHTS



The Geneva Association's annual flagship meeting, the General Assembly, takes place in Singapore. The meeting includes an audience and dinner with the Prime Minister and a keynote speech from the Deputy Prime Minister.

GENERAL ASSEMBLY IN SINGAPORE



Dr Fabian Sommerrock, former member of the management team at Roland Berger AG Strategy Consultants and leader of insurance practice, is appointed Deputy Secretary General and Head of Insight.

DEPUTY SECRETARY GENERAL APPOINTED



The Chief Investment Officers meeting takes place in Munich, hosted by GA Board Member Oliver Bäte at Allianz. Speakers include Chief Economic Advisor to Allianz Dr Mohamed El-Erian.

CIO MEETING IN MUNICH

APR 2015

MAY 2015

AUG 2015

SEP 2015

OCT 2015



DIRECTOR OF EXTREME EVENTS AND CLIMATE RISK APPOINTED

Dr Maryam Golnaraghi, former Chief of the Disaster Risk Reduction Programme at the World Meteorological Organization, is appointed Director of The Geneva Association's Extreme Events and Climate Risk programme.

3RD WORLD RISK AND INSURANCE ECONOMICS CONGRESS (WRIEC)

The Geneva Association co-organises the 3rd World Risk and Insurance Economics Congress (WRIEC) in Munich alongside the American Risk and Insurance Association (ARIA), the Asia-Pacific Risk and Insurance Association (APRIA) and the European Group of Risk and Insurance Economists (EGRIE) for more than 400 participants. Some 230 papers are presented at the meeting. Board member Dr Nikolaus von Bomhard provides the opening address.



DIRECTOR OF FINANCIAL STABILITY AND REGULATION APPOINTED

Peter Skjoedt, former International Advisor at the Danish Insurance Association, is appointed Director of Financial Stability and Regulation.





The Symposium on Insurance Strategies discusses the drivers behind the current uptick in M&A activity in the (re) insurance industry. The opening panel comprises (above, left to right) Stephen Hester, CEO of RSA; Mike McGavick, CEO of XL Group; Walter Kielholz, Chairman of Swiss Re; and Mark Wilson, CEO of hosts Aviva.

SYMPOSIUM INSURANCE STRATEGIES (SIS)

120 participants join the annual PROGRES Seminar on Regulation and Supervision to discuss 'Insurance and Financial Stability, A Growing Agenda...'

THE ANNUAL PROGRES SEMINAR

The Geneva Association signs a memorandum of understanding with the Insurance Society of China in which the organisations will work together on certain theoretical and practical insurance research initiatives and share the findings.

MEMORANDUM OF UNDERSTANDING

CHRISTIANA FIGUERES JOINS THE GA BOARD MEETING



Having led the UNFCCC to a successful agreement at COP21, Dr Christiana Figueres joins The Geneva Association Board meeting to discuss the role of (re)insurance in national disaster risk management strategies.

NOV 2015

DEC 2015

JAN 2016

FEB 2016

MAR 2016

12TH HEALTH AND AGEING CONFERENCE

The 12th Health and Ageing Conference takes place in Singapore focused on 'Insuring Health Care for the Elderly in Asia'.

STATEMENT OF CLIMATE PRINCIPLES

68 Members sign The Geneva Association Statement of Climate Principles ahead of the COP21, an unprecedented collaboration of industry participants in the face of climate risks.

CLIMATE CHANGE AND THE (RE)INSURANCE SECTOR

The Geneva Association and the OECD hold a side event at the COP21 climate summit in Paris to explore the potential contribution of the (re)insurance sector to national and international climate change mitigation and adaptation measures.



COP21 AND THE (RE)INSURANCE INDUSTRY

The Geneva Association issues a paper on the implications of the explicit inclusion of (re)insurance as an integral part of national climate risk management strategies. The paper forms the foundation for the Association's ongoing dialogue with major international organisations.





*The Bank for International
Settlements in Basel.*

FINANCIAL STABILITY AND REGULATION

The Geneva Association provides a platform for the discussion of financial stability and market oversight amongst (re)insurers, regulators, supervisors and central bankers.

In the aftermath of the financial crisis, regulatory bodies of the financial services industry have undertaken a wide range of initiatives to strengthen international capital standards and, more generally, regulation. The Financial Stability Board (FSB) has mandated the International Association of Insurance Supervisors (IAIS) to develop (and consult on) an international capital standard for internationally active insurance groups, as well as a methodology for identifying insurance groups that are deemed to be systemically relevant for the international financial system in order to levy an extra capital charge on them (the higher loss absorbency, HLA). The FSB has produced guidelines on recovery and resolution for groups designated to be systemically relevant where such measures may become applicable.

The development of this array of new and demanding measures will continue over the coming years. The Geneva Association is continuing its efforts to ensure that new policy measures are appropriate, targeting the real underlying risk and are being developed with due attention to the insurance business model. This will, ultimately, be in the interests of policyholders.

In the aftermath of the financial crisis, regulatory bodies are strengthening international capital standards and, more generally, regulation

CONSULTATIONS

The Geneva Association (GA) and Institute of International Finance (IIF) collaborated on the publication of responses to the following consultations:

1. Consultation on HLA for global systemically important insurers

In June 2015, the IAIS issued a consultative document on the HLA requirement for G-SIIs (global systemically important insurers). The HLA is intended to be a globally comparable group capital requirement to be applied to all group activities, including non-insurance activities. The main stated objective of the HLA is to reduce the negative impacts that the distress or failure of a G-SII could potentially have on the financial system.

The HLA requirement can be seen as a second step after the development of the basic capital requirement (BCR) in 2014, following the requirements that were set out in the policy measures published in 2013 that need to be applied to insurers that are designated as G-SIIs.

The key concern for many insurers is that the proposed HLA capital add-on may be based on the entire balance sheet of an insurance group without being focused on activities that contribute or amplify systemic risks.



Furthermore, the HLA will initially be based on the BCR, which is rather insensitive to risks. The proposed uplift would only amplify this weakness in the BCR. The BCR should be sensitive to portfolio diversification and asset liability management. If not, it could create pro-cyclicality as an unintended side effect. The response of the GA and the IIF suggests that these and other problems must be addressed.

[The full response](#) is available on The Geneva Association website.

2. FSB consultation on developing effective resolution strategies and plans for systemically important insurers

On 3 November 2015, the FSB published its consultation paper [Developing Effective Resolution Strategies and Plans for Systemically Important Insurers](#), which builds on the October 2014 implementation guidance that was adopted and published as a new annex to the Key Attributes. The consultative document provides guidance for regulators, supervisors, insurance companies and resolution authorities on, amongst others, the identification of critical insurance functions.

It was noted by the GA and the IIF in their response that many of the comments submitted a year earlier had been taken into account by the FSB and were reflected in this consultative document.

The response argues that very few, if any, critical functions could potentially be relevant in insurance.

The response was also supportive of cross-border cooperation in order to address resolution of entities across jurisdictional boundaries. Strong cooperation amongst regulators is needed and a duplication of efforts or of requirements in home and host jurisdictions should be avoided.

[The full response](#) is available on The Geneva Association website.

3. IAIS public consultation on the G-SII assessment methodology

On 25 November 2015, the IAIS published a consultative document concerning the first three-year review of the G-SII assessment methodology that was initially published in 2013.

The content of this public consultation is closely related to the analytical

Above: The panel on Recovery and Resolution at the 2016 PROGRES seminar.



framework on non-traditional non-insurance (NTNI) activities (on which the IAIS also consulted) and is also related to HLA. The IAIS indicated that any changes made to the NTNI definition as well as to the HLA are likely to lead to changes in the G-SII methodology.

The application of absolute reference values in the consultation is seen as a positive development; however, despite their introduction, the scoring method remains largely relative. A purely relative approach will rank companies against each other but the process will not reflect the reduced risks faced.

Our response supported the inclusion of a qualitative assessment phase and urged that it be set up in such a way that potential G-SIIs are treated in a transparent, consistent and comparable way.

Furthermore, a recommendation was made to include an appeal process in Phase V of the proposed updated methodology such that insurers selected for recommendation to the FSB for G-SII designation are able to appeal their designation with the FSB.

Despite some positive developments, more clarity is needed on how the changes interrelate. As the methodology is highly interlinked with the NTNI framework and HLA, it is difficult to estimate the ultimate and combined effects.

[The full response](#) is available on The Geneva Association website.

4. IAIS consultation on non-traditional non-insurance activities and products

On 25 November 2015, the IAIS published a consultative document on the NTNI framework. In it, NTNI activities and products play a significant role in the designation process of G-SIIs, as well as in the determination of the BCR and HLA requirement.

The consultative document intended to seek feedback from relevant stakeholders on a proposed analytical framework, including the classification characteristics of various insurance products and features such as benefit types, liquidity features and potential systemic risk transmission channels. This consultation forms the first of three steps to clarify the NTNI process and secure consistent application across jurisdictions: a) finalising

Members are concerned about, amongst other issues, the lack of distinction between macroprudential and micro-prudential risk

the analytical framework based on product features; b) assessing and then classifying the list of products and activities identified in the consultation against the framework of features, informed by the input provided by stakeholders; c) identifying any gaps in, or necessary modifications to, the framework and existing principles, with input from stakeholders as appropriate.

Although the proposed NTNI framework offers more transparency by better laying out the rationale behind the categorisation of products and activities as non-traditional, some major flaws remain. The Geneva Association is concerned about, amongst other issues, the lack of both a distinction between macroprudential and microprudential risk and between the probability of default and the loss-given default. Moreover, the NT framework does not reflect all dimensions of the relationship between guarantees and market and liquidity risk. Although the proposed framework reflects some aspects of asset Liability management, the use of it as proposed in the document does not create incentives for good risk management. The response strongly advocated a more prominent role of insurance risk management, both in the NTNI framework as well as in the G-SII assessment methodology.

[The full response](#) is available on The Geneva Association website.

FSB TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

In November 2015, the FSB proposed to the G20 the creation of an industry-led disclosure task force on climate-related risks, which was accepted. The task force was officially established on 4 December 2015 and is chaired by former New York Mayor Michael Bloomberg.

The aim of this task force is to develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to lenders, insurers, investors and other stakeholders.

On 21 January 2016, the initial task force members were announced, comprising members from financial and non-financial companies from a diverse range of countries and industries and including both, preparers and users of financial disclosures. In the first stage, the task force has 22 members, including large insurers. The work is expected to be completed by the end of 2016.

LOW INTEREST RATES

In June 2015, The Geneva Association, the Institute of International Finance and Swiss Re published an open letter on the unintended consequences of long-term low interest rates. The letter highlighted a series of challenges caused by low interest rates.

"Financial repression" not only results in a 'tax' on households today since it prevents them from earning interest on their deposits; it also means future generations will have to shoulder the long-term costs – including the underfunding of pension provisions.

At present, the need to increase savings to compensate for low interest rates has weakened consumption growth, resulting in poor economic recovery and adding to the excess of cash in search of yield.¹

In December 2015, the Association also published a research report, *The Impact of Low Interest Rates on the Insurance Sector and Its Economic Role*. The report posits that an unintended consequence of long-term low interest rates will be that the social and economic role of the life insurance industry will be impaired. Traditionally, life insurers have been providers of long-term capital to the real economy, and they have developed valuable solutions for retirement financing. These roles will be at risk, and the risk is growing at a critical time when banks are withdrawing from long-term lending and the public sector is approaching the limit of fiscal spending for social protection schemes.

The Geneva Association also took part in a workshop with the Bank for International Settlements (BIS) to support their research on the consequences of low interest rates on the business model of insurers. The Association coordinated industry participation at the workshop and worked with the companies to bring detailed industry knowledge and experience to the discussion with the BIS and the participating central banks (Bundesbank, Bank of England, Banque de France, De Nederlandsche Bank and European Central Bank) on the issue and the consequences for society.

Long-term low interest rates will impair the social and economic role of the (life) insurance industry

1. To read a copy of the full letter, see [here](#).

SYMPOSIUM ON INSURANCE STRATEGIES

The Symposium on Insurance Strategies (SIS) (formerly the Insurance and Finance Seminar) took place on 6 November 2015 and was dedicated this year to mergers and acquisitions in Insurance. We were privileged to have a first panel of four CEOs who had recently been engaged in M&A transactions: Stephen Hester, CEO of RSA; Walter Kielholz, Chairman of Swiss Re; Mike McGavick, GA Chairman and CEO of XL Group; and, Mark Wilson, GA Board Member and CEO of Aviva. Admirably moderated by Geoffrey Bell, the panel revealed that each transaction has its own specific merits, necessities and implementation requirements. Key success factors discussed included the ability to operationalise and harmonise different cultures under the direction of the CEO, whilst planning and carefully managed communications are a key necessity.



*Above (left to right): Stephen Hester, CEO of RSA; Mike McGavick, CEO of XL Group; Walter Kielholz, Chairman of Swiss Re; Mark Wilson, CEO Aviva.
Below: Mark Wilson, CEO of hosts Aviva.*



*Above: Hugh Francis - Director of External Reporting Developments, Aviva (left) and Dr Fabian Sommerrock.
Below: Anna Maria D'Hulster welcomes delegates.*



*Left: Geoffrey Bell, Executive Secretary of the Group of Thirty.
Right: Pia Tischauser, Senior Partner and Managing Director, Global Head of Insurance, BCG.*



THE 32ND PROGRES SEMINAR

The 32nd edition of the annual Geneva Association Regulation and Supervision (PROGRES) Seminar took place on 26 February 2016 in Zurich. The seminar convened about 120 experts from the insurance industry and the global regulatory community, including the FSB, Federal Insurance Office (FIO) and the IAIS. There were four highly relevant topics on the agenda: recovery and resolution; systemic risk; perspectives on capital; and a session on climate change-related risks and the possible financial stability.



Above: Secretary General Anna Maria D'Hulster opens the 2016 PROGRES Seminar.
Below: FIO Director, Michael T. McRaith.



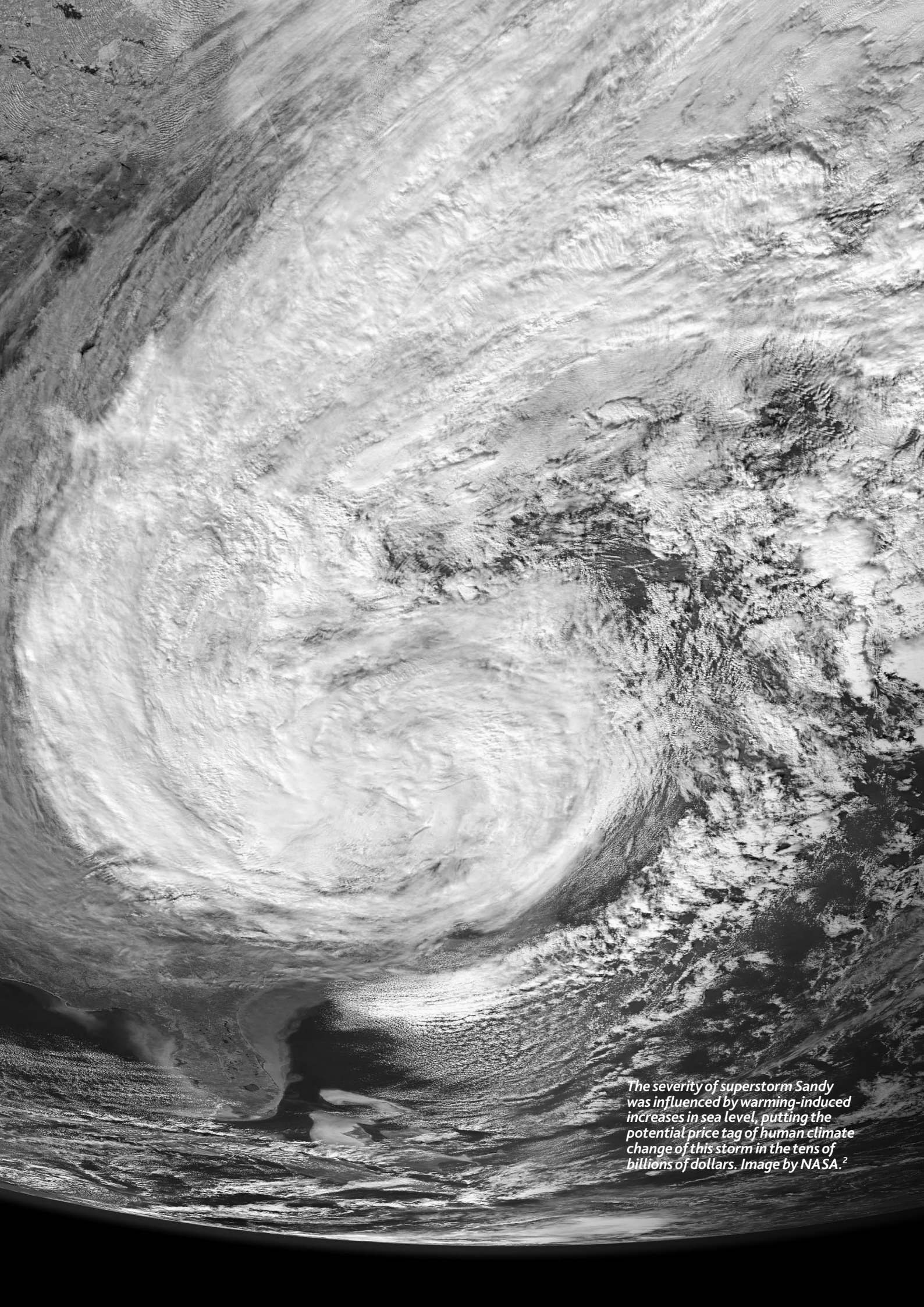
Above: IAIS Secretary General Yoshihiro Kawai and Daniel Rabinowitz, Deputy General Counsel, Global Head Regulatory Capital Policy AIG.
Below: GA Senior Advisor on Financial Stability and Insurance Economics, Daniel M. Hofmann.



Peter Skjoedt, GA Director of Financial Stability and Regulation welcomes delegates to PROGRES.



Left: Side meetings and discussions.
Right: Dr Monica Mächler, member of the Supervisory Boards of Deutsche Börse AG and Zurich Insurance Group, AG.



The severity of superstorm Sandy was influenced by warming-induced increases in sea level, putting the potential price tag of human climate change of this storm in the tens of billions of dollars. Image by NASA.²

EXTREME EVENTS AND CLIMATE RISK

The Geneva Association analyses the role of insurance and risk management in tackling the societal resilience and loss mitigation challenges posed by extreme events and climate risk.

In 2015, for the first time on record, temperatures were about 1°C above the pre-industrial era, according to a consolidated analysis from the World Meteorological Organization (WMO)³. 2015 has also been marked as a pivotal year for global efforts to address disaster risk reduction, climate change, and poverty alleviation. Indeed, against the backdrop of the increasing socio-economic risks of weather-related extremes, a renewed commitment of governments has been reaffirmed through the adoption of three United Nations (UN) coordinated international framework agreements: (i) the Sendai Framework for Disaster Risk Reduction (2015–2030), (ii) the 2030 Agenda for Sustainable Development; and (iii) the COP21 Paris Agreement.⁴ Whilst all three framework agreements have their respective priorities of action, what is clearly common to all is the recognition of the importance of a comprehensive approach to managing the risks of extreme events and climate across different economic sectors, levels of governments and society. Such an approach should be risk informed and encompass (i) *ex ante* investments in preventive measures to reduce the underlying risks, (ii) emergency preparedness and early warnings to save lives and livelihoods, (iii) strategies for risk financing and risk transfer (insurance) to build the financial resilience of governments, businesses and people against the adverse effects of disasters and climate change; and (iv) building and strengthening societal resilience after catastrophes and shocks. It is unprecedented that risk transfer and insurance is explicitly and implicitly referenced in all three framework agreements as an essential risk management tool, which clearly signals that all governments (high-, middle- and low-income nations) recognise the great potential for building financial resilience and enhancing risk management practices by expanding insurance.⁵

-
2. Trenberth, K.E., Fasullo, J.T, and Shepherd, T.G. (2015) '[Attribution of climate extreme events](#)'. *Nature Climate Change*, 5: 725–730.
 3. World Meteorological Organization (2016) '[2015 is hottest year on record](#)'.
 4. See the [Sendai Framework for Disaster Risk Reduction](#); the [2030 Agenda for Sustainable Development](#) and the [COP21 Paris Agreement](#).
 5. Within the Sendai Framework for DRR role of insurance is reflected under paras 4–8 and under para. 30 (priorities of action at national to local levels) particularly in reference to preventive measures, planning, financial resilience and resilience of infrastructure, housing and rural planning and development. Insurance is considered as an essential tool to address loss and damage and is referenced directly under (i) para. 49 (p. 7) of Section II ('Decisions to Give Effect to the Agreement') and (ii) Article 8 of the Paris Agreement (p. 25).



During the reporting period, The Geneva Association made significant progress with the development of its Extreme Events and Climate Risk (EE+CR) programme. The objectives of the programme are to:

- (i) deliver insights for harnessing market-based insurance to reduce the protection gap and support risk reduction and resilience in developed and developing countries;
- (ii) facilitate and provide platforms for industry-relevant dialogue with major international institutions and stakeholders.

Working with a number of leading experts in the industry, international organisations, development banks and the UN, The Geneva Association developed the underpinning analysis that has been summarised in a forthcoming paper, entitled *Benefits of an Integrated Approach to Extreme Events and Climate Risk Management: From International Policy Dialogue to Action* to guide the strategic directions and thematic priorities of the programme.

Furthermore, a strategic paper entitled, [*The COP21 Paris Agreement: What Does It Mean for the \(Re\)insurance Sector*](#) was developed.

CONFERENCES, SEMINARS AND MEETINGS

The Geneva Association (co)sponsored a number of conferences, seminars and meetings during the reporting period.

Insurance as contributors to problem solving and impact reduction conference

The UN World Conference on Disaster Risk Reduction was established to develop and adopt a post-2015 framework for disaster risk reduction and to be a successor to the original Hyogo Framework for Action (HFA). On 16 March 2015, The Geneva Association and Tokio Marine hosted a side event at the conference on the role of insurance as contributors to problem solving and impact reduction.

Together with global experts from academia, the risk management industry and members of governmental and non-governmental organisations, the conference examined three fundamental questions:

Above: Leaders of the world gather at COP21 to tackle climate change through unprecedented global cooperation.



Firstly, how can the insurance industry's wealth of knowledge better serve societal resilience? Secondly, how can the insurance industry steer community actors to behave risk consciously? And, thirdly, how can the insurance mechanism be better utilised as an effective social system to enhance disaster risk reduction? These questions were tackled by a set of panels comprising some of the world's leading experts in disaster and risk management and the essence of their respective contributions is provided in [a conference review](#) available on The Geneva Association website.

SCOR Foundation Seminar on Climate Risks

The first international SCOR Foundation Seminar on Climate Risks was organised in partnership with the Toulouse School of Economics and The Geneva Association on 9–10 June 2015, in Paris. Climatologists, economists, modellers, actuaries and (re)insurance industry professionals were brought together to this conference to reflect on climate risks and their insurability.

The discussions, opened by EE+CR Co-Chair and SCOR Chairman and CEO Denis Kessler, examined how research and science can give us a better grasp of climate risks and their insurability, notably through forecasting and modelling. The expert actuarial, economic, climate and risk-science views contributed to the general reflection on climate risks ahead of the COP21 meeting.

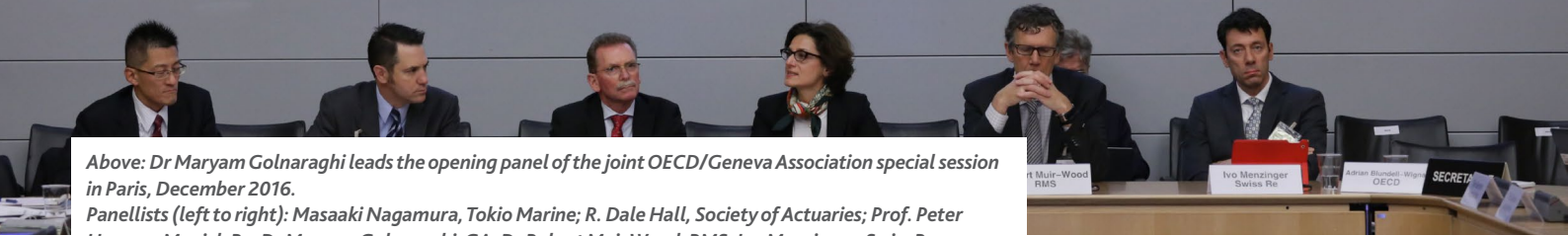
The Global Index Insurance Conference with the World Bank Group

Leading experts from the industry, NGOs, and international organisations were engaged to address 'Building Innovative Solutions in Agriculture Insurance' and opportunities for scalability and sustainability (September 2015).

Special session on climate change and the insurance sector

A joint special session was co-organised with the Organisation for Economic Co-operation and Development (OECD) on Climate Change and the Insurance Sector at the OECD headquarters in Paris (December 2015). This event brought together decision-makers and experts from the (re)insurance sector, ministries of finance and insurance regulators to discuss and explore the potential contributions of the (re)insurance sector to climate change

It is unprecedented that risk transfer and insurance is explicitly and implicitly referenced in all three framework agreements as an essential risk management tool



Above: Dr Maryam Golnaraghi leads the opening panel of the joint OECD/Geneva Association special session in Paris, December 2016.
Panellists (left to right): Masaaki Nagamura, Tokio Marine; R. Dale Hall, Society of Actuaries; Prof. Peter Hoeppe, Munich Re; Dr Maryam Golnaraghi, GA; Dr Robert Muir Wood, RMS; Ivo Menzinger, Swiss Re.



Above: Gabriela Ramos, OECD Chief of Staff opens the special session. Adrian Blundell-Wignall, Director, Directorate for Financial and Enterprise Affairs looks on.
Below: Denis Kessler, Chairman and CEO of SCOR provides closing remarks.



Left to right: Denis Kessler, Chairman and CEO, SCOR; Adrian Blundell-Wignall, Director, Directorate for Financial and Enterprise Affairs, OECD; and Anna Maria D'Hulster, Secretary General, The Geneva Association.
Below: Henri de Castries, Chairman and CEO of AXA delivers a special address.



Left: Steve Waygood, Chief Responsible Investment Officer, Aviva Investors (centre) speaking on the transition to a low carbon economy with fellow panellists Tom Hutton, XL Group (right) and Michael Liebreich, Bloomberg New Energy Finance.



Right: More than 25 countries were represented at the OECD/GA special session.

mitigation and adaptation, in particular, on:

- (i) The role of the insurance sector in a climate change agreement,
- (ii) Managing the financial risks of extreme events in a changing climate,
- (iii) Investing in the transition to a low-carbon economy, and
- (iv) The role for regulators in addressing climate change risks.

This event was attended by a number of our Members including Henri de Castries (AXA) and Professor Denis Kessler (SCOR).

Christiana Figueres meets with the GA Board

Following the successful conclusion of the COP21 climate summit in Paris in December 2015, the Executive Secretary of the UN Framework Convention on Climate Change, Christiana Figueres, joined The Geneva Association Board meeting on 2 February 2016. As the Paris Agreement specifically mentions a role for the (re) insurance industry in national resilience-building, the meeting was an opportunity for Board members to discuss the role of insurance in the implementation of the COP21 Paris Agreement with one of the agreement's key architects.

OECD MEETING VIDEO INTERVIEWS



▶ *Maryam Golnaraghi describes the implications of insurance being part of the recent Global Agreement signed at COP21.*



▶ *Gabriela Ramos talks to The GA after delivering the opening address at a joint GA/OECD Special Session on Climate Change and the Insurance Sector.*



▶ *Henri de Castries (CEO, AXA) on public-private partnerships addressing climate change.*



▶ *Steve Waygood, CRIO at Aviva Investors talks about the challenges and opportunities of investing in low-carbon assets.*



In 2015, people aged 65+ represented 8% of the global population (0.6 billion); this increases to over 15% of the global population (1.4 billion) in 2050.⁶

GLOBAL AGEING

The Geneva Association researches the role of the (re)insurance mechanism in supporting governments and individuals in funding age-related health costs and achieving a secure retirement.

Whilst an ageing population is a great achievement for societies, it is at the same time an unprecedented challenge. In particular, population ageing can jeopardise the sustainability of currently organised health systems and calls for the development of new forms of financing, including the development of insurance. The political challenges of modifying pension systems to reflect longer retirements afforded by greater longevity means that the pace of changes to the system are slower than the manifestation of the problem. Indeed, according to a report published by Citigroup⁶ in March 2016, 20 countries of the Organisation for Economic Co-operation and Development have promised their retirees a total USD 78 trillion, much of which is unfunded.

Added to the mix is the current low-level of interest rates in most economies. Even before the 2008 financial crisis, in advanced economies and in many emerging countries, nominal and real interest rates have for decades been on a downward trend towards unprecedented lows.

The objective of the Global Ageing programme is to better understand the challenges of global ageing for society and for insurance and to provide solutions to these challenges.

12TH HEALTH AND AGEING CONFERENCE

On 16–17 November 2015, the 12th Health and Ageing Conference of The Geneva Association took place in Singapore on the topic of 'Insuring Health Care for the Elderly in Asia'. The conference was hosted by the Singapore College of Insurance and supported by Asia Capital Re. More than 60 participants originating from Asia and Europe attended the conference. Attendees came from (re)insurance companies, universities, international and (non)governmental organisations, research centres and other private companies.

Asia is experiencing population ageing at an unprecedented pace, and the region is currently home to over half of the world's elderly population. The aim of the conference was to explore the challenges of organising the financing of the health of an ageing population and the role insurance can play in this regard in Asia.

6. See Citi GPS. (2016) [The Coming Pension Crisis](#) (accessed 18 March 2016).

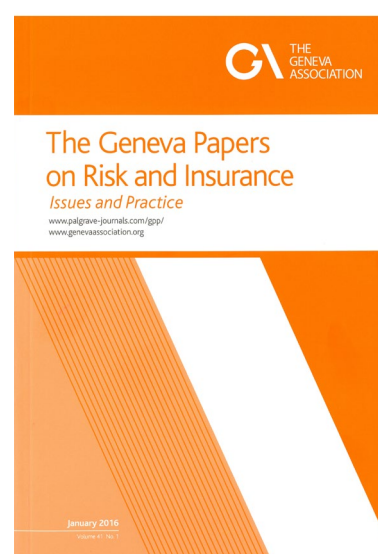
Participants discussed how three social changes have an important impact on older people's health in Asia. These are, first, environmental issues and climate change; second, the weakening role of filial piety; and third, elderly poverty due to particularly low incomes and lack of formal incomes and pensions.

[A full report](#) on the key insights of the conference is available on The Geneva Association website.

THE GENEVA PAPERS SPECIAL ISSUE ON LONGEVITY—JANUARY 2016

The Geneva Papers on Risk and Insurance dedicated its January 2016 issue to the specific topic of longevity. The issue was guest-edited by Michael Sherris, Professor of Actuarial Studies at the University of New South Wales. As populations age around the world, increased demand is placed on public pension schemes and the role of private longevity insurance markets increases. Indeed, longevity risk is more than just the risk of individuals exhausting financial resources at older ages and imposing a significant financial burden on government budgets from pension costs. For those living longer, there is the increased need for aged care along with increased health costs that must also be financed. There is an increased importance on the share of cost and risks between public support and private insurance markets.

This issue contains articles that address many of these current and topical issues in longevity risk including, factors driving the demand by individuals for longevity insurance, the design of public pension schemes to take longevity risk into account, the design of life annuities including product innovations in the form of enhanced and long-term care annuities, along with issues in designing longevity indices and measuring basis risk for financial market products. Financial markets have a potential role to play, and this will take time as issues such as basis risk are better understood. Individual decision-making and how this impacts annuity purchase decisions as well as customer awareness are also going to be critical. All these issues have been considered in this volume and we hope that they stimulate further investigation and promote a wider discussion of many of these issues in the insurance community.



LIABILITY REGIMES

The Geneva Association's Liability Regimes programme highlights the changing nature of liability insurance and the emerging trends in tort law that affect underwriting.

THE 11TH GENEVA ASSOCIATION LIABILITY REGIMES CONFERENCE, RÜSCHLIKON, 4-5 NOVEMBER 2015

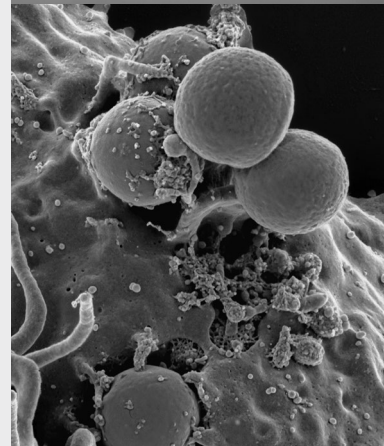
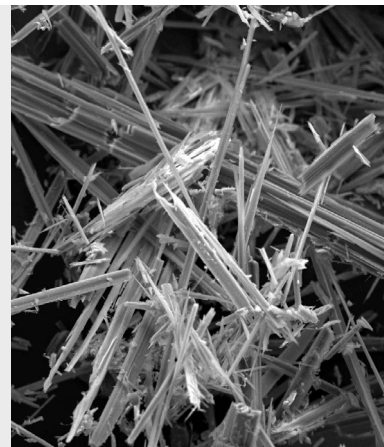
The principal element of the Liability Regimes research programme is this annual conference which gathers experts from the (re) insurance industry, academia and the legal world to discuss the dynamics of liability law and underwriting. The theme of the meeting was 'Keeping the Floodgates Shut? Mastering Accumulation and Bodily Injury Exposures in a Rapidly Changing Environment'. The following text provides a synopsis of the meeting:

Asbestos litigation

Keynote Wilhelm Zeller, former CEO of Hannover Re, described the development of asbestos litigation worldwide and the search for 'deep pockets' by the plaintiffs' bar in the U.S. Mr Zeller also stressed that the level of asbestos claims was likely to remain stable for many years to come.

New medical technologies

Liability risks related to new medical technologies like wearables and intelligent implants were discussed at the conference. Here, many risks result from the rapid pace of innovation, to which the legal framework cannot always be adjusted on time, at least not with sufficient legal certainty for all stakeholders. One example of this is the blurred line between medical devices and lifestyle or wellness tools when classifying the growing range of health apps available to the public: Who is responsible if data is misinterpreted or updates are not activated? Who is eligible to access and store data, and for what purpose? What failure rate is acceptable when those apps are used for self-diagnosis? For the time being, as all panellists stressed, strict product monitoring and robust warnings and disclaimers are essential to limit liability risks.



Antibiotic resistant bacteria

Risks related to antibiotic resistant bacteria were characterised as the 'pestilence of the 21st century'. Whilst there are only few medical innovations in sight to solve this problem, a constant shortage of staff in most countries, pressure to reduce costs and a lack of clarity regarding the legal framework for staff monitoring and other measures to reduce risks exacerbate the problem. Shortcomings in the standard of care provided by hospitals could trigger considerable liability risks, most of all in the U.S.

Casualty accumulation risks

The panel on casualty accumulation risks concurred that capabilities for modelling liability catastrophe risks were still in their infancy. Since many liability risks involved new technologies, there was a lot more risk of change and a lot less data available than in regard to most property losses. Therefore, for some liability risks as, for instance, those related to cyber risks, modelling was not (yet) an option. Aspects of food and environmental liability were the 'known unknowns' considered to be the next significant liability litigation issue.

U.S. tort law

In U.S. tort law, a new tendency is for ever more distant plaintiffs to bring claims against ever more distant defendants. This includes claims by family members of workers exposed to asbestos who claim to have been exposed to asbestos through clothing brought home by their spouse or father, or claims against companies that did not themselves manufacture asbestos. Connected to this kind of litigation are attempts to introduce legal thresholds against abusive claims and junk science causation testimonies, for instance, by legislation based on the Class Action Fairness Act. A trend of over-criminalising corporate conduct is evident where individuals are held accountable for corporate wrongdoing, especially in the context of anti-trust violations. Also, third-party litigation funding has become a well-established part of tort law litigation in the U.S., and increasingly also in U.K. and Australia. The panel therefore encouraged the insurance industry to play a more active part in the ongoing tort law reform.



PROTECTION GAP

Narrowing the gap between the current insurance situation and the full potential of the insurance industry in serving societies and economies is a serious issue for all governments as well as insurers.

In 2014, The Geneva Association began to conduct research on the gap between the amount of insurance that is economically beneficial and the amount of insurance actually purchased, referred to as the 'insurance protection gap' or 'underinsurance'.

The project team, co-headed by Dr Fabian Sommerrock and Dr Kai-Uwe Schanz, explores gaps in both non-life and life insurance as well as in mature and emerging markets. The focus is on measuring and quantifying underinsurance, enhancing understanding of its root causes and examining multi-stakeholder efforts to narrow the gap. The ultimate objective of the research is to contribute to safeguarding the insurance industry's long-term relevance to society.

The focus is on measuring and quantifying underinsurance, enhancing understanding of its root causes and examining multi-stakeholder efforts to narrow the gap

KEY HIGHLIGHTS

Research report: Insuring Flood Risk in Asia's High-Growth Markets, July 2015

This report, co-authored by Shaun Wang and Kai-Uwe Schanz, with active support from Lloyd's and Swiss Re, analyses flood risk in the world's epicentre of economic growth against the backdrop of rapid socio-economic change (e.g. urbanisation) and expected exposure to climate change (e.g. rising sea levels).

The authors highlight a study which includes contributions from the World Bank and the Organisation for Economic Co-operation and Development and suggests that average annual economic losses from Asian flood disasters could surge to USD 500 billion or more by 2050 if no additional investments in adaptation are made⁷, compared with average annual global flood losses of about USD 30 billion between 2004 and 2013, according to Swiss Re⁸. This projection also incorporates socio-economic change, sea level rise and subsidence. Even if massive additional adaptation investments maintain flood probability at current levels, flood-induced average annual economic losses in Asia could reach about USD 30 billion by 2050. One-hundred-year asset exposure levels in Guangzhou and Mumbai could climb

7. Nicholls, R.J., et al. (2008), [Ranking Port Cities with High Exposure and Vulnerability to Climate Extremes: Exposure Estimates](#), *OECD Environment Working Papers*, No. 1, OECD Publishing, Paris.

8. See Swiss Re, [Swiss Re sigma Catastrophe Data Base](#).

to more than USD 700 billion and 500 billion, up from USD 39 billion and USD 23 billion, respectively.

Current levels of insurance protection are grossly insufficient with, for example, more than 90 per cent of a 100-year storm surge-induced economic loss in the Pearl River Delta remaining uninsured.

The report also explains why floods are generally considered more difficult to insure than other natural perils. Three completely different forms of flood (river floods, flash floods and storm surges) make flood risk a multifaceted phenomenon, affected by very dynamic changes to exposure and vulnerability and subject to insurability limits such as a lack of assessability and mutuality, i.e. difficulties in building a sufficiently large risk community. The latter can be addressed through compulsory insurance schemes (with risk-based premiums in order to minimise market distortions) or bundled multi-peril forms of insurance coverage, for example.

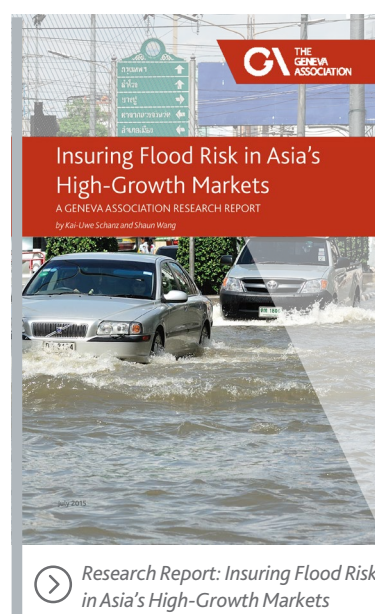
Finally, the report looks into insurance-based innovative solutions, involving international (re)insurers and capital markets as well as local governments. Given the glut of global insurance capital and the rise of alternative risk transfer markets, it should only be a matter of time before solutions tailored to Asian flood risk will be on offer.

Keynote address at InsuranceCom CEE, Vienna, 6 October 2015

At this annual conference event, attended by about 150 regional insurance executives, The Geneva Association Secretary General Anna Maria D'Hulster elaborated on the insurance protection gap in Central and Eastern Europe. She put the spotlight on flood risk exposure and urged delegates to identify and address pockets of underinsurance in the region as a means of reviving premium growth, which has all but evaporated over the past few years.

Special address at the MENA Reinsurance Rendezvous, Dubai, 17 November 2015

Co-hosted by *Middle East Insurance Review* and the Dubai International Financial Centre Insurance Association NPIO, the Rendezvous attracted close to 150 regional and international (re)insurance executives and professionals. In his speech, Geneva Association Special Advisor Dr Kai-Uwe Schanz took stock of the current level of underinsurance in the MENA region



and suggested specific measures to tackle the problem such as risk-based solvency regimes, awareness campaigns and 'smart' compulsory insurance schemes.

Special address at the Insurance Society of China Annual Conference, Beijing, 24 January 2016

Addressing more than 700 Chinese and international industry executives and professionals, The Geneva Association Deputy Secretary General Dr Fabian Sommerrock shared a research perspective on China's massive protection gaps in the areas of natural catastrophe and mortality risk as a result of rapid asset and wealth accumulation. He also explored the role of research in insurance market development in China and outlined specific potential contributions from The Geneva Association.

Keynote address at the Asia Insurance CEO Summit, Hong Kong, 24-25 February 2016

In his keynote address to almost 150 regional insurance leaders, Dr Fabian Sommerrock examined ways of harnessing digital technology to narrow insurance protection gaps. For example, digitalisation will enable insurers to drastically cut operating and acquisition expenses. This is set to translate into a more attractive client proposition. The same is true for big data and its potential to reduce the cost of adverse selection, generally borne by 'good' risks.

Outlook

Research activities in 2016 will focus on the role of technology in addressing protection gaps. A group of industry and non-industry experts will be assembled to support this effort, which is expected to lead to a dedicated publication in late 2016.



Dr Fabian Sommerrock speaking at the 16th Asia CEO Insurance Summit, 24-25 February 2016 in Hong Kong.

JAPAN AND EAST ASIA LIAISON OFFICE

The liaison office for Japan and East Asia was established in October 2009. Its role is to support Members in the region and promote and increase regional recognition of The Geneva Association by developing new relationships with insurance companies, governments, academia, NGOs, regulators and supervisors.

AGE OF UNCERTAINTY, UNPREDICTABILITY AND VOLATILITY

Recent headlines about the Asian economy in the international media highlighted key topics such as whether China can proceed with rebalancing its economy smoothly from an investment and manufacturing-led economy to a consumption and service sector-led economy, whether China can manage or tame equity market and foreign exchange market volatility, and the Bank of Japan's (BOJ) decision to adopt a negative interest rate policy (NIRP) at the end of January 2016.

The latter decision follows that also taken by the European Central Bank and the central banks of Denmark, Switzerland and Sweden. Did these actions bring about the expected outcome, i.e. weaken the respective currencies and stir inflation? No, unfortunately not. In Japan, the market interpretation is that, with quantitative easing, the BOJ had exhausted its policy options for erasing the deflation mindset and that the NIRP will reduce the profits of the banking sector and of life insurers. The move resulted in a sharp decline in the equity market and a stronger yen, which is a typical example of the gap between policy intention and the reaction of markets. Spreading the perception that policy effectiveness has limitations, in an age of uncertainty, unpredictability and volatility, such unintended results may recur. Unpredictability is manifest elsewhere around the globe, for example, in political processes such as the U.S. presidential nominations and in the European refugee crisis.

This general sense of uncertainty is helping to spread a 'risk-off' mindset amongst people, which is thus making the stock market lacklustre.

Everywhere on this planet, people may feel unprotected from or vulnerable to terrorism, other man-made disasters, the outbreak of a deadly pandemic, and natural catastrophes. In this world of uncertainty, the capability of the insurance sector is limited, but it needs to make every effort to mitigate the impact and the pain caused by both man-made and natural catastrophes by providing risk transfer mechanisms.



Katsuo Matsushita

*Liaison Officer Japan and East Asia,
The Geneva Association*

CHALLENGES OF THE ASIAN INSURANCE MARKET

Despite uncertainty and unpredictability in the global economy, the Asian insurance sector continues to show growth. This is why foreign direct investment (FDI) has been active in the sector. At the same time, the insurance industry faces a number of challenges.

The huge protection gap in rapidly ageing societies

In Asian countries, the pace of ageing is very rapid. For example, according to the World Bank (2013), in ASEAN countries, the percentage of people aged 65 or older amongst the total population is 5.9 per cent on average, lower than Japan, China and South Korea. Only Singapore and Thailand exceed 7 per cent. However, shifting from 7 per cent to 14 per cent will not take long—Singapore: 20 years, Thailand: 20 years, Vietnam: 17 years, Malaysia: 25 years, Indonesia: 25 years—which illustrates that the speed of ageing in these countries is at least as swift as in China and Japan (China: 23 years, Japan: 25 years).⁹

Going forward, this represents a serious situation. Governments have to establish public health-care and nursing care systems and encourage the insurance sector to provide private insurance and pensions at affordable prices. This is a challenging agenda for our sector, but if successful, we can enhance the relevance of insurance in society.

Natural catastrophes (nat cats)

At the closing of COP21 in December 2015, the Paris Agreement clearly noted the importance of the role of insurance in minimising loss and damage associated with the adverse effects of climate change. Energised by this, international institutions are actively advocating the establishment of disaster insurance schemes operated by public and private partnerships. Members of The Geneva Association are participating as important stakeholders.

The Asian insurance market has a number of challenges that may also be realised as opportunities

9. See United Nations, [*The 2015 Revision of World Population Prospects*](#).



Asset management and product development under prolonged low interest or negative interest rates

Insurance companies are entering uncharted waters under enterprise risk management and the Own Risk and Solvency Assessment. Risk appetite statements have to be carefully thought out.

As to the consequences of protracted low interest rates for the insurance sector, The Geneva Association in a recent publication entitled *The Impact of Low Interest Rates on the Insurance Sector and its Economic Role* took a comprehensive look at how the protracted low interest rate environment is putting stress on the life insurance sector and how the life sector has been struggling to surmount this challenge. The unique aspect of life business in Asia is that, in some jurisdictions, the pace of development of the long-term bond market is not in phase with the rapid growth of insurance liabilities, causing stress on insurers' asset-liability management.

Cyber risks

In almost every survey, both insurers and enterprises in the business sector indicate cyber risks as one of their top concerns. Insurers must protect data, especially customer data, from cyber attackers whilst, at the same time, providing cyber coverage to clients. Business corporations and public entities regard cyberattacks as a threat or a barrier to growth.

The gathering of data and the development of risk models to facilitate appropriate underwriting of these risks is still in its infancy compared to other risk categories. In the *Asia Insurance Review* (January 2016), an expert mentioned that cyberattacks in Asia have been less documented compared to the U.S. or the U.K. because the regulatory and disclosure regime in Asia is not at the same level yet. A greater effort must be made to improve public awareness of cyber risks.

Regulations

In general, when it comes to regulatory changes, Asian regulators tend to follow the IAIS or other standards that have already been implemented rather than originate new regulations. This is a rational approach whereby they can learn lessons from jurisdictions that have already implemented such standards, and there is little possibility of the regulated being surprised

Above: Asian insurance hub, Singapore, at night.



by unexpected, extreme regulations. However, some countries introduce protectionist regulations with regard to foreign ownership or reinsurance abroad in order to promote the growth of local insurers/reinsurers.

Insurance associations and think tanks, including The Geneva Association, have been vocal regarding the harm caused by excessive or burdensome regulations. Recently, an encouraging voice has been heard from an Asian regulator. Nobuchika Mori, Commissioner of the Financial Services Agency, Japan, contributed his opinion to the *Financial Times* (15/12/2015) under the title 'Too much "medicine" could make the financial system sicker'. Whilst he mentions banking regulations, the essence of his comments are applicable to insurance as well:

*I can count 50 work streams under the auspices of the Financial Stability Board, which make policy recommendations to the leaders of the Group of 20 large economies, and 40 under the Basel Committee on Banking Supervision, regulators' global forum, all working to propose new standards for financial regulation or monitoring their implementation.*¹⁰

The result has been a vast array of new standards and a huge amount of work keeping watch over their implementation. Individually, each of those rules might make sense, but we have yet to see what effects they may have, collectively, on finance for growth. Too much medicine might indeed make the patient sicker.

VIEW FROM THE ASIAN INSURANCE SECTOR

In the globalised world, some Asian insurers are investing in countries beyond the Asian region. As stakeholders, they are keenly watching economic, social and political developments such as:

1. How the Brexit debate and referendum will develop. Some Japanese, Chinese and Korean insurers hold stakes in businesses in and around Lloyd's market or investment in real estate in the central part of London. Also, Asian insurers have subsidiary entities in the London market. Their positions may be the same as the British insurance sector.
2. How the European Union deals with the current challenges of the refugee crisis and the debt issue in the eurozone.

10. See Mori, N. (2014), [*Too much 'medicine' could make the finance system sicker*](#).

Insurance associations and think tanks, including The Geneva Association, have been vocal regarding the harm caused by excessive or burdensome regulations

3. When will the U.S. Congress ratify the agreed TPP (Trans Pacific Partnership Agreement)? If ratification is delayed, there might emerge a kind of uncertainty among the signatory Asian countries about the commitment of the U.S. to Asia.

All of these issues mean that the Asian insurance market has a number of challenges that may also be realised as opportunities. In an increasingly globalised world, as with the rest of the global insurance industry, issues abroad are significantly influencing the environment in which they operate.

***In an increasingly
globalised world...
issues abroad
are significantly
influencing the
environment in
which they operate***

NETWORKS, PRIZES AND GRANTS

C-SUITE NETWORKS

The Geneva Association's industry networks provide a platform for the C-Suite executives of Members' companies for expert discussion of challenges and opportunities as well as the sharing of best practices in their respective roles.

CHIEF INVESTMENT OFFICERS

The Geneva Association Chief Investment Officers Network strives to create more knowledge and better understanding about issues that confront the role and function of insurance asset management and the formulation and implementation of investment strategies. It serves as a platform for the interchange of information, expertise and best practice approaches.



Dr Mohamed El Erian at The Geneva Association's 9th CIO meeting.

9th Geneva Association Meeting of Chief Investment Officers, Munich, 19–20 October 2015, hosted by Allianz

CIOs from Members' companies from all continents met to discuss the latest challenges for CIOs and how to tackle them in a volatile environment with interest rates near zero, an ambitious regulatory framework, weak economic growth and potentially destabilising asset price bubbles.

The conference started with opening remarks from Oliver Bäte, Chairman of the Board of Management, Allianz Group, on the topic, 'The role of the CIO' with an impressive overview of how this role has evolved over the last decades. Guest speaker Mohammed El-Erian, Chief Economic Advisor, Allianz, addressed the topic of 'Investment approaches in a low rate environment'. In his speech he gave a synopsis of proximate causes of the current situation and developed potential scenarios for the years to come. Günther Thallinger, CIO Allianz, led an interactive session on 'Long-term investing—customer and shareholder view' before Guido Fürer, Group CIO Swiss Re, focused his speech on 'Financial repression'. Intense interactions between the CIOs



took place during the various sessions and especially in the last session on 'How can we attract and retain the talent needed to pilot this industry into the future?'. There was also a lively discussion about the competition for talent and what has to change in the financial services industry from an organisational, cultural and leadership perspective to gain the talents of Generation Y which might divert into other industries, not least the digital sector.

CHIEF ECONOMISTS

The Geneva Association Chief Economists network provides a forum for the discussion of the current and future macroeconomic environment for (re)insurers. This platform enables the exchange of ideas and visions about the development of insurance as well as the analysis of key challenges to the industry. The principle outcome of this network is an annual conference—the Annual Circle of Chief Economists.

18th Annual Circle of Chief Economists, The Hague, 24–25 March 2016

On 24–25 March 2016, the 18th Meeting of the Annual Circle of Chief Economists (ACCE) took place in The Hague, kindly hosted by NN Group.

The 2016 programme reflected the very real impact of globalisation and technology on the insurance industry. Whether through the pressures of digitalisation, demographic or regulatory change or the ongoing malaise in the global economy, the rapidly changing societal and economic landscape is challenging insurers (as well as many other industries) in unprecedented ways. The network discussed these changes and shared perspectives on the challenges and opportunities that they perceived for the (re)insurance industry.

CHIEF RISK OFFICERS

The Geneva Association established the CRO network in 2003 in response to a need of the insurance industry and The Geneva Association's Members to create a community which could debate topics of interest within the emerging CRO community. At the time, the chief risk officer role was relatively new to the industry and only 17 of The Geneva Association Members' companies had a CRO. There were very few forums in which to



discuss the key differences between risk management within an insurance enterprise as distinct from other members of the financial service industry and even fewer to discuss the key risks and emerging risk-based regulatory landscape.

The network then organised an Annual Round Table (ART) of CROs, where the CROs could meet in person to discuss the challenges of implementing a risk framework within an insurance organisation. Following the second ART of CROs, the group identified the need for more tailored research of a proprietary nature on specific risk management topics. It was decided that the larger member companies would form the CRO Forum to finance and channel this research.

Recognising the need for a wider debate outside The Geneva Association's membership, The Geneva Association and Swiss Re proposed that an annual CRO Assembly be held at which the wider CRO community could meet with each other and with leading experts and academics in emerging areas of risk. Swiss Re hosted the first Assembly and Munich Re agreed to the second, beginning a cycle of Assembly meetings which remain the key CRO event in the calendar.

As the industry has developed, these early efforts have crystallised into mainstays within the industry, and further efforts have been made to create a broader voice. In 2010 the North American CRO Council was formed to sit alongside the CRO Forum and offer a North American flavour to the risk management discussions. Joint efforts in areas of mutual interest such as 'risk appetite' are a sign of the community having an increasingly global view.

11th CRO Assembly, Rüschlikon, Switzerland, 18–19 November 2015

The 11th CRO Assembly, hosted by Swiss Re, discussed technological and societal change. In particular, how population-scale adoption of new technologies has resulted in new working patterns and business models. New platforms exploit the possibilities offered by computers and smartphones to organise communities connecting providers of goods and services to consumers. Well-known examples are Uber, offering point-to-point transport through a smartphone app, and Airbnb, providing short-term accommodation. The new platforms are becoming an ever larger part of our economy and some rival incumbents in terms of market capitalisation.

3RD WORLD RISK AND INSURANCE ECONOMICS CONGRESS, MUNICH, 2-6 AUGUST 2015

The world's three leading academic associations in risk and insurance and The Geneva Association joined forces to host the quinquennial WRIEC, the largest gathering of risk and insurance scholars in the world. With over 400 participants and 230 papers on the open part of the programme, both attendance and the number of scientific contributions peaked. The conference started with a keynote address from Nikolaus von Bomhard, Chairman of the Board of Management of Munich Re on the topic of 'Current Challenges for the Insurance Industry'. Intense interactions between scholars and insurance professionals took place during the various plenary sessions which addressed the themes of 'Big Data and the Insurance Industry', 'Managing Insurer Assets through the Euro-crisis', 'Financial Frictions and Reinsurance Cycles', and 'Risks and Opportunities of Climate Change for the Insurance Industry'. The event was a prime opportunity for researchers to learn more about key issues that are of relevance to the insurance industry and hopefully to engage them in future projects.

Right: More than 400 delegates attended the 2015 WRIEC.

Below: Dr Nikolaus von Bomhard, Chairman of the Board of Management, Munich Re (left) and Prof. Dr Andreas Richter, Director of the Munich Risk and Insurance Center.



***13th Annual Round Table of Chief Risk Officers (ART of CROs),
Copenhagen, 14–15 April 2016***

The ART of CROs network provides a forum for discussion of the challenges and lessons learned from the practical application of a risk framework within an insurer. The discussions are therefore very much practice-based and complement the more macro themes tackled at the CRO Assembly.

The Geneva Association's 13th ART of CROs will consider the move beyond the implementation of Solvency II in Europe, and focus on the core elements of risk management. In particular, it will focus on the challenge of managing risk within the changing macroeconomic, business and regulatory environment and how risk frameworks are being adapted to meet these challenges.

The meeting will also discuss some of the far-reaching consequences of emerging technologies, not least the enormous political sensitivities surrounding the interface between consumer protection and the wealth of highly personal data that is being created in astonishing volumes. Lessons learned from the U.K. will provide some interesting insights for those tackling these issues in other countries.

ACADEMIC NETWORKS

The Geneva Association's academic networks, prizes and grants support the diffusion of research in insurance by both academics and industry professionals.

***16th Joint Seminar of the European Association of Law and Economics and
The Geneva Association, Berlin, 28–29 May 2015***

The 16th Joint Seminar of the International Association for the Study of Insurance Economics ('The Geneva Association') and the European Association of Law and Economics (EALE) took place at the DIW Berlin on 28–29 May 2015. The main topic of this seminar was 'Risk-Sharing and Insurance for Catastrophic Events'. The seminar dealt with the institutional implications of insurance contracts and risk sharing agreements, including public support, for catastrophic loss. It was held in commemoration of the work of its founding father Göran Skogh, who died on 11 May 2014. A keynote on the scientific contributions and the legacy of Göran Skogh in the

field of risk sharing and insurance was given by Michael Faure (Maastricht University). He highlighted the fundamental theoretical contributions of Göran to a transaction cost theory of insurance and the theoretical underpinning of risk pooling.

The seminar discussions were lively and demonstrated once again the importance of a transaction-cost theory of insurance and a better understanding of the underpinning of risk pooling of natural disasters. Participants, in closing, appreciated this opportunity to develop and intensify international legal and economic collaboration in natural hazards risk management research.

ACADEMIC JOURNALS

Founded in January 1976 under the auspices of the first President of The Geneva Association, Prof. Raymond Barre, *The Geneva Papers on Risk and Insurance* was separated into two series in 1990:

- *The Geneva Papers on Risk and Insurance—Issues and Practice*
- *The Geneva Papers on Risk and Insurance Theory*, later to become *The Geneva Risk and Insurance Review*.

As stated by Prof. Barre, the goals of *The Geneva Papers on Risk and Insurance* were, first and foremost, to become the voice of insurance at the highest global level to help elaborate and confront key strategic issues for the sector; and second, to stimulate a constructive dialogue between insurance and its social and economic partners.

Both journals are peer-reviewed and published by Palgrave Macmillan. Articles older than three years are publicly available in the resource centre of The Geneva Association website.

Online access to both journals provides users with advance online publication (AOP)—definitive, citable versions of papers (complete with digital object identifier, or DOI) available online ahead of print.

The Geneva Papers on Risk and Insurance—Issues and Practice

The Geneva Papers on Risk and Insurance—Issues and Practice quarterly publishes papers aimed at improving the scientific knowledge of the insurance

The goals of The Geneva Papers on Risk and Insurance were, first and foremost, to become the voice of insurance at the highest global level to help elaborate and confront key strategic issues for the sector

industry. The Editor-in-Chief is Dr Christophe Courbage who, assisted by the Editorial Board, assesses the quality of submissions, determines their potential contribution to the industry and organises the peer-review process.

The publication is essential reading for academics and researchers in insurance, insurance industry executives, and other professionals who are searching for deeper insight into the strategic options for their sector. It bridges the gap between these groups, highlighting overlapping areas of interest and providing mutually beneficial research and dialogue.

The Geneva Papers on Risk and Insurance—Issues and Practice is displaying healthy growth with a 2014 impact factor of 0.584 according to the latest edition of the Thomson Reuters Journal Citation Reports®.

The following issues have been published since April 2015:

 VOL. 40, ISSUE 2 (APRIL 2015)

This issue includes articles on the privatisation of the U.S. flood insurance market, insurance regulation and life catastrophe risk, the measurement of risk premiums and the affordability of earthquake insurance systems.

 VOL. 40, ISSUE 3 (JULY 2015) SPECIAL ISSUE ON INSURANCE AND FINANCE

Guest Editor: Etti Baranoff. This includes articles on the systemic features of insurance and banking, the effect of low interest rates on life insurers and valuation effects of mergers and acquisition between insurers.

 VOL. 40, ISSUE 4 (OCTOBER 2015)

This issue features the two Shin research excellence award-winning papers.

 VOL. 41, ISSUE 1 (JANUARY 2016) SPECIAL ISSUE ON LONGEVITY

Guest Editor: Michael Sherris. This issue features articles on guarantee structures in life annuities, longevity risk in defined contribution pension schemes and a proposal for redesigning social security.

VOL. 41, ISSUE 2 (APRIL 2016) SPECIAL ISSUE ON MICROINSURANCE

Guest Editor: David Dror. The articles in this second special issue on microinsurance show how the microinsurance discourse is transitioning from descriptive to analytical, with a more practice-based technical examination of direct and indirect impacts on the insured, and more modelling of novel insurance solutions.

The Geneva Risk and Insurance Review

The Geneva Risk and Insurance Review targets academics and university scholars in economics. The Review is published by Palgrave Macmillan in annual volumes of two issues. Its purpose is to support and encourage research in the economics of risk, uncertainty, insurance and related institutions, by providing a forum for the scholarly exchange of findings and opinions.

The Editors-in-Chief of *The Geneva Risk and Insurance Review* are Prof. Michael Hoy of the Department of Economics and Finance, College of Management and Economics, University of Guelph and, since January 2015, Prof. Nicolas Treich of the Toulouse School of Economics.

The Geneva Risk and Insurance Review is also the official journal of the European Group of Risk and Insurance Economists (EGRIE).

The following issues have been published since April 2015:

VOL. 40, ISSUE 2 (SEPTEMBER 2015) 40TH ANNIVERSARY EDITION

This is a 40th anniversary edition of the journal and includes articles on issues related to information application, information problems and enhanced annuity pricing.

VOL. 41, ISSUE 1 (MARCH 2016)

This issue is dedicated to the late Harris Schlesinger, co-founder with Henri Loubergé of *The Geneva Papers on Risk and Insurance Theory*. It features a paper based on the keynote address delivered by Jean-Charles Rochat at the 42nd EGRIE Seminar.

PRIZES AND GRANTS

Geneva Association/IIS Research Award Winners 2015

The Geneva Association and the International Insurance Society (IIS) research award is designed to foster original research in the insurance area addressing issues of concern to global insurance leaders by examining subjects which directly influence business operations and operational business issues on a practical level.

The organisers—The Geneva Association and the IIS—were pleased to announce the winners of the 2015 Geneva Association/IIS Research Awards Partnership, Howard Kunreuther and Shawn Cole, who were each awarded USD 5,000 and invited to present their work at the International Insurance Society's 51st Annual Seminar in New York, 14–17 June 2015.

The abstracts of the two papers are as follows:

- *Overcoming Barriers to Micro-insurance Adoption: Evidence from the Field*, by Shawn Cole.

This paper provides an overview of the academic literature on microinsurance adoption in emerging markets, with a particular emphasis on randomised control trials. It discusses what we know, what we can reasonably hope to know using the extensive work on microcredit as a comparator, and what the available evidence implies for public policy. Particular attention is paid to the case for a greater role for the government in supporting the development of microinsurance. This paper identifies many promising areas for government action to speed up the development of private-sector insurance policies:

- constructing infrastructure to reduce transaction costs, such as improving mobile payment systems;
- continuing to search for cheap, cost-effective ways to improve citizens' financial decision-making;
- encouraging insurance-providers, employers and governments to develop effective 'nudges' to guide populations towards effective risk coverage;
- implementing transparent consumer protection rules along with fast, efficient and fair complaint resolution;

The Geneva Association and the International Insurance Society (IIS) research award is designed to foster original research in the insurance area addressing issues of concern to global insurance leaders

- (v) encouraging the private sector to continue to innovate in the contract space;
- (vi) enabling individuals to automatically use cash transfers they receive to pay for insurance policies.

- *The Role of Insurance in Reducing Losses from Extreme Events: The Need for Public–Private Partnerships*, by Howard Kunreuther.

This paper describes the challenges that consumers, insurers and insurance regulators face in dealing with insurance for low-probability, high-consequence events. Given their limited experience with catastrophes, there is a tendency for all three parties often to engage in short-term intuitive thinking rather than long-term deliberative thinking when making these insurance-related decisions. Public–private partnerships can encourage investment in protective measures prior to a disaster, deal with affordability problems and provide coverage for catastrophic risks. Insurance premiums based on risk provide signals to residents and businesses as to the hazards they face and enable insurers to lower premiums for properties where steps have been taken to reduce risk. To address issues of equity and fairness, homeowners who cannot afford insurance could be given vouchers tied to loans for investing in loss reduction measures. The National Flood Insurance Program, U.S. provides an opportunity to implement a public–private partnership that could eventually be extended to other extreme events.

The Ernst Meyer Prize 2014

The Geneva Association awards the prestigious Ernst Meyer Prize annually for university research work in the form of a doctoral thesis which makes a significant and original contribution to the study of risk and insurance economics. The Prize is worth CHF 5,000.

The 2014 Ernst Meyer Prize, awarded in 2015, went to Maria Polyakova for her Massachusetts Institute of Technology (MIT) PhD dissertation entitled 'Regulation of Public Health Insurance'.

The research is motivated by the recent development in the health insurance systems of many developed countries—the ever deeper intertwining of private and public players. The idea of competitive markets is increasingly entering the health insurance landscape, whilst government regulation

and subsidies increasingly replace direct public financing of health care. What role, if any, should the government play in the design and operation of health insurance? How can optimal policies that guide coverage requirements, stringency of enrolment mandates, risk-adjustment systems, subsidy levels, the degree of consumer nudging and enrolment help be determined, all whilst creating the right incentives for insurance companies that would maximise the overall efficiency of the health insurance system?

The Geneva Association Research Grant 2016

The Geneva Association awards one research grant annually for submissions—usually doctoral theses carried out in the field of risk and insurance economics. The grant is worth CHF 10,000 and covers a period of 10 months. The grant is intended to support research on a specific theme, whether this is in the form of a thesis leading to a doctoral degree or a research paper on a specific theme. The theme for the 2016 research grant was cyber risks.

The winner of The Geneva Association's 2016 Research Grant was announced in January 2016 as Jan Hendrik Wirfs, a PhD candidate at the University of St. Gallen (Institute of Insurance Economics), Switzerland. Mr Wirfs' research proposal, entitled 'How to Organize Cyber Risk Transfer?' was picked from a field of very high quality submissions and investigates potential risk transfer schemes for cyber risk, which will improve its insurability and foster market development.

An announcement on the subject for the 2017 research grant will be made in Autumn 2016. More research and information on cyber issues can be found on The Geneva Association website.

Photo credits

Cover: Zurich, © Zurich Tourism / Martin Rüttschi.

P. 9: St. Peters Square by Anna & Michal, under CC BY 2.0, edited to grey scale; p. 18: Bank of International Settlements in Basel by Wladyslaw Disk, under CC BY-SA 3.0, edited to greyscale; p. 32: An Elderly Somali Woman, by Trocaire, under CC BY 2.0; p. 35: Asbestos Fibres (SEM micrograph), by USGS, in the Public Domain. Smart Watch by Unsplash, Pixabay.com, in the Public Domain. Scanning Electrograph of Human Neutrophil Ingesting Methicillin-Resistant *Staphylococcus aureus* by the National Institutes of Health, in the Public Domain; p. 36: Court Sketch by William J. Hennessy Jr., from PBS Newshour; pp. 42,43: Singapore Skyline, edited to grey scale by Chensiyuan, under CC BY-SA 3.0.

All other photos ©The Geneva Association.



The Geneva Association is the leading international think tank for strategically important insurance and risk management issues. Its Members are the CEOs of the world's leading insurers and reinsurers. This Annual Report covers the period 1 April 2015 to 31 March 2016.

The Geneva Association—'International Association for the Study of Insurance Economics'
Talstrasse 70, CH-8001 Zurich | Tel: +41 44 200 49 00 | Fax: +41 44 200 49 99
secretariat@genevaassociation.org