



The Geneva Association

Annual Report 2009/2010

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

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

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

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

President: Dr Nikolaus **von Bomhard**, Chairman of the Management Board, Munich Re Group, Munich.

Vice Presidents: Mr Michael **Diekmann**, Chairman of the Management Board, Allianz SE, Munich; Mr Kunio **Ishihara**, Chairman of the Board, Tokio Marine & Nichido Fire Insurance Co., Tokyo; Mr John **Strangfeld**, Chairman and CEO, Prudential Financial Inc., Newark.

Members of the Board: Dr Carlo **Acutis**, Vice President, Vittoria Assicurazioni S.p.A., Turin; Mr Antoine **Bernheim**, President, Assicurazioni Generali S.p.A., Trieste; Ms Christine **Bosse**, CEO, TrygVesta Group, Ballerup; Mr Henri **de Castries**, Chairman of the Management Board and CEO, AXA Group, Paris; Mr Patrick **de Larragoiti Lucas**, President, Sul America Seguros, Rio de Janeiro; Prof. Denis **Kessler**, Chairman and CEO, SCOR, Paris; Dr Stefan **Lippe**, CEO, Swiss Re Group, Zurich; Mr José Manuel **Martinez**, Chairman, MAPFRE SA, Madrid; Mr Andrew **Moss**, CEO, Aviva plc, London; Mr Martin **Senn***, CEO, Zurich Financial Services, Zurich; Mr Donald A. **Stewart**, CEO, Sun Life Financial Inc., Toronto; Mr Patrick **Thiele**, President and CEO, Partner Re Insurance Co., Pembroke; Mr Tidjane **Thiam****, Group Chief Executive, Prudential plc, London; Dr Richard **Ward**, CEO, Lloyd’s, London.

* *Standing in for James Schiro (1 January 2010)*

** *Standing in for Mark Tucker (1 January 2010)*

Secretary General and Managing Director: Mr Patrick M. **Liedtke** (Head of Insurance and Finance), Geneva.

Vice Secretaries General: Prof. Jan **Monkiewicz** (Head of PROGRES and Liaison—Eastern Europe), Warsaw; Mr Walter **Stahel** (Risk Management), Geneva.

Heads of Research Programmes: Dr Christophe **Courbage** (Health & Ageing and Insurance Economics) Geneva; Ms Geneviève **Reday-Mulvey** (Four Pillars) Geneva.

Head of Communications: Mr Anthony **Kennaway**, Geneva.

Special Officers: Mr Katsuo **Matsushita** (Liaison—Japan & East Asia), Yokohama; Dr Bruno **Porro** (Chairman of Chief Risk Officers Network), Zurich; Mr Gordon **Stewart**, (Liaison—Eastern North America), New York.

Chairman of the Scientific Advisory Council: Prof. Harold **Skipper**, Georgia State University, Atlanta.

Former Presidents of The Geneva Association: Mr Raymond **Barre**, Paris (1973-1976); Mr Fabio **Padoa**, Trieste (1976-1983); Mr Julius **Neave**, London (1983-1986); Prof. Dr Dr e.h. Reimer **Schmidt**, Aachen (1986-1990); Sir Brian **Corby**, London (1990-1993); Drs. Jan H. **Holsboer**, Amsterdam (1993-1999); Mr Walter **Kielholz**, Zurich (1999-2003); Mr Henri **de Castries**, Paris (2003-2008); Mr Martin J. **Sullivan**, New York (2008); Mr Jacques **Aigrain**, Zurich (2008-2009).

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President's Statement



I would like to offer you a warm welcome to the first Annual Report of The Geneva Association. Going forward, the report will serve as an introduction to The Geneva Association as well as a more contextual presentation of its activities. It is a timely initiative and one that is in keeping with the increasingly proactive and relevant role of the Association as a research-based think tank on key insurance issues internationally.

At the heart of it, 2009 was a good year for insurers. A relatively low level of natural catastrophes, renewed investor interest in the sector and a recovery in capital markets, albeit not to previous highs, has increased optimism at least in the short-term. However, the financial crisis has cast a long shadow over confidence and recent developments in capital markets and the world economy mean that uncertainty remains a prominent issue.

The insurance industry has long lacked organised international interaction with key global institutions. This may have been, in part, because insurance has not had the common grounds or need for unity on a global level but it is also because it lacked the international regulatory and political counterparts that would require an international industry presence. The

world has moved on significantly, however, and today it is clear that we need an organisation to take on that international role. The Geneva Association has already shown that it can fulfil it.

Whereas most industries have a lobbying body as their key international representative, having a “think tank” with a long-standing academic background and a respected research-based approach to tackling strategically important issues serves insurance well. The continued international presentation of hard fact and not hyperbole on issues such as climate change, the impact and consequences of the financial crisis, and looming regulatory intervention has lent significant visibility to our industry and delivered greater profile to insurance perspectives and interests in key events and organisations such as the G-20, the FSB, the IAIS and the IMF.

The recent financial crisis has intensified the focus on the insurance industry and provided an opportunity to accentuate the sense and value of the long-term views and careful risk management techniques employed in core insurance business. However, it is clear from discussions with policy-makers, regulators and supervisors that we still have a lot of work to do in driving home the message that insurance is not banking.

The increased profile of the Association has provided the industry with an extended ability to jointly address global issues and to take our rightful seat at international discussions. In 2009, The Geneva Association stepped up and proved its capability by making representations on behalf of the industry on some of the key challenges that we collectively face today. Just two examples: first, the assembly and alignment of 56 members at the last General

Assembly on climate change and insurance and their subsequent representation at international conferences including COP15, and second, early in 2010, clarifying the role of insurance in the credit crisis with international regulators and policy-makers, evaporating existing myths and countering misconceptions about systemic risk in insurance.

However, these two projects are only part of the wider work being undertaken at the Association. The aim of this new annual report is to provide greater clarity for members and the wider world on the activities of the Association and to provide a more in-depth perspective on the nature and purpose of the work it carries out.

Work on regulatory regimes including macro-prudential regulation and solvency projects around the world continues apace. A series of high-level meetings with the IAIS and other key industry stakeholders are underway and The Geneva Association plays an important role as credible and trusted counterparty for many institutions, building on its special strength of uniting experts and organising constructive dialogue. Geneva Association working groups and networks are facilitating the sharing of ideas and concepts amongst industry stakeholders, creating connections and fostering new ideas. Research into underlying trends in demographics are increasing our understanding of the implications of ageing societies, not only for health and life insurers but the whole sector, a subject that is rapidly increasing in importance on the international stage. Publications such as *The Geneva Papers on Risk and Insurance* and *The Geneva Risk and Insurance Review* maintain and foster very close links between our business and academic theory and allow the flow of ideas between stakeholders, stimulating innovation


and understanding in our industry. The recently initiated *Geneva Reports* have also already developed a reputation for being 'must see' publications on leading current issues in insurance.

The General Assembly remains the most significant gathering of insurance leaders around the world and I look forward to seeing many of our members at the upcoming General Assembly. I believe that more than ever before, we have much to discuss about the future of the industry and the complexion of the political and regulatory environment. Over the next year, The Geneva Association will continue to organise the industry around key risk and insurance issues that are strategically important, global in scope, and relevant for the future of our companies.

This vigorous and broad spectrum of activity is made possible by the compact team in Geneva, and I would like to extend my thanks to the Secretariat on all members' behalves for their hard work and dedication over the last year.

With limited staff and resources, it is the help and support of members that make the Association able to operate as effectively as it does and I would therefore like to thank all members for their support of The Geneva Association over the last year and will ask your continued support again over the year to come.

I hope you enjoy the new report.



Nikolaus von Bomhard
President of The Geneva Association,
Chairman of the Board of Management,
Munich Re Group

Secretary General's Statement



The past 12 months have been especially intense for the insurance industry. On the one hand, the brunt of the credit crisis is over and following a period of very active crisis management and concerns about survival strategies, companies began looking forward again with more optimism and getting ready to exploit a post-crisis world where new business opportunities and prosperity await. On the other hand, public efforts to draw the right lessons from the crisis, to improve the stability of our global financial system, to set the right incentives for economic risk takers, and to properly regulate the financial sector have just begun.

The Geneva Association plays a crucial role for the insurance industry in several ways:

1. as the intellectual centre for advanced research into strategic insurance and risk management issues,
2. as the organiser of global high-level discussion platforms for the industry and its key stakeholders, including in particular regulators and supervisors,
3. as a distributor of high-quality information on insurance matters; and, last but certainly not least,
4. as the global membership organisation for the insurance industry leaders—a function

that becomes most evident through the annual General Assembly.

The period 2009/10 saw an acceleration of work in the two topical areas chosen by The Geneva Association's Board as top priorities: i) climate change and ii) the credit crisis/financial regulation. In both areas, The Geneva Association has become a leading force on the global level, animating key debates and pushing the major issues. At the same time, we implemented the expansion of our activity portfolio as authorised by the Board, following the strategic discussions of the preceding two years. Of crucial importance were the external leveraging of our work through a proactive media strategy as well as the assumption of an active role as advocate for selected strategically important insurance issues.

Over the past 12 months, The Geneva Association has had a direct impact on climate change issues in several ways: we facilitated the research of global insurance issues linked to climate change, we continued to push the issue of climate change and its impact higher on the priority list of our industry, we started to facilitate a broader dialogue among international initiatives that cover insurance and climate change, we initiated a public dialogue with the industry on a global level and we helped to position the industry in the media. The Kyoto Statement by 56 CEOs of the most prominent insurance companies worldwide, the *Geneva Report* on Insurance Climate Change released in July 2009, and the central presence of The Geneva Association at the COP 15 congress of the United Nations in Copenhagen were the three highlights. They also broke new ground, not only for The Geneva Association but for the industry, and the public reaction and media response has been extremely positive.

As regards the work on the credit crisis and

financial regulation, The Geneva Association has assumed a central role as the most prolific producer of strategic intelligence concerning insurance issues linked to the credit crisis. Through more than a dozen high-level conferences with CEOs, CFOs and other top industry experts, through the continuous dialogue with the world's leading regulators and supervisors in insurance and financial services, and through an assertive international media presence, The Geneva Association has influenced—leveraging its fact-based analytical work—the discussions surrounding financial stability and the regulatory future framework for the insurance industry. Highlights of our work were the publication of the insurance reader on the anatomy of the credit crisis (cf. *Geneva Report* No. 3), the testimonies given at the various IAIS Hearings, and the Systemic Risk in Insurance project, the most resource-intensive project ever undertaken by our organisation. The direct continuous engagement with insurance regulators and supervisors on behalf of the insurance industry has strengthened the industry's presence in discussions concerning the evolution of the global financial system. This includes in particular the annual High-Level Meetings between The Geneva Association Board Members and the Executive Committee Members of the IAIS, as well as the direct interaction with the G-20, the FSB and the IMF. The Geneva Association today plays a pivotal role as the voice of the large international insurance groups and combines thorough research and objective analysis with an ability to project insurance company views into high-level debates.

However, despite all the good work and the great support that our members' companies have provided for The Geneva Association's recent activities some formidable challenges remain:

- The industry has been slow and somewhat timid in pointing out how well insurance fared throughout the crisis. The Geneva Association has been an early and very vocal institution in this respect but these efforts need to continue and they require sustained company and also trade association action.
- The industry needs to put more distance between it and other financial services providers. Insurance is not banking and insurers are not banks—even if some companies started to carry out banking-type business that turned out to be dangerous and very expensive indeed. The degree of comprehension of the insurance business model and its unique role for a modern economy – and for financial stability—will heavily influence future debates and ultimately regulatory decisions.
- There is an ongoing need for more insurance intelligence that needs to be projected into the discussions determining the future for the financial services sector. While The Geneva Association has made great strides in this respect on the global level, the whole industry will have to confront this issue simultaneously on all levels—national, regional and global.
- The institutional set-up of the new organisations that are meant to safeguard financial stability are lacking insurance representation and in consequence insurance expertise. This needs to change if the stated aim of a more resilient financial system is to be accomplished. We need to educate politicians and non-insurance financial regulators and central bankers more thoroughly about insurance. It is ignorance-of and not opposition-to our industry that creates the biggest risks for future development.

- And finally, as an industry, we are too far away from critically important decision processes. When insurance companies are not even truly considered as useful partners for public discussions on the highest level as they are deemed largely irrelevant (or at the minimum complacent) then that is a major problem.

The most pressing challenges to modern societies and their social, economic and financial fabric are risk issues: from natural catastrophes to old-age security, from man-made disasters to financial markets, from terrorism to basic economic development —it is risk that plays a major role and it is insurance that is the ultimate risk industry. The Geneva Association will help making this clear and further its research brief, which provides so much credibility to our many other initiatives.

At this occasion, I would like to express deep gratitude for the Board's permission and support to extend the scope of our activities, which has allowed The Geneva Association to break new ground. I would also like to thank our members for their great support of our endeavours. The Geneva Association is structured as a very lean organisation that often relies on its members

to provide direct support, which has been excellent over the past year. In particular the Board Members' and topic leaders' readiness to represent The Geneva Association personally at public events and in interviews has made a difference. Our new President, Dr Nikolaus von Bomhard, has been a shining example for everybody in this respect. Thank you!

None of our work would be possible without a dedicated staff to execute it. The Geneva Association's core team has been highly motivated and very dedicated in their jobs. It is with a sad heart that we are saying goodbye to Gerry Dickinson (Head of Insurance and Finance), Geneviève Reday-Mulvey (Head of 4 Pillars/Pensions) and Bruno Porro (Chairman of CRO Networks) who are all three transitioning out of their active roles. They will be functionally replaced by new colleagues in the coming months, but their personalities will be missed. Thank you!



Patrick M. Liedtke
Secretary General
and Managing Director,
The Geneva Association



Board of Directors



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Munich Re Group



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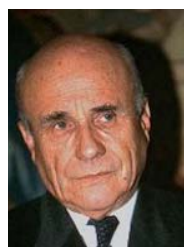
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Chief Executive,
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**Antoine
Bernheim**
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Christine Bosse
CEO,
TrygVesta



**Henri de
Castries**
Chairman of the
Management
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**Patrick de
Larragoiti
Lucas**
President,
Sul America
Seguros S/A



Denis Kessler
Chairman and
CEO,
SCOR



Patrick M. Liedtke
(ex-officio)
Secretary General and Managing Director, The Geneva Association



Stefan Lippe
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Martin Senn*
CEO
Zurich Financial Services



Donald A. Stewart
CEO,
Sun Life Financial Inc.



Tidjane Thiam**
CEO, Prudential Plc



Patrick Thiele
President and CEO,
PartnerRe Ltd



Richard Ward
CEO,
Lloyd's

* standing in for James Schiro (1 January 2010)

** standing in for Mark Tucker (1 January 2010)

Key collaborators



Patrick M. Liedtke
Secretary
General and
Managing
Director,
The Geneva
Association



Walter R. Stahel
Vice Secretary
General
Risk Management



Gerry Dickinson
Vice Secretary
General
Insurance &
Finance*



**Jan
Monkiewicz**
Vice Secretary
General
PROGRES
(Regulation)



**Christophe
Courbage**
Research Director
Health & Ageing
and Insurance
Economics



**Geneviève
Reday-Mulvey**
Research Director
Four Pillars
(Pensions)



**Anthony
Kennaway**
Head of
Communications

* until 31.12.2009

A view from the past



The following text was provided by the late Professor Raymond Barre, Former Prime Minister of France and Honorary President of The Geneva Association to The Geneva Papers on Risk and Insurance—Issues and Practice (18(3), p. 216, July 1993) on the 20th anniversary of The Geneva Association. The highly interesting text harks back to the creation and early days of the Association and the foundations on which it has been built.

Message

by Raymond Barre □

This year we are celebrating the twentieth anniversary of the Geneva Association – International Association for the Study of Insurance Economics. It gives me great pleasure to take this opportunity to praise its development and dynamism.

Remarkable progress has been achieved since 1973 when, on the behest of Mr. Fabio Padoa and a group of major European insurers, I became President of this newly created Association. These personalities had realized that the evolution of insurance in contemporary economies and societies and at international level called for an approach that was not restricted to a purely juridical vision of these activities. It was no longer enough to master to litigation aspect of relations between the insurers and the insured. It was henceforth important for insurance companies to penetrate the complex world of risk and uncertainty and to design and implement strategies taking into account not only of the current economic, social and political forces and of the interests of their various partners: companies, consumers, financial institutions and the State, but also of the globalization of economic and financial activities.

We had to start from scratch. With the inventive mind and inexhaustible energy of Orio Giarini, the Association first set about extending the relations of the original core of members to the other European, American and now Japanese insurance companies. It built up a network of correspondents in the major universities, financed research and theses, and organized pioneer studies on social security and on the mechanisms of pay-as-you-go and capitalization regarding pensions. It carried out in-depth studies on the problems of risk management for industrial companies. It encouraged the analysis of the effects of technical progress on insurance in financial services and is paying particular attention to the various aspects of international trade in the field of services and insurance.

Ever since I relinquished the presidency of the Association in 1976, I have seen how the seeds that were sown following its creation have germinated. Each year has witnessed the ripening of new fruits. When we decided in 1976 to launch the quarterly “Geneva Papers”, we never expected that, thanks to the quality of its analyses and the frequently innovative character of the subjects covered, it would quickly acquire the fine reputation that it now enjoys.

The Geneva Association has come of age. Its first President wishes to thank those who helped him in the early days of the enterprise and also the presidents who succeeded him and who made sure that this enterprise could continue its work uninterruptedly; his thanks also go to Secretary General Orio Giarini who has borne the major burden so enthusiastically!

As it has done up till now, the Geneva Association will continue to demonstrate that insurance companies have a great deal to gain from the combination of rigorous economic analysis with inventive research at the service of innovation and progress.

Insurance and Finance

The unprecedented scale of the financial crisis and the shocking effects of systemic risks have rocked the global economy and with it, insurance since 2008. The Insurance and Finance Programme has been working vigorously to understand the underlying issues of the crisis, the nature of financial stability and insurance and to help steer thinking on lessons learned and the future regulatory architecture.

Insurance and Finance: a maelstrom of threats and opportunities

The research programme on insurance and finance comprises academic and professional research activities in the fields of finance where they are relevant to the insurance and risk management sector. The programme is dedicated to making an original contribution to the progress of insurance through different initiatives in the field of insurance finance.

The research programme engages in:

- highlighting issues of key importance;
- promoting studies of the function of finance in insurance;
- discussing the relevance of financial concepts and instruments to the industry;
- detecting new and promising theoretical developments; and
- diffusing knowledge and the results of research worldwide.

Since the beginning of the credit crisis, the Insurance and Finance Research Programme has become one of the most active programmes of The Geneva Association. Already in late 2007, the responsible directors—at the time

Gerry Dickinson and Patrick Liedtke—realised that the then emerging crisis in the U.S. mortgage sector had the potential to become a much wider issue. They believed that it could have important consequences, not only in the banking sector where it originated, but also for financial services around the globe and the economies of many developed countries in general—thus also directly, and potentially massively, affecting the insurance sector and its operators.

Over the past three years, the Insurance and Finance Programme has provoked and sponsored both internal and external research and analysis on the subject from an insurance perspective. It pushed demanding and sometimes even awkward questions to expert partners and audiences involving not only insurance professionals, but also regulators, supervisors, academics, researchers, politicians, shareholders, analysts, rating agencies and other financial specialists. Central themes and specific aspects of the crisis became part of the seminars and conferences and a dedicated repository of information was created on the website that would group not only original Geneva Association production, but also some relevant external contributions on the insurance dimension of the credit crisis. The

period 2009/10 was especially active as the main thrust began to move from understanding current developments to post-crisis analysis and, more importantly, prospective work on lessons to be learned and consequences to be drawn from the calamity. The Geneva Association has become the most prominent and prolific producer on insurance intelligence concerning the crisis. Two important examples of Geneva Association action illustrate this:

1. In February 2008, The Geneva Association instigated a special working group on the credit crisis, consisting of chief economists and strategists (drawing on The Geneva Association's Amsterdam Circle of Chief Economists), that would look into the crisis and its impact on insurance. Much of their original work was continued by several other initiatives and carried into the 2009/10 period in the form of special articles, papers and finally an insurance reader, *Anatomy of the Credit Crisis*, a collection of 20 contributions published in January 2010 and available in hardcopy format as well as for download from The Geneva Association's website (www.genevaassociation.org). This insurance reader was put together as a reaction to the widespread demand for reliable information on and an intellectual appreciation of the insurance sector's involvement in the credit crisis. It saw a distribution of over 10,000 hard copies and many more thousands of downloads from the website. The appreciation that insurance played a very distinct role from banking throughout the crisis is now widely accepted—but it was not when The Geneva Association began its work, pointing out this important difference.
2. In December 2009, The Geneva Association began tackling an issue of great importance to the insurance sector: the question of systemic risk in insurance (SRI). A Steering Committee consisting of The Geneva

Association and eight large international insurance companies set out to produce a report that would analyse the role of insurance for financial stability (*a special chapter in this annual report describes this initiative in more detail, see page XX*). From the perspective of the Insurance and Finance Research Programme, the SRI project broke new ground in that it combined the in-house intelligence of The Geneva Association with a dedicated group of experts from insurance companies to work on a specific issue and against a very tight deadline as the results had to be available in time for the IAIS Technical Hearing on 26 February 2010. The project produced what is now widely considered to be the reference work on systemic risk in insurance and on the role of insurance for financial stability around the world.

The area of Insurance and Finance continues to present a maelstrom of threats and opportunities for the insurance sector and constitutes, in consequence, a very fertile ground for action by The Geneva Association. Given that all regulatory proposals for the financial sector affecting the insurance industry require a deep understanding of insurance matters, there are two important lines of action to pursue: one, continue the research brief by tackling the strategically most relevant issues, producing objectively verifiable work that stands up to the quality expected from a world-class organisation; and, two, assure that insurance knowledge is appropriately leveraged into the most significant international debates determining the future frameworks for the financial sector and in particular insurance.

PROGRES

The major aim of PROGRES is to foster dialogue between the global regulatory and supervisory actors on the one hand, and the insurance industry on the other.

The PROGRES name stands for Research **Programme on Regulation, Supervision and legal issues in insurance**. PROGRES is a Geneva Association research programme focused on the regulatory and supervisory aspects of insurance industry developments including as well as legal issues. The major aim of PROGRES is to foster dialogue between the global regulatory and supervisory actors on the one hand, and the insurance industry on the other. This comprises both research, monitoring and organisational activities.

PROGRES is concurrently built around four core components developed through the course of many years:

1. high-level face-to-face meetings of The Geneva Association Management Board with the International Association of Insurance Supervisors (IAIS) Executive Committee;
2. the publication of semi-annual PROGRES Newsletters;
3. the preparation of special publication projects on regulation on an occasional basis; and,
4. high-level international PROGRES annual seminars held in Spring in Geneva or in Montreux, Switzerland.

With output that accounts for some 8 per cent of world GDP and 11 per cent of global assets, most of which are held long-term, insurance should be at the top table, when the

future regulatory architecture is remodelled in light of the financial crisis. Insurance should be considered with a view to its long term investment and underwriting horizons as well as its expertise in the management of risks and most importantly as an industry that is unlike any other. Insurance companies were not at the root of the financial crisis and core insurance activities did not pose a systemic risk yet initial indications from policy-makers and regulators show an inclination to include insurance in systemic risk regulation. PROGRES in 2009/10 has focused on the fundamentals of insurance and how they relate to the crisis. It has organised fora and publications for international discussions to address misperceptions, existing or potential, and to examine a suitable future regulatory framework with industry protagonists and regulators.

A key counterpart of The Geneva Association for many years has been the International Association of Insurance Supervisors (IAIS). The IAIS is the only recognised global standard setter in insurance and it organises the work of over 200 jurisdictional supervisors. It takes the far-sighted view that effective dialogue with insurance industry is important for the development of high quality regulatory standard. The IAIS is among the most transparent global standard-setters in the financial world. Since 2000, the IAIS has been open to observers, but not limited to insurance undertakings and their associations alone. The Geneva Association

became one of the very first IAIS observers and the first Secretary General of the IAIS later joined The Geneva Association as the Head of PROGRES. With Professor Jan Monkiewicz today, The Geneva Association has a Vice-Secretary General, who as former President of KNF (the Polish supervisor for insurance and pensions) was for many years also a member of the IAIS Executive Committee.

IAIS membership includes, amongst others, the IMF, the World Bank, the OECD and the European Commission. These members began as observers but in 2007, with changes to the IAIS by-laws, were allowed to become full members. Over the last five years, a continuous improvement of IAIS and industry dialogue has taken place. The Geneva Association has been a key part of this process, contributing to the dialogue through its regular informal contacts, its research and publications, organisation of special events, in particular the High-Level Meetings (HLM) and PROGRES Seminars.

A new component of PROGRES, developed in 2008 and 2009, is the **PROGRES.Net** network. Its goal is to develop and foster a network for dialogue on regulatory and supervisory affairs between regulatory, compliance and supervisory officers from different companies. This raises awareness on issues at hand, coordinates the officer's activities and enables the development of joint actions. It was launched at the IAIS General Assembly in Budapest in October 2008. The most recent meeting took place in Montreux, on 5 April 2009, back-to-back with the 25th PROGRES International Seminar. It brought together eight industry representatives from Swiss Re, Aviva, AXA, Zurich Financial Services and AK Sigorta, amongst others. It was attended by Yoshihiro Kawai, the IAIS Secretary General, who highlighted the current activities and initiatives of the IAIS. During the meeting, Swiss Re presented its regulatory function and AXA described the activities of

the Pan European Insurance Forum. The last 2009 PROGRES.Net meeting took place in Rio de Janeiro, Brazil, during the 16th Annual Conference of the IAIS. In 2010, PROGRES.Net participants gathered once again during a side-event of the PROGRES seminar on 15 April, dedicated to the issue of systemic risk and insurance.

In 2010, The Geneva Association has been working with high-level experts, leading insurance supervisors and regulators on a book project on regulatory and supervisory issues. In doing so, The Geneva Association aims to contribute to current debates and organise the thinking of both researchers and policy-makers on the future developments in this regard. Work on this project is already well advanced.

Trade and investment issues

As Part of PROGRES The Geneva Association maintains a close watch on global services trade and investment issues, principally through Julian Arkell.

The focus of this monitoring is on the development of international disciplines being negotiated at the multilateral and regional levels likely to affect, both directly and indirectly, insurance cross-border trade worldwide and investment in affiliates (owned by insurers) and their operations within markets abroad.

The outcome of the prolonged World Trade Organization (WTO) Doha Development Round of negotiations is still unclear, both for the development of the legal framework of the General Agreement on Trade and Services and further multilateral liberalisation of services trade.

In parallel, the market conditions for international trade in the insurance sector are becoming progressively more complex

due to the various regional preferential trade agreements that overlay the many hundreds of bilateral trade agreements and bilateral investment agreements. An overview of these issues will be set out in a forthcoming issue of an “Etudes et Dossiers” on the subject of Global Trade in Insurance Services: Key Issues. It should be of interest not only to insurers and insurance supervisors, but also to those formulating trade policies and negotiating trade agreements, as well as to researchers, NGOs, journalists and the wider public. Throughout 2009/10, Julian Arkell has maintained a close eye on progress at the WTO and Secretary

General and Managing Director of the The Geneva Association, Patrick M. Liedtke, gave a presentation to the United Nations Conference on Trade and Development on 18 March 2010.

Other areas of concern are:

- how trade in insurance services is to be measured under the revised IMF Balance of Payments Manual (Version 6); and
- the OECD research programme on assessing the regulatory regimes of its members to develop a Services Trade Restrictiveness Index that will probably cover the insurance sector in the future.

High-level meetings with the IAIS

A high-level meeting initiative whereby The Geneva Association Board Members meet the Executive Committee of the IAIS annually was established in January 2008. In a short period of time, these meetings have proved to be a highly productive forum where the world's leading insurers can interact directly with the most important insurance regulators and supervisors. The meetings provide an opportunity for the leaders of the insurance sector to interact directly on international regulatory issues and a unique opportunity to engage on a range of strategically important issues. In April 2010, subjects under discussion were the following:

The progress of international policy and regulation in response to the credit crisis

Following discussion on systemic risk at the October 2009 IAIS observer meetings, The Geneva Association decided to conduct deep background research into the systemic aspects of the credit crisis and its relationship with insurance. Full details of the report can be found on page XX of this annual report. The conclusions of the report have led insurance industry interactions with the IAIS and other regulatory bodies since that time. At the HLM, the IAIS, having been presented with the report in February 2010, used the opportunity to raise additional questions and implications of the report with the industry.

Global solvency standards

Insurers outlined the positive implications of the implementation of global solvency standards on its industry and made suggestions on how those rules might be implemented. Perceived benefits include the eradication of the potential for regulatory arbitrage, consistent regulation for all, (and therefore a level competitive playing field) and the increased efficiency that a harmonised solvency standard would bring to operations. Insurers supported the IAIS' "Common Framework for the Supervision of Internationally Active Insurance Groups" and then went on to discuss appropriate valuation and stress tests.

The process and organisation of ongoing HLM dialogue

A particular feature of the HLMs is the open and honest discussion on the nature of regulation and its implementation. The quality and progressive nature of the discussions reflect the transparency of the regulator and the industry's desire for 'good' regulation rather than "opposition to" regulation.

Risk Management

The management of risks can take many forms so whilst risk management is integral to insurance, insurance is only one feature of risk management. The Risk Management Programme seeks to understand the nature of emerging risks and to understand how and where they relate to insurance.

Risk Management is one of the earliest research programmes of the Geneva Association. In 1975, it made the first survey of risk management practices with the European manufacturing industry. Since then, Risk Management has been one of the main lines of our research programme. The first Risk Management Newsletter was published in June 1984, and issues have been published biannually since then.

The focus of the Risk Management Programme is:

- to provide a platform between the insurance community, the engineering and academic communities and policy-makers to discuss issues on balancing risks and opportunities;
- to be a facilitator for the Chief Risk Officers (CROs) of The Geneva Association, and CROs in general;
- to foster the use of the tools of risk assessment and risk management in new fields of application, such as policy-making;
- to promote the concept of the insurability of risks as the “natural” borderline between State legislation and the market economy;
- to identify new opportunities for insurers in the emerging sustainability concept in order to enlarge the field of insurable and insured risks, and;
- to research and illustrate the new risks in the emerging service economy, based on

an extended performance responsibility of economic actors.

In May 2008, following a mandate from its members at the 2008 General Assembly, The Geneva Association began its climate change and insurance (CC+I) research project in response to one of the most multi-faceted challenges to the insurance industry since its inception—climate change. The project builds on the considerable expertise that The Geneva Association has acquired in this area over more than three decades through its activities as part of its ongoing Risk Management Research Programme.

As a result of the mandate, The Geneva Association established a working group of experts from a dozen members of The Geneva Association, complemented by external experts from internationally renowned institutions. The CC+I Working Group is co-chaired by Kunito Ishihara, Chairman, Tokio Marine & Nichido Fire Insurance Company and Michael Butt, Chairman of Axis Capital Holdings, and has embarked on a multi-year programme to study the links between climate change and insurance.

The objectives of the climate-linked research have been to identify and analyse:

- issues that are of specific relevance to the insurance industry, such as the likely range of future claims costs, new business opportunities and scenario testing;

- external challenges to be addressed at the political, educational and social levels, such as the role of governments, specific provisions concerning issues such as building codes, and zoning restrictions, to prevent repeated losses in hazardous regions.

The CC+I project is a logical step in the development of the Risk Management research programme of The Geneva Association, which started with responses to external factors, such as risk engineering and the analyses of natural hazards, in the 1980s. The 1990s saw the inclusion of the challenge of sustainability, followed at the beginning of the 2000s by organisational and functional issues, such as the role of the Chief Risk Officer and solvency reforms in Europe and other regions.

The Risk Management Programme of The Geneva Association worked on three key projects in 2009/10; the Kyoto Statement of The Geneva Association; The Climate Change and Insurance (CC+I) working group's, Geneva Report No 2 and a presence and presentation at the United Nations' Conference of the Parties 15 (COP15).

The Kyoto Statement

June 2009

See page XX for the Kyoto Statement.

Perceiving the need for a member-wide initiative on climate change, the CC+I working group drafted a series of common insurance commitments and undertakings on measures to adapt to and mitigate climate change. The statement also calls on governments to harness the industry's particular skills and unique position in society to help society to adapt to the impacts of climate change. At the 2009 Geneva Association General Assembly in Kyoto, Japan, (in the same room used for the

signing of the Kyoto Protocol in December 1997), an unprecedented 56 of the world's leading insurance companies signed up to The Geneva Association's Kyoto Statement.

The Geneva Report No. 2

July 2009

***The insurance industry and climate change—
contribution to the global debate***

See page XX for details of the publication.

The CC+I working group saw clearly that climate change presents both risks and opportunities for the insurance sector. The insurance industry is forward-looking by nature and has a long-term approach that is not matched by many protagonists in either business or politics. As a result, the working group set out to write a document that addressed two climate change related issues; firstly, to identify, quantify and prioritise hazards in both mitigation and adaptation measures; and, secondly, to look at how the transition to the agreed societal vision of low-carbon economies will change the economic structure of many countries, and the risks and opportunities it will create. As a whole, the report shows that climate change is about more than just extreme weather events. It analyses what insurance companies are already doing, what they could do in the future and where cooperation is needed from governments and policy-makers in order to properly harness the skills and knowledge of the risk management industry.

The UN Conference of the Parties—COP15

9 December 2009

See page XX for details of the Conference.

In a development of the identified need for

governmental and policy-maker engagement to harness insurance skills (the industry is already working hard at the issues it can already address), the CC+I working group identified representation at the United Nations COP 15 proceedings in Copenhagen, as a key priority.

On 9 December 2009, a CC+I working group panel of insurance CEOs and senior experts delivered a set of presentations to the attendees of the COP15 summit, calling on them to recognise and harness the skills of the insurance industry in national and international measures to mitigate and adapt to the effects of climate change. The representations were as follows:

- *Climate change (CC) as a major risk management challenge*, Christine Bosse, CEO TrygVesta;
- *The Fundamental Role of Insurance: Enabling Economic Growth and Social Development*, Dr Eberhard Faust, Head of Research: Climate Risks and Natural Hazards, Munich Re;
- *Towards a low-carbon and climate resilient economy*, Dr. Richard Ward, CEO Lloyd's
- *Climate Change and Insurance (CC+I)*, Patrick M. Liedtke, Secretary and Managing Director, The Geneva Association

The programme furthers and delivers its output through the *Risk Management Newsletter*, the annual seminars and the CRO meetings:

- The ***Risk Management Newsletter*** is published biannually, past issues of all newsletters are available in pdf format on our website www.genevaassociation.org.
- The **M.O.R.E. Seminars** (Management of Risk in the Economy) are open to experts from academia, insurance, industry and policy-making; the papers of the seminars are published in the series *Etudes et Dossiers*.
- The **CC+I Seminars** (Climate Change and Insurance) are open to experts from

academia, insurance, industry and policy-making.

- The **ART of CROs Meetings** (Annual Round Table of Chief Risk Officers) are held in spring; these meetings are open for Chief Risk Officers of The Geneva Association's members.
- The **Annual CRO Assemblies** are open to CROs from all insurance companies and related sectors.

Specific research projects are initiated on topics of high relevance on a temporary basis, such as the **CC+I Project** (Climate Change and Insurance), started at the 2008 General Assembly in Bermuda, and extended at the 2009 General Assembly in Kyoto.

Additional articles and studies on risk management issues are regularly published in *The Geneva Papers on Risk and Insurance—Issues and Practice*. The Geneva Association also regularly publish books and articles in journals on risk management issues, and finance outside studies on emerging risk management issues.

The programme head, Professor Walter R. Stahel takes an active role in international meetings and expert groups. He was a member of the Steering Committee of SRA (Society of Risk Analysis) Europe, participated at meetings of the United Nations Environment Programme (UNEP) Insurance Industry Initiative, and has given presentations at major Risk Management conferences including the 60th Anniversary Annual Conference of the World Meteorological Organization (WMO) in Geneva.

Some lessons from the past year

Key risks

In the evaluation of losses from man-made risks versus natural catastrophes, the credit crisis has definitely tilted the balance in favour of man-made risks. The credit crisis was based on a market failure combined with a policy failure, thus creating a truly systemic risk. However, the few countries not affected, such as Australia, Canada and Lebanon, teach us that the regulatory framework is the one which exercises a preventive influence. But systemic risks are not only those found in financial markets.

With regard to natural catastrophes, Eyjafjallajökull has shown another systemic risk in modern just-in-time economies. European car factories had to shut down because of a lack of key parts, thousands of people were stranded for days in places they never had intended to spend more than a few hours, and airlines started fighting scientists over the role of volcanic ash and its destructive influence on aircrafts.

The underlying issue of the “science of science”, or science policy, which was hotly debated in the 1980s, may make a revival.

Climate change

The present scientific focus on climate change is hiding the fact that over the coming decades, extreme weather events will impact the insurance industry to a much greater extent than climate change. The insurance industry will thus continue its efforts to reduce future losses from extreme weather events through appropriate adaptation efforts, while at the same time pressure politicians and policy-makers to take mitigation efforts on climate change, by

reducing greenhouse gas (GHG) emissions.

The Kyoto Statement of The Geneva Association is thus very relevant, especially as it is signed by 56 CEOs members of The Geneva Association, leaders of the largest insurance companies in the world.

An open question that will need continued thought is the contributions of the insurance industry towards a transformation of the present throughput economy to a low-carbon economy. A number of issues need to be considered in this context, without an obvious link to climate change. These include topics as diverse as the IT sector, the 2008 EU Directive on waste prevention, and new business models such as those of the Performance Economy.

Information technologies

The volume of some IT services have been growing at annual rates of more than 200 per cent. Yet according to a recent IBM research report, the energy efficiency of the servers, on which IT services run, could be improved by a factor 5 using water-cooled server technology.

Considering that IT servers produce world-wide more GHG emissions than aircraft, a reduction of the IT electricity consumption by 80 per cent would have a tremendous impact, reducing related GHG emissions by 80 per cent in most countries.

In addition to the lessons learned, the Loss Iceberg issue is still to be pursued in more detail, and new insights are expected from the forthcoming M.O.R.E. 24 Seminar on Modelling and Mapping Risks. Key will be to keep a holistic vision of risks and risk management.

The Climate Change and Insurance Project

Climate change is one of the greatest challenges that society faces today. For the insurance industry it creates new risks as well as opportunities. That is why The Geneva Association members at the 2008 General Assembly in Hamilton, Bermuda, decided to launch a new research project—Climate Change and its Economic Impact on Insurance (CC+I), that is a next step in the development of the Risk Management Research Programme started by The Geneva Association over 30 years ago.

The CC+I Project was initially started as a one-year initiative. But after its first successful year, the members of The Geneva Association at the 2009 General Assembly in Kyoto, Japan, decided to make it one of the organisation's long-term projects. The Working Group met 26 September 2008, 26 March 2009 and for the third time 18 December 2009 in London. The main objectives of the CC+I research project today are to identify and analyse:

- issues that are of specific relevance to the insurance industry, such as the likely range of future claims costs, new business opportunities and scenario testing;
- external challenges to be addressed at the political, educational and social levels, such as the role of government-specific provisions concerning, e.g. building codes, zoning restrictions, etc.
- the frontier between risks and opportunities from extreme weather events, which are sudden and accidental and thus insurable, and those from climate change, which is gradual and foreseeable and thus mostly uninsurable.

The first CC+I report *The insurance industry and climate change—Contribution to the global debate* (The Geneva Report No. 2), launched in July 2009, concentrated mostly on European and U.S. perspectives. To extend this focus, the M.O.R.E. 23 / 1st CC+I Seminar was held on 19-20 October 2009 in Bogotá, Colombia, with the objective to geographically broaden the climate change discussions of The Geneva Association. This focus on the impacts of climate change on society and economy in Latin America and the Caribbean will be maintained for 2010. The 2nd CC+I Seminars will be held 27-28 September 2010 in Sao Paulo, Brazil, sponsored by Allianz Brasil on the subject of *Climate Change: Opportunities for Latin American Insurers?* Topics covered will include global change and climate change, climate politics after COP15 in Copenhagen and the impact of climate change on human health, agriculture and water supply.

A United Nations Climate Change Conference (COP15) held in December 2009 in Copenhagen, Denmark, The Geneva Association CC+I project hosted a side-event which called on policy-makers and governments to recognise and harness the skills of the insurance industry in national and international measures to mitigate and adapt to the effects of climate change. The speakers included Christine Bosse, CEO of TrygVesta; Dr Richard Ward, CEO of Lloyd's; Dr Eberhard Faust, head of research climate change and natural hazards, Munich Re; and Patrick M. Liedtke, Secretary General and Managing Director of The Geneva Association.

**The core competences of insurers in handling external risks:
analysis, underwriting and claims handling.**



Insurance economics

The insurance economics programme aims to stimulate and support academic and professional research work as related to insurance economics. Through creating networks, stimulating research and identifying strategic economic questions it fosters progress in the understanding of insurance.

Main objectives

The research programme on risk and insurance economics comprises the theoretical and academic activities of The Geneva Association. It is aimed at stimulating research in areas linked to economics and insurance. In this sense, it is dedicated

- to making an original contribution to the progress of insurance through promoting studies of the interdependence between economics and insurance,
- to highlight the importance of risk and insurance economics as part of the modern general economic theory,
- to detect and define special aims for research programmes in risk and insurance economics,
- to stimulate and support academic and professional research work in risk and insurance economics throughout the world,
- and to diffuse knowledge and the results of research in risk and insurance economics worldwide.

The activities of the research programme are organised around various axes and networks.

Activities

European Group of Risk and Insurance Economists (EGRIE)

www.egrie.org

EGRIE is a European based non-profit organisation devoted to promoting academic research on risk and insurance economics. EGRIE was founded by The Geneva Association in 1973 and has been supported by the Association since then. From its inception, a key activity of EGRIE has been the organisation of an annual seminar where academics from most European Universities gather. This seminar is considered to be one of the most prodigious academic meetings in risk and insurance economics worldwide. Each seminar starts with the Geneva Risk Economics Lecture who is given by an leading academic on key problem in insurance and risk economics. *The Geneva Risk and Insurance Review* is today considered to be the official journal of EGRIE.



Since 2008 EGRIE has created two awards to support excellence in academic research. These awards are both funded by SCOR. The first one is the SCOR-EGRIE Young Economist Best Paper Award for the best paper presented by a young economist (under age 40) at the annual EGRIE seminar. The second one is the SCOR-*Geneva Risk and Insurance Review* Best Paper

Award for the best paper of the year published in *The Geneva Risk and Insurance Review*. For more information, visit the EGRIE website.

World Risk and Insurance Economics Congress (WRIEC)

www.wriec.org

The three leading academic societies in risk and insurance—APRIA, ARIA and EGRIE—along with The Geneva Association are getting together for the second WRIEC to be held in Singapore on 25-29 July 2010. Like the first one in Salt Lake City, Utah, in 2005, the second World Congress is being held to stimulate global awareness and interest in risk-related research and provide a forum for networking among academics and industry and government professional worldwide. APRIA is the host for the Singapore meeting at the Singapore Management University campus. The conference will include more than two hundred presentations from academics and other insurance representatives. The plenary sessions will deal with some current key topics in insurance such as supervision and insurance regulation, lessons from the financial crises, natural catastrophe risk management, longevity and pension issues, and pedagogical issues in insurance education. Staff of The Geneva Association will be participating in the conference; Secretary General Patrick M. Liedtke will be chairing the session on regulation and Dr. Christophe Courbage will be a panellist at the session on pedagogical issues in insurance education. The World Congress provides limited financial aid to selected junior authors from developing economies whose papers are selected from the program. Sponsors of the WRIEC include Allianz, AXA, MunichRe, and SwissRe.

Joint seminar of the European Association of Law and Economics and The Geneva Association (EALE)

Since 1985, The European Association of Law Economics (EALE) and The Geneva Association have developed a close collaboration to promote the cross-fertilization between law and economics in insurance research. Every two years, a joint seminar between EALE and The Geneva Association takes place in a European country. Thirteen seminars have been organized since the start of the initiative. A representative of EALE is also invited to edit a half special issue of *The Geneva Papers* dedicated to the seminar.

Topics of past seminars have included, “Insuring corporate liability risk”, “Insurance, law and the environment” and “Risk classification and public policy”.

Amsterdam Circle of Chief Economists (ACCE)

ACCE was created in 1999 by The Geneva Association with the objective of bringing together a special group of insurance economists and strategists that can interchange ideas and visions. Each year, a seminar takes place in Amsterdam in early February under the auspices of ING, gathering insurance economists from The Geneva Association’s members’ companies. Topics of past meetings have included, “Insurance and the Credit Crisis”, “Organising Risks in Insurance” and “The Insurance Value Chain”.

Scientific research, the future of insurance

A young field of research

At the beginning of the 1970s, research into the economics of risk and insurance was still under-developed. Insurance was regarded as a peripheral social activity and its economic function received very limited attention. The questions of insurance were primarily treated on the basis of actuarial mathematics and of law. With the “Trente Glorieuses” and the beginning of a steady economic growth, the function of insurance gradually emerged as a key factor in any strategy of economic development. By integrating uncertainty in economic theory and profiting from the progress of financial theory and decision theory, researchers were able to address questions more focused on insurance economics and risk management. Questions such as the market equilibrium of insurance, the individual demand for insurance, the problems of asymmetry of information, the structure of the contracts of insurance and the organisation of the markets, all became areas of focus. Nowadays, a huge amount of academic research is conducted in the field of insurance economics. Several specialised academic journals exist; encyclopaedias of insurance have been published and so on. This field is the subject of courses and diplomas in the best universities, and we dare to believe that The Geneva Association has contributed to this evolution.

What to expect from scientific research?

Scientific research is fundamental in the development of innovation and creativity. It serves two objectives: on the one hand, the development of new knowledge through fundamental research based on free exploration of the unknown; on the other hand, the creation, through applied research, of an existing knowledge to generate new products. These two objectives are of course complementary since fundamental research without possible application would have only very little utility and since applied research needs fundamental research.

Thus the insurance sector has much to gain from scientific research. It can profit from a better understanding of insurance mechanisms and their functioning, which enables it to offer products which better and more accurately reflect the risk borne. Scientific research can also help decision-making by providing increasingly sophisticated models of risk evaluation and forecasting and facilitates the identification of new risks for which the desire for protection is high. Lastly, the strong connection which exists between research and education is vitally important for obvious reasons—it is an investment for the future. We know that OECD countries can, with time, increase their productivity if individuals follow additional years of higher education. The importance of human capital should not be underestimated. The current demographic trends point towards a shortage of workers in the insurance sector and the training of individuals within this sector remains a major challenge.

Research orientations in the field of the insurance

The current economic environment is characterised by an increasing interdependence of risks and activities, which leads to higher feelings of vulnerability and a growing desire for protection. Insurance will therefore play an increasingly important role in a number of economic sectors. Within its research programmes, The Geneva Association identified a number of orientations which would deserve a thorough analysis and an investment

of academic research, and which could also offer applications for a more fundamental research. We will not give an exhaustive list here, but will evoke some orientations which we deem of priority.

The financial sphere, solvency and accounting

The financial approach of the insurance sector experienced significant developments in terms of measurement of solvency and accounting. The recent financial crisis has exposed flaws in the supervisory system and engendered calls to re-regulate the financial sectors including the insurance industry. A major question is, then, to better understand these changes and their consequences for the insurance sector. In a more general way, it seems crucial to understand how capital is allocated and managed in financial institutions. It seems also necessary to measure the sources of inefficiency in the financial conglomerates. Lastly, the recent financial innovations in terms of securitization of certain classes of risk require development.

The law and regulation issues

The recent financial crisis has shone a stark and unprecedented intensity of light on the quality and effectiveness of existing financial services regulation. It is clear that financial services regulation is set to change, but how? Is it right that popular opinion or political-will should steer now-nervous regulators on the complexion of future regulation? Is a knee-jerk reaction going to cause a regulatory burden that encourages more arbitrage and lobbying?

Separately and above and beyond the crisis, legal questions of liability are also a highly important, particularly in the medical and environmental fields where the price of insurance coverage for liability risks has exploded these past years. Liability risk is special in the sense that the period which between risk assessment and the refunding of the damage is often very long. Such contracts experience very important cycles and make the estimate of the losses very delicate.

Large scale risk and insurance

Climate change/natural catastrophes/pandemics. With the increasing interdependence of human activities, risks are more and more interrelated and may have large scale financial consequences effects. This is especially true for risks linked to climate change, natural catastrophes and pandemics. This raises a series of issues. What is the role of insurance in managing such risks? How should we model, measure and manage these risks which have domino effects? Which are the theoretical and empirical difficulties? How to improve the mechanisms of risk management related to natural events and other catastrophic risks?

Ageing/demographics. Current demographic trends, whereby the population over 60 largely exceeds that of other groups, announce major changes in terms of the management of the risk of life and the associated insurance decision. Not only pension issues are concerned but also health and long-term care risk management. This requires to better understand the consequences of a greater capitalization of social security systems. This calls to reflect on how public and private mechanisms to finance pension and health systems should be designed to encourage the benefit of innovation, without generating unnecessary costs, and to improve quality of services. These demographic trends should reinforce the interaction between pension and health systems, which would require a global approach.

The Four Pillars/Pensions

The Geneva Association research programme on Social Security, Insurance and Retirement name derives from a visionary proposal that uses part-time work for those at retirement age to solve a myriad of problems that exist with retirement, its financing and how it affects both individuals and companies.

In 1987, The Geneva Association launched its “Four Pillars” Research Programme with the aim of identifying possible solutions to the problem of the future financing of pensions and, more generally, of social security in our post-industrial societies. It saw in demographic trends—particularly increased life expectancy—not the catastrophe many feared, but a positive and formidable challenge for our communities and firms and for the workforce within them. This challenge meant rethinking retirement in the context of a new design for employment throughout the life cycle so that people, rather than being relegated to a role of inactive consumers, could work later in life, remain socially integrated and continue to make a valid economic contribution to our service economies. The programme has been well recognised by European, international and national organisations.

The concept of the Four Pillars owes its origin to the fact that, in most countries, the funding of pensions is based on three pillars:

- the 1st pillar—the compulsory, pay-as-you-go, State pension;
- the 2nd pillar—the supplementary (often funded-based) occupational pension;
- the 3rd pillar—individual savings (including personal pensions, life insurance and other assets).

In our publications and seminars, we have advocated the adaptation of the 1st pillar, a

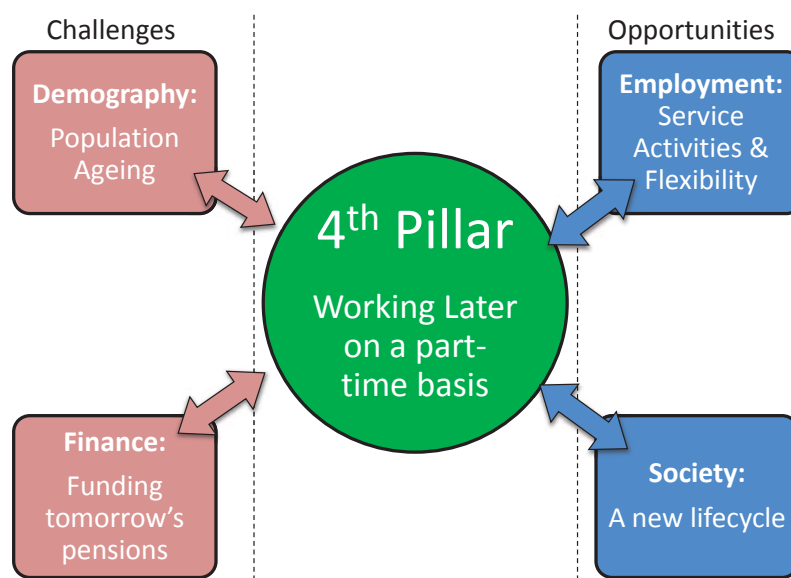
strengthening of the 2nd pillar and further development of 3rd pillar resources. However, our attention has focused above all on a 4th pillar i.e. the future need for a flexible extension of work-life, mainly on a part-time basis, in order to supplement income from the three existing pillars. The reorganisation of end-of-career and the new age-management strategy—in which gradual retirement is destined to play a key role—involved in establishing this pillar, also correspond to many of the changes (for example in quality of work and the life cycle) that are specific to our contemporary service economies.

The research programme has had four main objectives:

1. analysis of the key elements in organising old-age security systems;
2. research of conditions for multi-pillar systems of pension financing, in particular the second pillar based on funding, the third pillar based on savings and life insurance and a new proposed fourth pillar based on income from a much needed extension of working life;
3. encouragement of multiple and complementary solutions to the challenges of ageing; and,
4. understanding the role of insurance in the provision of old-age security systems.

There are five key issues that are of interest and/or relevance to the insurance sector:

Societal Challenges—Opportunities from a Fourth Pillar



1. A global partnership between public and private sectors.

As welfare systems begin to crumble under the weight of our increasingly numerous and expensive “old”, a key challenge has been to consolidate the partnership between the public and private sectors. Almost all countries have had to redesign or readjust their welfare policies on health and pensions so as to avoid creating public deficits which would otherwise place too great a burden upon future generations. The developments and potential outcomes of this changing relationship are very pertinent to insurers as a key counterparty in the private sector.

2. Development of second and third pillar pensions.

With recent and current reforms of public pensions aimed at future funding—involving inevitably a fall in the relative value of old-age benefits—the development of second- and third-pillar pensions has become a priority. In many

countries, second-pillar pensions have been made compulsory and, where not already compulsory, have been encouraged by all kinds of financial and fiscal incentives. Private pension funds will play a growing role in securing future retirement income.

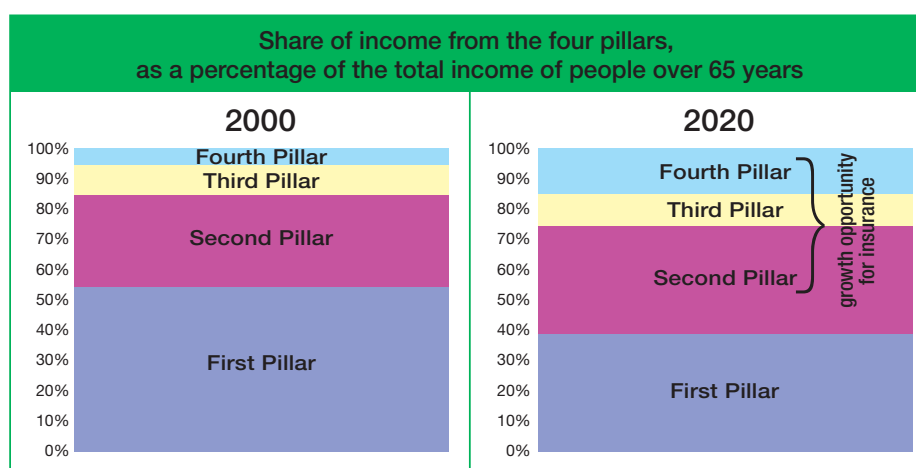
3. Research into the extension of working life, i.e. of a fourth pillar.

Even substantial development of second and third-pillar pensions will probably not be sufficient to compensate both longer life-expectancy and a rising proportion of people over 65 years. With good health expectancy it is not only possible, but also essential to plan for a flexible extension of one’s working life. Pension solutions must encourage and facilitate this extension, which will also benefit the insurance sector workforce.

4. Encouragement of global savings and life insurance.

In a more general way, it is essential to encourage long-term savings for retirement and longer life expectancy. Insurance companies have a key role in

Evolution of the share of income from the four pillars



designing adequate and tailored products to cater to a wide range of needs and means.

5. Age management of the workforce of insurance companies. In insurance, as in other sectors of the economy, workforce ageing will require planning for improved age management as a matter of urgency. Our studies at the European and international levels have shown that, among other things, continuing training, work-time reduction, job redesign and a review of the seniority-pay principle, will increasingly need to be addressed by businesses. Codes of employment might be an ideal place to start in developing new age management strategies. Insurance would be well served by being seen to lead in this important field in the future.

Throughout 2009 and into 2010 the programme has been organising Four Pillar sessions at major international conferences and has prepared a special issue on the Four Pillars of *The Geneva Papers in Risk and Insurance*. At the important pentennial World Congress of Gerontology, on 3-5 July 2010 in Paris, The Geneva Association and the Silver Workers Institute organised a

session on Silver Work, with speakers from the U.S., the U.K., France, the Netherlands and Germany. Research Head G. Reday-Mulvey delivered the keynote speech, Key Policies and Practices for Silver Work in Europe at the World Ageing and Generations Congress, University of St.Gallen, 3-5 September 2009, one of the main international congresses in the field with over 400 participants. At the conference, The Geneva Association organised three sessions on Silver Workers, firstly on the individual factors and relevant policy perspectives, with speakers from Germany (Prof. J. Deller), the U.K. (Prof. B. Casey) and France (G. Reday-Mulvey). The second focused on the companies' challenges led by the participation of older workers with best practice on new age management (reduction of working time, training, ergonomics, etc.) presented by speakers from the U.K. (A. Beazley from Employment Forum on Age), Switzerland (M. L. Python, General Secretary of SEC) and Belgium (M. Hutsebaut from European Trade Union). The third session focused on the importance of coordinating public policies and key factors, with the presentation of a European Programme in five

EU Member States and a contribution on the importance of health promotion measures at the public and company levels.

The Silver Workers Institute

www.silverworkers.ch

Created in 2007, the Silver Workers Institute is an independent and apolitical research and information centre based in Geneva.

Based on the extensive work of the “Four Pillars”, the aim of The Silver Workers Institute is to study the work environment of seniors, or “Silver Workers”, and to propose policy action for companies and governments in response to issues arising in the workplace for seniors, to demographic changes, to pension reforms and to the challenge of expanding the productive capacity of our societies.

A crucial part of this mission is to raise awareness of how the active ageing of seniors can be positive for our firms and communities, not only economically, but also socially. In a changing demographic context, Active Ageing and Silver Work constitute key solutions to improved social cohesion and financing of pensions in future decades.

For more information on Silver Workers, please see page XX



Special issue of *The Geneva Papers on Four Pillars*



In October 2009 a special issue of *The Geneva Papers on Risk and Insurance—Issues and Practice* was published focusing on the Four Pillars, (Vol. 34, No. 4). The edition was published with two editorials, the first considering the future of pensions and retirement income by summarising and comparing pension reforms in OECD countries and the second analysed the consequences of the current financial crisis for pension systems.

The edition was published in two sections, in the first, a series of articles examine six country specific pension issues, namely, the U.S., Germany, Switzerland, Sweden, Italy, Argentina and Chile. Section 2 is more specific and technical in nature, covers pension related issues in Japan, France and the U.K.

Health and Ageing

Change in demographics, society and health technology affect the sustainability of welfare systems and other health financing institutions. The Health and Ageing Programme is focused on better understanding these changing dynamics for health provision and their implications for insurers in managing health and longevity risks.

The Health and Ageing Research Programme of the Geneva Association aims to investigate the role of demographics, new technologies and insurance in the management of health risk in society. This programme seeks to bring together analyses, studies and researches related to issues in health provision and the role of insurance in covering health risks, with an emphasis on the changing demographic structure whereby the population over 60 years old largely exceeds that of other groups. The key is to test new and promising ideas, linking them to related works and initiatives in the health sector and to try to find solutions for the future financing of health care.

We are particularly interested in the following topics:

- the impact of an ageing population on health insurance systems;
- the development of insurance mechanisms for covering long-term care (LTC) risks;
- the effect of technology on health insurance;
- the development of health care systems and the capitalisation issue;
- the interaction of public and private systems in health provision; and,
- health issues for an ageing population in the workplace.

To pursue these goals the research programme relies on various activities, in particular the development of research within the scope of the programme, the organisation of the Health and

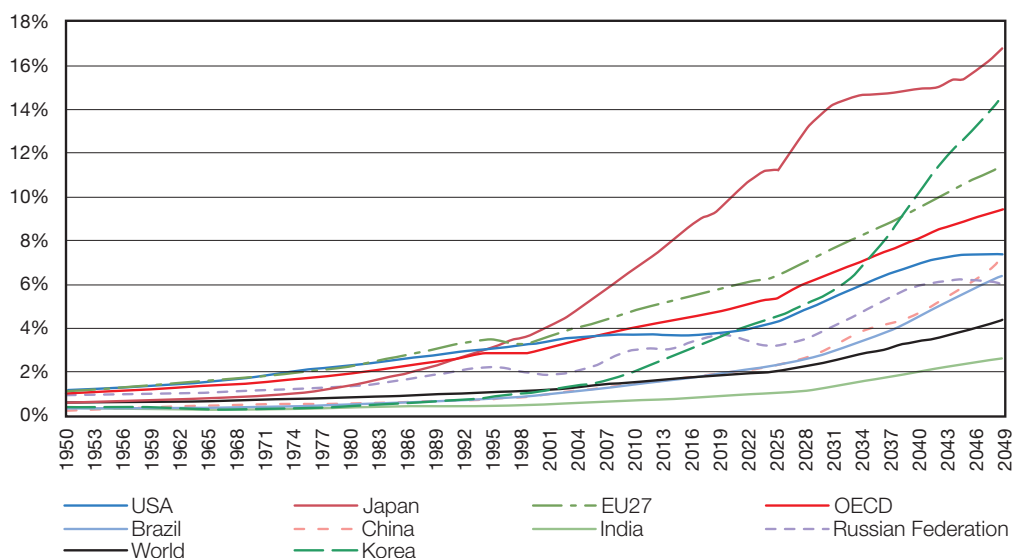
Ageing conference series and the publication of various materials, including a special issue on health of *The Geneva Papers* every two years and the publication of books and newsletters.

The two main activities of 2009/10 were the organisation of the 6th Health and Ageing conference on “Development of Health and Long-term Care Insurance in Eastern and Central European Countries” on 26-27 November 2009 in Warsaw, supported by PZU. This conference gathered more than 50 experts on the topics with speakers coming from the World Bank, OECD, insurance industries, universities and government agencies. The second important activity was the edition of a book, *The economics of new health technology*, published by Oxford University Press.

In 2010/11, the research programme will undertake three major activities:

1. Christophe Courbage will edit a special issue on health of *The Geneva Papers* dedicated to various topics of relevance to the research programme such as the issue of risk classification in health insurance, the development of long-term care insurance, the role of the public/private partnership in insuring health risks with application to countries such as China, Germany, Iran, the U.S., Switzerland, etc.
2. The second activity of the research programme will be the organisation of the 7th Health and Ageing conference in Paris

The global proportion of over 80-year-olds as a percentage of population (1950-2050)



Source: OECD Labour Force and Demographic Database, 2009

on 18-19 November 2010. The seminar will address the U.S. and French long-term care insurance markets development.

3. Finally, the third activity will be the co-edition by Christophe Courbage and Joan Costa-Font from the London School of Economics and Political Science (LSE) of a book on *The financing of long-term care in Europe—Institutions, markets and models*

to be published by Palgrave MacMillan in end 2010/early 2011. This book will draw on the various meetings The Geneva Association has organised on the topic of long-term care. It will address the different forms of long-term care financing, whether public coverage, insurance markets, the role of the family and housing as self-insurance for long-term care.

7th Health and Ageing Conference on “U.S. and French Long-Term Care Insurance Markets Development”, Paris, 18-19 November 2010, co-organised with WillisRe

The United States and France are currently the most developed markets in terms of long-term care insurance. Whilst these two markets differ in various respects, both will be impacted by new reform proposals. The aim of the conference is to better understand the differences and similarities of these two major long term care funding approaches. The conference will address the respective market situations, the public reforms to be implemented and the product evolution and innovation, from both the U.S. and French perspectives.

Topics of sessions include: individual long-term care risk profiles and supply of long-term care services, the markets and products for long-term care, the actuarial and technical issues in long-term care insurance, the national perspectives in financing long-term care, and finally the future perspectives in terms of products, services and models.

Reflection on how to increase access to LTC insurance

Population ageing in most industrialised countries is accompanied by an increase in the need for long-term care (LTC). In 2011, the first baby-boom generation will turn 65, and it is forecasted that the size of the old-age population in state of dependency will double in the next 50 years (OECD, 2005).

At the same time, the decrease in the number of informal caregivers (due essentially to the increase in women's employment rate) and the low public long-term care coverage suggest that the financial consequences of dependency could be catastrophic, even resulting in ruin, for a number of elderly people and their families. Such trends open the floor to the development a private long-term care insurance market.

Several theoretical arguments and empirical works have been proposed to explain the decisions whether to purchase long-term care insurance, and the relative success of this small market. Among the common arguments quoted, insurance demand for LTC would be influenced by information asymmetry phenomena, intergenerational factors, bias in risk perception, the role of the state as insurer of last resort, the family structure, access to informal care, and the level of inheritance to let.

It remains that solutions exist that allow easier access to LTC insurance. Besides tax incentives, insurance may be combined with life insurance, individual savings or reverse mortgages.

Combining LTC insurance and life insurance

The longevity risk is usually covered through life insurance, while the risk of using long-term care is covered by LTC insurance. The rationale for combining these two products in one is that the risks compensate each other: healthy people with high life expectancy attracted by life insurance offset those in poor health with a short life expectancy attracted by LTC insurance. Moreover, combining these two risks in one product has two advantages. First, it reduces the phenomenon of adverse selection in the market for life insurance, since dependent people should not live long enough to qualify for long-term annuities. Second, the selection of risk is minimised because it only consists of filtering out individuals who can immediately benefit from insurance payments.

Combining LTC insurance with reverse mortgages

A reverse mortgage is a loan secured on the value of a property. This type of loan enables the release of equity, or to monetisation of real estate assets, without any transfer of ownership. If necessary, the sale of the property at a later date enables the reimbursement of the loan. As few elderly seem to use reverse mortgages to supplement income during retirement, this tool could be used to finance LTC. This concept seems to appeal primarily when it is directly linked to LTC expenses. Yet, going one step further would be to link the

reverse mortgage, not to LTC spending, but to either life or LTC insurance. The idea is that the reverse mortgage would be used to pay insurance premiums and not LTC. One solution would be to link the annuity to receive to the value of the house and to the level of dependency. The property would act as a safety net and would be used as financing of last resort.

Combining insurance and private savings

Another way would be to allow and/or to force individuals to save during their work-time period in order to pay for either their LTC expenses later in life or their LTC insurance premium so as to spread the cost of insurance over time. This would allow, through individual savings accounts, for a same generation, the accumulation of sufficient resources to take care (partially) of its own needs in LTC. These savings accounts could take the form of health savings accounts that already exist in Singapore, China or the U.S., where savings are invested in a special account to cover only health care spending. These accounts are generally offered in combination with a high deductible insurance. Various possibilities exist: whether in the form of voluntary participation with financial incentives, or of mandatory contributions with additional contributions from the employer. These savings accounts could also take the form of the Swiss second pillar, the mandatory occupational pensions system. The funds of the 2nd pillar are already being used to expand home ownership. They could also be used to expand access to insurance. However, such accounts do not enable risk sharing between individuals and can segment the pool of insureds further and make LTC risks more difficult to insure.

Anticipating the risk of dependence early enough—the Eldershield experience

Insurance products covering the risk of dependency have a relatively low penetration rate compared with other insurance products. One reason is that relatively few people are aware of this risk and the existence of such insurance products. Another reason is that insurance becomes an expensive solution when it is contracted at a later age. Indeed, since it is important to provision this risk (transfer of risk over time rather than between individuals), insurance is more interesting when it is contracted early. With this in mind, the Singapore authorities have introduced a new non-mandatory public financing system of dependency risk, entitled Eldershield. From the age of 40 years, all individuals are automatically enrolled in this system, and randomly allocated to an insurer. They benefit from public subsidies and preferential underwriting conditions. The product and its pricing are borne by insurers. Possibility of surplus redistribution and premium discounts are also included. The plan was launched in 2002. The opt-out rate of the plan decreased from 38 per cent in 2002 to 14 per cent in 2006, reflecting the importance of guiding people and of raising awareness of the risk of dependency.

Special Projects

Three 2009/2010 initiatives of The Geneva Association research programmes and working groups, were of particular note: two letters to the G-20, The Systemic Risk in Insurance project, and the Climate Change and Insurance project's Kyoto Statement. Backed by in-depth research and knowledge generated by Geneva Association working groups, the initiatives served to project a clear position of the insurance industry as an active contributor of insurance intelligence and commentary on the international stage.

Letters to the G-20

The Geneva Association first engaged the G-20 ahead of their London meeting in April 2009 in London. The Market Stability Working Group chaired by Mark Tucker, CEO of Prudential plc, drafted a three page letter to the G-20 following the publication of the proposed London meeting agenda that had shifted emphasis from “banking” to “financial institutions”, thereby implicating insurers. The letter was addressed to the Finance Ministers and Central Bank Governors of the G-20 countries ahead of the G-20 meeting and distributed widely. It was followed up by a letter from Patrick Liedtke after the meeting published in the Financial Times, when it was clear that proceedings failed to take into account the long term nature of insurance or indeed the recommendations of the initial letter. This procedure established a new form of engagement with the G-20, its Finance Ministers, Central Bank Governors and key politicians. Since that time, The Geneva Association has sent two further letters to the G-20 on the regulatory reactions and supervisory structures that they plan to implement in the wake of the financial crisis.

G-20 Letter, November 2009 *see page XX*

Following the April 2009 letter, the newly established Associates group, as appointees of

Board Members and supporting The Geneva Association's active engagement with the relevant international organisations, took on the mantle of engaging the G-20 in a systematic manner. From ongoing G-20 and political discussions it was clear that the proposals under discussion to address future financial stability remained likely to confuse the role of insurers with that of banks during the crisis and therefore to draw the wrong conclusions from the events. Proposals continued to fail to make an appropriate distinction between financial sector companies of a different nature and threatened to include again insurers wholesale without any differentiation. Thus in November 2009, ahead of the G-20 leaders meeting in St Andrew's Scotland, the following letter was composed:

G-20/IMF letter, April 2010 *see page XX*

In the days before 26 April, IMF suggestions to the G-20 meetings to levy a financial and systemic risk tax against all financial services providers were leaked and subsequently released into the public domain. Given the lack of insurance involvement in systemic risks and the potential for misguided and economically counterproductive plans to affect the entire industry, the Associates quickly convened to draft a letter to Finance Ministers



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5 November 2009

To the Finance Ministers and Central Bank Governors of the G-20

Progress made under the action plans of the G-20 has contributed to tangible signs of economic recovery. Various indicators show that financial stability has been restored even if further economic and social impacts of the financial crisis are still ahead of us.

A few weeks after very fruitful and intense discussions with insurance supervisors from around the world at the Annual meeting of the International Association of Insurance Supervisors (IAIS), The Geneva Association is pleased to share its views ahead of your meeting on 6 & 7 November 2009. The Geneva Association is a global organisation representing 80 Chief Executive Officers (CEOs) from the world's leading insurance and reinsurance companies.


- 1. The (re)insurance Industry acts as stabiliser for the Global Economy.** The (re)insurance sector is a major contributor to the efficient functioning of advanced and emerging economies. It has a long-standing history of being an economic shock absorber and source of capital to support economic growth and social development. It protects people and companies against uncertainty, with a long-term perspective. It provides stability by pooling the risks of insurable perils, thereby enabling individuals and businesses to undertake activities that would individually be too costly or too risky and contributing to economic growth. Exposure to liquidity risk is low, mainly due to its inverted funding cycle. A deep understanding of both the functioning and the role of the (re)insurance sector is necessary to design an adequate regulatory framework preserving the role of the industry as a key contributor to financial stability and economic growth.
- 2. Governments, supervisors and all market participants, including the (re)insurance industry, must draw from the lessons of the crisis.** There is a general consensus that the (re)insurance industry was not at the origin of the financial crisis. Overall, it weathered the crisis relatively well, even though it was not immune from the turmoil. Business models of financial institutions vary from one sector to another, and this is reflected in differences in the supervisory regimes. It is vital that the specificities of (re)insurance are taken into account in the design of any new supervisory architecture and rules governing the (re)insurance sector. For its part, insurers and reinsurers have drawn their lessons from the crisis, including recognition of the need to continue to strengthen their internal risk governance to respond to changing market conditions.
- 3. Macro-prudential supervision is necessary and the (re)insurance supervisory sector should be appropriately represented on macro-supervisory boards.** In light of the recent financial crisis, there is a need to monitor overall macro-economic risks that could threaten the stability of the financial services sector. This monitoring should be based on a sound understanding of the different risk characteristics of the sectors of financial services. Insurers and reinsurers are less exposed to liquidity risk, not highly leveraged and less interconnected within the financial services industry. Therefore, the identification and assessment of potential sources of systemic risk requires a sound understanding of the (re)insurance industry, particularly given its

important role as a financial investor. Against this background, (re)insurance expertise should be adequately represented in the Financial Stability Board (FSB) and any other macro-supervisory boards and relevant working groups. We are ready to work together with the regulatory community on the question of what could possibly constitute a systemic risk for (re)insurers.

4. **Macro-prudential supervision should go beyond the mere supervision of institutions qualified as “systemic”.** Thanks to supervision and existing reserving mechanisms, regulators can intervene early on in the event that a (re)insurer encounters financial difficulties. In the event of an (re)insurer’s failure, competitors will easily provide capacity and services. Moreover, size is an element of risk mitigation in the case of (re)insurers as the value proposition of (re)insurance relies on risk pooling and diversification. The temptation to establish a list of so-called “systemically relevant institutions” could paradoxically make the whole system riskier, potentially affecting the level playing field between institutions and introducing moral hazard.
5. **Overly prudent capital requirements should not be imposed on the (re)insurance industry.** As stated above, the (re)insurance industry has weathered the global financial crisis relatively well. Its business model and characteristics fundamentally differ from those of the banking sector and it is vital that future regulatory proposals should appropriately distinguish between the two sectors. In particular, the (re)insurance sector’s financial performance during the crisis evidences that there is no need for overly prudent capital requirements to be imposed on the sector. Moreover, the temptation to use macro-prudential oversight to justify overly prudent requirements on the levels of capital in the (re)insurance sector should also be resisted.
6. **There should be a more globally consistent supervisory and regulatory framework including effective group supervision.** We support the G-20 call for a more globally consistent supervisory and regulatory framework to ensure a level playing field and to avoid regulatory arbitrage. There is clearly a need for greater coordination and information sharing between supervisory authorities and this is especially true at the international level. The IAIS plays a central role in fostering international cooperation and consistency. The Geneva Association also calls for a comprehensive and coordinated supervision of cross-border groups under the lead of a fully recognised group supervisor, whereby consistent decisions apply to the group and its constituents. Effective Group Supervision is a prerequisite to efficient micro- and macro-prudential supervision. During the crisis, group supervision—where it was enforced—strengthened the capacity of the industry to weather market turmoil. Robust risk management tools put in place to address risk-sensitive micro prudential requirements could also be used to refine macro prudential tools assessment.

The industry stands ready to further contribute to the debates and to meet with the G-20, the IMF, the Bank for International Settlements (BIS) and the FSB and their working groups. The Geneva Association is confident that a strong (re)insurance industry is a key ally in our common quest to restore sustainable economic growth and create jobs.

Sincerely yours,



Dr Nikolaus von Bomhard
President of The Geneva Association
Chairman of the Board of Management, Munich Re Group



Patrick M. Liedtke
Secretary General and Managing Director
The Geneva Association



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Dr Nikolaus von Bomhard
President of The Geneva Association
Chairman of the Board of Management, Munich Re Group



Patrick M. Liedtke
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and Central Bank Governors of the G-20 to object to the proposal and to highlight its many shortcomings. The letter below, which was prepared by Associates and members of the SRI working group led by Hugh Francis, was issued on 26 April and featured on the front page of the Companies & Markets section of the Financial Times. Subsequent follow up in national, trade and broadcast media made the industry position and objections very clear and assured widespread attention.

The Systemic Risk and Insurance Project

In late 2009, following a poor hearing at the IAIS assembly in Rio de Janeiro, it became clear that the issue of systemic risk in insurance and the role that insurance companies and their activities play for financial stability was lacking deeper understanding and a clear analysis of the facts. In early December, several Board Members of The Geneva Association suggested that we should actively and quickly engage in closing the gaps. As a consequence, the Systemic Risk in Insurance Project was created and a special consortium was formed, consisting of The Geneva Association and eight member companies that were ready to support the project. The consortium set up a Steering Committee and a Working Group of experts who started immediately to produce the outline for a report that could be presented at the end of February to the IAIS at the observer hearings and given wider prominence also in non-insurance circles at the highest level. External support from Oliver Wyman was retained to support the work and especially the assembly of data while The Geneva Association undertook, in parallel, an intensive programme of research and expert consultations, deploying its network of contacts and using Geneva Association events to position the issue, to produce further evidence and insights.

In February 2010, the Board of The Geneva Association decided to adopt the Systemic Risk in Insurance Project as a full Geneva Association project and replaced the consortium by the broad backing of Geneva Association companies. The Systemic Risk in Insurance Report was—despite the extremely short timeline for a project of such magnitude—produced in time to coincide with the IAIS Technical Committee hearings on 25 February 2010 and was delivered by Jo Oechslin representing The Geneva Association on behalf of the SRI Steering Committee. In parallel, The Geneva Association organised a media conference in London to present the report to the wider public. The event was chaired by Munich Re's CEO, Nikolaus von Bomhard (Geneva Association President), hosted by Aviva's CEO Andrew Moss, and substantiated by Swiss Re's CEO Stefan Lippe (both Geneva Association Board Members).

The Systemic Risk in Insurance Report comes to the following key conclusions:

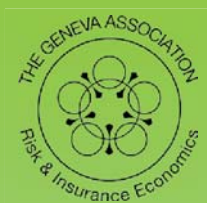
- The financial crisis exposed flaws in the supervisory system and revealed the need for improvements in business practices;
- It is important to differentiate insurance from banking in systemic risk assessment;
- The Financial Stability Board (FSB), International Monetary Fund (IMF) and Bank for International Settlements (BIS) have provided a new definition of systemic risk, which needs to be carefully reviewed;
- To be effective in identifying and mitigating systemic risk, supervisors and policymakers need to focus on risk activities and not on financial institutions;
- A thorough review of insurers and reinsurers' risk activities under the systemic risk criteria shows that insurance core activities do not pose systemic risk;

- However, two quasi-banking activities, if conducted massively and under poor internal control and external oversight, could trigger systemic risk; these activities are derivatives activities under non-insurance legal entities and mis-management of short term fundings through commercial papers or securities lending;
- risk prevention and stability of the system; these measures include: comprehensive and integrated group supervision; strengthening liquidity risk management; establishing macro-prudential monitoring;
- The consequence of getting systemic risk reforms wrong would not only be severely damaging to the insurance industry but to the economy as well.



Board Members present at the SRI Press Conference 26 February 2010.
From left: Dr. Stefan Lippe, Dr. Nikolaus von Bomhard, Andrew Moss.

- The business models of monoliners for providing financial guarantees are distinguished from other insurers by their highly concentrated (undiversified) portfolios, high leverage ratios and extreme sensitivity to their credit rating. They should be subject to special regulation and restrictions.
 - Current and pending insurance regulatory regimes address many potential systemic risks in insurance; Solvency II and Swiss Solvency Regimes are examples of modern prudential developments;
 - However some elements of insurance need to be integrated in systemic risk efforts;
 - To address these, the insurance industry proposes measures for further improving
- The report was well received as insurance regulators and supervisors appreciated the comprehensive and constructive contribution of the industry to the debate. The report received widespread international press coverage.
- Since the release of the report, multiple presentations of the report have been given by The Geneva Association and its members companies including to the Financial Stability Committee of the IAIS, the Financial Stability Board, the U.S. Federal Reserve and U.S. Treasury, the ECB and various national central banks in Europe, H.M. Treasury and other finance ministries, as well as various regulatory bodies. Dialogue with the IAIS and the FSB continues and a series of meetings are scheduled in the course of 2010.



International Association for the
Study of Insurance Economics

**Geneva
Association
Information
Newsletter**

1-10

26. 02. 2010

Press Release

Information on Geneva Association activities and publications

Geneva, February 2010

No Systemic Risk from Insurance Core Activities—Findings of The Geneva Association Special Report on Systemic Risk in Insurance

Geneva, 26 February 2010. Leading international insurance think tank, The Geneva Association, today published a special report analysing the role of insurance in financial stability and its systemic relevance. The report has been provided to inform and support supervisors and policymakers in their discussions on the development of measures to address the complex problem of systemic risk underlined during the financial crisis.

In the report, the differing roles of insurers and banks in the global financial system and their impact on the crisis are examined. A key conclusion of the analysis is that the core activities of insurers and reinsurers do not pose systemic risks due to the specific features of the industry:

- Insurance is funded by up-front premia, giving insurers strong operating cash-flow without the requirement for wholesale funding;
- Insurance policies are generally long-term, with controlled outflows, enabling insurers to act as stabilisers to the financial system;
- During the hard test of the financial crisis, insurers maintained relatively steady capacity, business volumes and prices.

Applying the most commonly cited definition of systemic risk, that of the Financial Stability Board (FSB), to the core activities of insurers and reinsurers, the report concludes that none are systemically relevant for at least one of the following reasons:

- Their limited size means that there would not be disruptive effects on financial markets;
- An insurance insolvency develops slowly and can often be absorbed by, for example, capital raising, or, in a worst case, an orderly wind down;
- The features of the interrelationships of insurance activities mean that contagion risk would be limited.

The report underlines that supervisors and policymakers should focus on activities rather than financial institutions when introducing new regulation and that upcoming insurance regulatory regimes, such as Solvency II in the European Union, already adequately address insurance activities.

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The Climate Change and Insurance Project's Kyoto Statement

In May 2008, following a mandate from its members at the 2008 General Assembly, The Geneva Association began its climate change and insurance (CC+I) research project in response to one of the most multi-faceted challenges to the insurance industry since its inception—climate change.

Perceiving the need for a member-wide initiative on climate change, the CC+I working group drafted a series of common insurance commitments and undertakings on measures to adapt to and mitigate climate change. The statement also calls on governments to harness the industry's particular skills and unique position in society to help society to adapt to the impacts of climate change. At the 2009 Geneva Association General Assembly in Kyoto, Japan (in the same room used for the signing of the Kyoto Protocol in December 1997), an unprecedented 56 of the world's leading insurance companies signed The Geneva Association's Kyoto Statement.

The Kyoto Statement was made part of the Geneva Report No 2. *The Insurance industry and climate change – Contribution to the global debate* and widely disseminated through a media conference hosted by Lloyd's in London on 2 July 2009. The Kyoto Statement and the Climate Change Report were presented by the co-Chairmen of the CC+I Working Group, Kunio Ishihara, Chairman Tokio Marine and Michael Butt, Chairman Axis Capital; as well as Christine Bosse, CEO TrygVesta; Rolf Tolle, Director, Franchise Performance, Lloyd's and Thomas Blunck, Board member of Munich Re. The international press and newswire services in attendance carried the central messages to their readers. The industry presentation through The Geneva Association at the United Nations' COP15 climate change conference in Copenhagen also built on the Kyoto Statement and distributed it there.

For more information, on these two initiatives please see the Risk Management research project details on page XX.



ジュネーブ協会 京都宣言

Kyoto Statement of The Geneva Association

The latest climate science strongly indicates that climate change is happening, mankind's influence is very material and the changes are occurring faster than earlier projected. The prospect of extreme climate change and its potentially devastating economic and social consequences are of great concern to the insurance industry. Against this backdrop, we, the leaders of the world's largest insurance and reinsurance companies as assembled in The Geneva Association, want to make known our view through the following key messages.

Customers

- We are committed to enhancing our research capabilities in order to provide a better evaluation and management of climate risks.
- We promote mitigation efforts by developing products which incentivize offsetting or reducing greenhouse gas emission levels.
- We are willing to design insurance products to support low-carbon energy development projects and to help attract investments to such projects.
- As a major institutional investor, the insurance industry encourages mitigation and adaptation efforts, such as investing in low-carbon energy projects.

Policy-makers

- The insurance industry is prepared to help counter climate risks through active cooperation in implementing building codes or similar means which encourage the use of sustainable practices.
- We offer to work closely with policy-makers on communicating to our customers their climate risk levels, possible strategies of mitigation and adaptation, and in quantifying the financial benefits of those strategies.
- The insurance industry provides innovative solutions for climate risk issues. These include funding relevant research and providing tools to its customers to assess and counter climate risks.
- We recognise the significant benefit of pooling climate risks. We urge policy-makers to collect robust data and make it freely available to allow risk assessment and to facilitate efficient solutions where premiums are risk-based.

United Nations' Climate Change Conference (COP15)

- The insurance industry is uniquely positioned to provide specialised services for countries and businesses facing climate risks worldwide.
- Insurers have the expertise to develop a broad range of affordable private insurance solutions for climate risks.
- Insurance mechanisms are an effective tool to promote climate-related risk management and reduction.
- We recognise that no stakeholder can succeed alone in solving the challenges of climate change. Insurance can and should be a strong complementary mechanism in a wider framework of adaptation.

Insurance industry

- We encourage political processes to work towards a better understanding of the potential costs of climate change and the advantages of market-based solutions.
- We continue to work towards further reducing the—relatively moderate—carbon footprint of the insurance industry.
- We are willing to play a major and concerted role in the global efforts to counter climate risks.

The Geneva Association offers a unique platform to pool the knowledge and expertise of the insurance sector. It acts as a hub for expert networking within the industry as well as with external communities. The Geneva Association strives to create opportunities for the insurance industry to join their forces to deal with climate risks where relevant and appropriate.

Kyoto, 29 May 2009
京都、2009年5月29日

This Statement is co-signed and supported by:

- Dr Nikolaus von Bomhard, Chairman of the Board of Management, *Munich Re Group* (President of The Geneva Association)
- Mr Michael Diekmann, Chairman of the Management Board, *Allianz SE* (Vice-President of The Geneva Association)
- Mr Kunio Ishihara, Chairman of the Board, *Tokio Marine & Nichido Fire Insurance Co.* (Vice-President of The Geneva Association and Co-Chairman of The Geneva Association's Climate Change and Insurance Working Group)
- Mr John Strangfeld, Chairman and CEO, *Prudential Financial Inc.* (Vice-President of The Geneva Association)
- Mr Michael Butt, Chairman, *AXIS Capital Holdings Limited* (Co-Chairman of The Geneva Association's Climate Change and Insurance Working Group)
- Dr Carlo Acutis, Vice President, *Vittoria Assicurazioni S.p.A.*
- Ms Rosa Alegría Iñiguez, CEO, *BBVA Seguros SA*
- Mr Gérard Andreck, President, *MACIF*
- Mr Jean Azema, CEO, *Groupama SA*
- Mr Clive Bannister, Group Managing Director, Insurances, *HSBC Insurance Holdings plc*
- Mr Gilles Benoist, CEO, *CNP Assurances SA*
- Mr Antoine Bernheim, President, *Generali Assicurazioni Spa*
- Ms Christine Bosse, CEO, *TrygVesta*
- Mr John Charman, President & CEO, *AXIS Capital Holdings Ltd.*
- Mr Christopher M. Condrón, President & CEO, *AXA Financial Inc.*
- Mr Neill A. Currie, CEO, *RenaissanceRe Holdings Ltd.*
- Mr Håkan Danielsson, CEO, *Länsförsäkringar AB*
- Mr Henri de Castries, Chairman of the Management Board & CEO, *AXA Group*
- Mr Patrick de Larragoiti Lucas, President, *Sul America Seguros S/A*
- Mr Jozef de Mey, Chairman of the Board, *Fortis Holding*
- Mr Jacques de Vaucleroy, Member of the Executive Board, *ING Group*
- Mr Thierry Derez, President MMA, Chairman and Group CEO, *MAF, COVEA and GMF*
- Mr Toshiaki Egashira, President and CEO, *Mitsui Sumitomo Insurance Co Ltd*
- Mr Ignacio Eyries, CEO, *Caser Group*
- Mr Evan G. Greenberg, Chairman and CEO, *ACE Group*
- Mr Andrew Haste, Group Chief Executive, *RSA Insurance*
- Dr Winfried Heinen, Member of the Board, *Kölnische Rückversicherungs-Gesellschaft AG*
- Mr Asmo Kalpala, Chairman and President, *TAPIOLA Group*
- Prof. Denis Kessler, Chairman and CEO, *SCOR*
- Mr Ray King, Chief Executive, *BUPA*
- Mr Andrzej Klesyk, President and CEO, *PZU SA*
- Dr Konstantin Klien, Director General and Chairman of the Board, *Uniqa Versicherungen AG*
- Dr Stefan Lippe, CEO, *Swiss Re*

- Dr Jorge Magalhães Correia, President, *Fidelidade Mundial SA*
- Mr José Manuel Martínez, Chairman and CEO, *MAPFRE*
- Dr Rui Leão Martinho, President, *Companhia de Seguros Tranquilidade SA*
- Mr Mike McGavick, Chairman of the Board of Directors, *XL Capital Ltd*
- Mr Andrew Moss, Group Chief Executive, *Aviva Plc*
- Mr Tomás Muniesa, CEO, *Segurcaixa Holding*
- Dr Torsten Oletzky, Chairman of the Board of Management, *ERGO Versicherungsgruppe AG*
- Mr Doucas Paleologos, President and Managing Director, *Ethniki Insurance Company*
- Mr Patrick Peugeot, Honorary President, *La Mondiale*
- Mr Bruno Pfister, Group CEO, *Swiss Life*
- Mr José Castro Araújo Rudge, Vice President, *Itaú Unibanco Seguros SA*
- Mr Masatoshi Sato, President and CEO, *Sompo Japan Insurance Inc.*
- Mr Jean-Claude Seys, Vice-Chairman and Managing Director, *COVEA*
- Dr Chang-Jae Shin, Chairman and CEO, *Kyobo Life Insurance Co. Ltd*
- Mr Donald A. Stewart, CEO, *Sun Life Financial Inc.*
- Dr Rolf Schäuble, Chairman, *Bâloise-Holding*
- Mr Patrick Thiele, President and CEO, *PartnerRe Ltd*
- Mr Willem A.J. van Duin, CEO, *Eureko*
- Mr Ulrich Wallin, CEO, *Hannover Reinsurance Company*
- Dr Richard Ward, CEO, *Lloyd's*
- Mr Mike Wilkins, CEO, *Insurance Australia Group Limited*
- Mr Greig Woodring, President and CEO, *Reinsurance Group of America Inc.*
- Dr Yan Wu, President, *The People's Insurance Company (Group) of China*
- Mr Alexander R. Wynaendts, Chairman of the Executive Board and CEO, *AEGON N.V.*

Working Groups

A series of working groups, have been established to tackle issues that have arisen over the course of the Association's work. Focused groups, usually of four members' companies but sometime also including industry specialists or academics, combine their resources and knowledge to tackle issues and problems in insurance. They are an effective and efficient means of tackling and understanding issues.

Associates

A new special group was established following the 2009 General Assembly in Kyoto denominated "Associates". Each Geneva Association Board Member has nominated an Associate who acts as liaison for their company and is supporting the preparation of Geneva Association Board Meetings. Associates also represent their respective companies in addressing regulatory and other specific international insurance issues as they arise at a set of key target institutions.

The creation of the Associates group has already increased the degree of interaction between the Association and its Board's companies and has created an effective consensus building mechanism to address international issues. Since its inception, the group has also provided The Geneva Association with better access to member company resources—increasing its ability to address current and faster moving issues.

The Associates group is coordinated through conference calls and direct meetings. Its counterparts and target audiences are the same as those of The Geneva Association, namely the International Association of Insurance Supervisors (IAIS), the Financial Stability Board (FSB), the International Monetary Fund (IMF), as well as the International and Financial

Accounting Standards Boards (IASB/FASB), the World Bank and Organisation for Economic Cooperation and Development (OECD).

The inaugural Associates meeting was held in Zurich on 10 September 2009 where the constitution and initial aims of the group were agreed. Since then, the Associates group has been active on a series of initiatives including the presentation of a letter to the Group of 20 countries (G-20) on the financial crisis and possible lessons learned (a copy of the letter on page XX), preparing a submission for the IAIS and responding to an IAIS Technical Committee questionnaire on systemic risk and insurance as well as initiating the Systemic Risk in Insurance (SRI) project and helping in establishing the SRI steering committee and working group (see separate working group report below).

Following the successful initial representations and the establishment of its modus operandi in 2009, the role of the Associates will continue to develop in 2010/2011. A significant focus of the group will be in the organisation of the ongoing international regulatory dialogue between supervisors and the insurance industry on subjects such as macro-prudential monitoring and systemic risk, the nature and implementation of new rules on solvency and accounting standards and with the IAIS following its recent announcement on the

establishment of a “Common Framework for the Supervision of Internationally Active Insurance Groups”.

Chief Communications Officers Network (CCON)

An annual Chief Communications Officer’s (CCO) conference series was established in 2002 to increase the degree of interaction between The Geneva Association and the Chief Communicators of member companies. The seventh Chief Communications Officers meeting of The Geneva Association was held in mid-September 2009 and was hosted by Prudential in London. Twenty-three member CCOs joined the meeting over the two-half day meeting, a record turnout and one that reflects the increasing interest in this forum for the open and frank exchange of ideas and issues of member communications.

The conference was opened by Secretary General Patrick M. Liedtke and Stephen Whitehead, Group Communications Director at Prudential plc. Anthony Kennaway, the recently appointed Head of Communications of The Geneva Association then outlined his plans for the Association’s communication’s over the coming year and discussed with the group the key means of increasing interaction between the Association and CCOs.

Over the course of the event a range of subjects were covered in session that included; a meeting with Tidjane Thiam, then the CEO designate of Prudential plc, on the role of insurance in communications; a presentation on new and social media techniques from Pedro Martens, the Head of Corporate Communications at Assicurazioni Generali Group; a panel discussion on insurance communications with four senior journalists, Anthony Hilton of the London Evening Standard, Paul J. Davies of the Financial Times, Herbert Fromme from FT

Deutschland and Katherine Griffiths of The Times; and, Philippe Trainar, Chief Economist of SCOR looked at the implications of public bail-outs in financial services. Fascinating accounts of recent events were also provided by Markus Diethelm, Group General Counsel at UBS who played a central role in the Swiss Re’s World Trade Centre litigation and also Andrew Gowers, Head of Media Relations at BP and former Editor of the Financial Times who gave an account of his time as Head of Communications at Lehman Brothers before and at the time of its collapse. The event was expertly hosted by Prudential plc and we are grateful for their support.

INSERT STOCK PHOTO of Prudential or Tower of London...

The Chief Investment Officer Network (CION)

As an activity, insurance asset management differs significantly from other insurance activities and indeed from the asset management activities of other financial services providers such as banks and pension funds. As a result, The Geneva Association established The Chief Investment Officers network in 2008. The inaugural meeting of the newly founded CIO Network took place in June 2008 in Zurich.

The aim of the network is to exchange experiences on key issues facing insurance asset management and to establish a more effective dialogue with government policy-makers, regulators, rating agencies and other external stakeholders of the insurance industry. The target group is Chief Investment Officers and top asset managers from the largest international insurance and bancassurance groups as represented in The Geneva Association and participation is restricted exclusively to them.

The CION 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 exchange of information, expertise and best practice approaches. Issues of common concern are identified (without necessarily the objective of developing a single policy position) and members may consider the influencing of external stakeholders through the provision of credible research and high-level meetings and seminars. In addition, the network aims to inform government policy-makers and wider public opinion on the key role that institutional investors play within the modern economy.

The group has been very active in 2009/10, with two special events to its credit, one in June 2009 in Amsterdam and one in January 2010 in Munich. Topics on the CION agenda included:

- Insurance and the Credit Crisis: the role of insurance and its asset management;
- The Role of the CIO in Insurance;
- Performance Measurement, Governance and Behaviour: how to evaluate portfolio managers' work and lessons learned;
- Insurance Asset Allocation and External Influences, incl. regulatory reform, rating agency impact, etc.;
- Regulation and Accounting Following the Crisis;
- Systemic Risk in and for Insurance: the interaction with insurance asset management; and,
- Green Investing for Insurance: industry initiatives on green investments, rationale and challenges, ALM and bottom line impact.

The Financial Directors Network (FDN)

The network of experts attached to the Insurance and Finance Research Programme is the Financial Directors Network, which consists of the Chief Finance Officers (CFOs) and Finance Directors of our members' companies as well as a few selected finance experts. It currently comprises 72 members from 23 countries.

The most important activity for the group is the annual Insurance and Finance Conference, which takes place every year in December in London and is an invitation-only event. Hosting responsibilities rotate among three British members of The Geneva Association: Aviva, Prudential and Lloyd's, with the latter having hosted the December 2009 meeting under the guidance of CEO Richard Ward and CFO Luke Savage. Over the past years, the conference has become an important hallmark not only of Geneva Association activities in London but is regularly referred to as one of the most productive events on finance matters in insurance.

Issues of relevance that the most recent Insurance and Finance Conference tackled include:

- strategic and finance issues stemming from the credit crisis;
- the financial elements of Solvency II, especially capital adequacy;
- financial reporting and international accounting norms;
- the financial risk-reward function of insurance;
- financing large risks, incl. securitisation; and,
- capital requirements for insurance to finance retirement solutions.

Much of the work that The Geneva Association has carried out on the credit crisis was also

channelled through FDN contacts and refined in the process. Members of the FDN serve as intellectual sparring partners and are helpful for developing new ideas and concepts. They furthermore provide a very important early warning function for future challenges. Some of them have been active in the industry's direct interaction with regulators and supervisors, policy-makers and politicians, international institutions and the media about where the insurance industry stands on finance issues and which of those are of special relevance to it.

Liability Regimes Working Group

The Dynamics of Liability Regimes—summary of activities 2009/2010

The liability regimes initiative came from the need to focus more attention and develop work around the subject of liability regimes, which was not receiving much attention from insurance operators, beyond its technical elements. In the early 2000s, Patrick M. Liedtke started to engage in background dialogue with Geneva Association member companies, some academics and legal experts on this rapidly developing field in insurance. The basic thinking was that newer social developments (consumerism, producer responsibilities, application of accountability, changing legal production systems, etc.) and the expansion of insurance solutions both in depth (insuring ever more complex risks) as well as breadth (insuring new risks and acting in rapidly globalising economies) would bring much change to this field. An initial collaboration with Richard Murray, then at Swiss Re, led to the creation in 2004 of the Liability Regimes Network and a special Planning Board.

For the past several years The Geneva Association has collaborated through the joint

Liability Regimes Planning Board with Munich Re, Swiss Re, SCOR, RSA and Zurich Financial Services in conducting annual liability regimes conferences. Each annual event of one and a half to two days' duration focuses on a specific liability topic. The series has been designed to evolve from year to year, beginning with assessments of current liability conditions and moving toward increased understanding of the forces that influence liability exposures. The goal is to enhance the ability to anticipate and prepare for emerging challenges.

The 6th annual conference was held in Rüslikon in October 2009, co-sponsored by Swiss Re and Zurich Financial Services. The liability implications of the financial crisis were its central theme. The conference functioned with the best practice lessons developed in prior years:

- about 45 invited participants in round table format, to foster interactive discussion;
- participants consisting of broadly equal numbers of senior underwriters, claims officers and Management Board level officers or their direct reports;
- geographic participation primarily from the U.K. and continental European markets, with increasing U.S. and Asian participation in recent years; and,
- use of Delphi inquiry techniques in conjunction with an audience response system to determine participant views, movements in those views as the topics developed, and as a stimulus for open dialog.

The 7th annual conference will be held this October in London, co-sponsored by RSA and SCOR. The topic focus will be environmental liability, including developments in climate change litigation.

The long-term objectives of these conferences are an increased shared awareness of the legal,

political, social and economic drivers of change in liability risk. No final conclusions are sought.

The Geneva Association has become the institutional centre of these conferences. Besides external experts who are there to contribute to the debates and sometimes regulators only member firm representatives are invited to keep the group compact enough for direct interaction which takes place on issues of international scope. The Association extends the invitations, and has been highly influential in the conceptual and topical design of the programmes trying to push the larger economic and social context in which liability regimes develop to the fore.

With the programme now well established in Europe and a strong North American interest, the Association is considering a request to lead in the development of an Asian conference within the next year.

Systemic Risk in Insurance Working Group

In light of the financial crisis, the Technical Committee of the International Association of Insurance Supervisors (IAIS) organised a first public hearing in October 2009 in Rio de Janeiro on the issue of systemic risk and insurance (SRI). Although the industry coordinated its response through The Geneva Association, the insurance supervisors requested more tangible and quantitative assessment of the industry's views on the crisis and systemic risk. With this backdrop, a working group of (re)insurance companies was established to prepare a special report and provide adequate responses to supervisors and policymakers concerns. The first coordination meeting took place in Zurich in December 2009. In January 2010 a Steering Committee and Working Group were created, composed of Chief Risk Officers, Chief Economists and Head Regulatory Affairs from

The Geneva Association's members companies from all over the world. Oliver Wyman was retained as consultant to support the work and bring the necessary technical and quantitative input to the report.

The report outlines the follow points:

- The financial crisis exposed flaws in the supervisory system and revealed the need for improvements in business practices;
- It is important to differentiate insurance from banking in systemic risk assessment;
- The Financial Stability Board (FSB)/International Monetary Fund (IMF)/Bank for International Settlements (BIS) have provided a new definition of systemic risk, which needs to be carefully reviewed;
- To be effective in identifying and mitigating systemic risk, supervisors and policy-makers need to focus on risk activities and not on financial institutions;
- A thorough review of insurers and reinsurers' risk activities under the systemic risk criteria shows that insurance core activities do not pose systemic risk;
- However, two quasi-banking activities, if conducted massively and under poor internal control and external oversight, could trigger systemic risk; these activities are derivatives activities under non-insurance legal entities and mismanagement of short-term fundings through commercial papers or securities lending;
- Current and future insurance regulatory regimes address many potential systemic risks in insurance; Solvency II and Swiss Solvency Regimes are examples of modern prudential developments;
- However some elements of insurance need to be integrated in systemic risk efforts;
- To address these, the insurance industry proposes measures for further improving

risk prevention and stability of the system; these measures include: comprehensive and integrated group supervision; strengthening liquidity risk management; establishing macro-prudential monitoring; and,

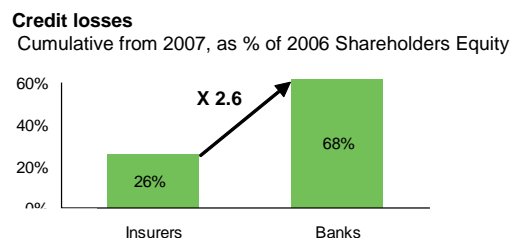
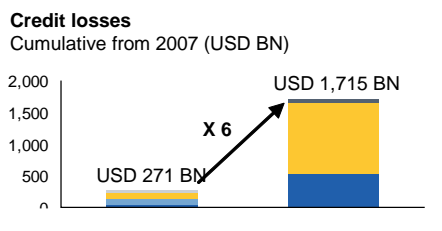
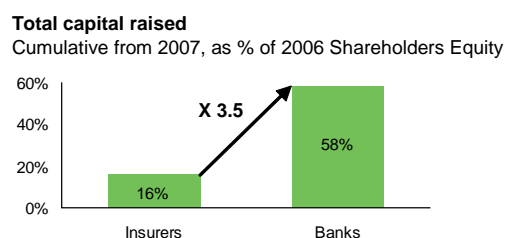
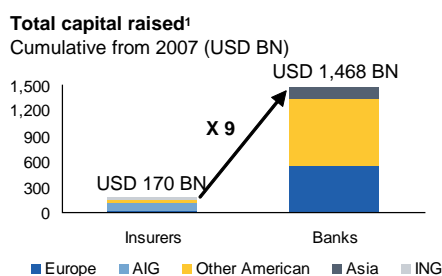
- The consequence of getting systemic risk reforms wrong would be severely damaging to the insurance industry

The report was presented to the second IAIS Technical Committee hearing on systemic risk in February 2010 in Basel. The report was well received as insurance supervisors appreciated the comprehensive and constructive contribution of the industry to the debate. The day following the IAIS hearing, the report was presented to the public with a special media event in London, with the participation of Nikolaus von Bomhard (CEO Munich Re and President of The Geneva Association),

Stefan Lippe (CEO Swiss Re) and Andrew Moss (CEO Aviva), both Board Members of The Geneva Association. The report received widespread press coverage. On 26 April 2010, a letter was again sent to Central Bank Governors and Ministers of the G-20 to restate the findings of the SRI research and to respond to a report issued to the G-20 by the IMF that suggested a financial services tax to include insurers (*see page XX*). The letter received widespread and favourable coverage in the media and was privately and publicly supported by a number of regulators, politicians and insurance stakeholders. Multiple presentations have taken place since the release of the report for The Geneva Association and its members companies to discuss the findings and recommendations of the report. The dialogue with the IAIS continues with series of meetings scheduled in the course of 2010.

Re-capitalisation and credit losses

Banks suffered larger losses and required more capital on an absolute basis... .. as well as on a relative basis



Source: Bloomberg (as at 10 Feb 2010), Oliver Wyman analysis, Datastream

1. This is equity and preferred share capital raised, from states and through the capital markets. It does NOT include asset relief or lending provided by states that did not require a capital consideration

Source: *Systemic Risk in Insurance—An analysis of insurance and financial stability, Special Report of The Geneva Association Systemic Risk Working Group*, The Geneva Association, March 2010.

Liaison Officers

Liaison officers provide The Geneva Association with the ability to project a presence into regions where it would otherwise not be present. Since the recent implementation of the scheme, the Association has enjoyed far greater impact in its representative regions.

Liaison Office for Japan and East Asia



Katsuo Matsushita

Mr Katsuo Matsushita was appointed as the first Liaison Officer for Japan and East Asia in October 2009. His role is to promote and increase the profile of The Geneva Association in the region, to develop new relationships

with insurance companies and other industry stakeholders in the region, and to foster stronger links with existing members to help The Geneva Association increase its regional focus.

This appointment in Asia reflects the strong and ongoing economic growth and significance of the region on the world stage and particularly in the insurance sector. At the same time, countries within the region do not share the same or even similar cultural identities and levels of development in terms of growth rates, size of economy, per capita GDP, etc. This is also the case in the insurance market of each nation, with differing levels of market penetration and premiums. Therefore, The Geneva Association has appointed a senior and highly respected industry figure in the region in order to better understand and work with the region more closely.

Since the appointment there has been a significant amount of Geneva Association activity in the region. The profile-raising campaign in the region is making strong progress through interaction with regional trade bodies and associations, through participation in a series of industry conferences and events and also through the interaction with the media and the publication of a series of articles in the region's key press.

These activities will be carried through into the rest of 2010 and into 2011. The Geneva Association will also continue to offer contributions from its research programmes on some of the key themes in the region, namely:

- since 2007, 10 out of 20 most populated cities in the world are in Asia. The urbanisation is expected to continue with the commensurate increases in population and property risk;
- not only Japan but also some other countries are expected to move into an ageing and aged society. The structure of existing pension and healthcare systems and their development are expected to remain central issues in the region; and,
- regulators in the region are likely to require the strengthening of capital positions in a follow up of the latest position taken by the IAIS Solvency framework discussions.

Liaison Office for Central and Eastern Europe



Jan Monkiewicz

In February 2009, following an agreement with PZU SA, a fully operational Geneva Association Liaison Office was established in Warsaw, headed by Prof. Jan Monkiewicz. The mission of the new office is to administer the PROGRES research programme and also to coordinate Eastern European exposure of The Geneva Association. It coincides with the PZU drive for modernisation and internationalisation of its activities. The Warsaw Liaison Office focuses on the implementation of the PROGRES research programme, the organisation of the annual PROGRES Seminar and facilitating, under the PROGRES.Net project, a network dedicated to dialogue on regulatory and supervisory affairs.

In 2009 it also assisted the Geneva Secretariat in two important Geneva Association projects in Poland:

- the 7th Annual Round Table of Chief Risk Officers, 29 June-1 July, accompanied by a Training Workshop for the PZU staff; and,
- the 6th Geneva Association Health and Ageing Conference on Health and Long-Term Care Insurance in Eastern and Central European Countries, 26-27 November, hosted by PZU.

In 2010 the Warsaw liaison office will work with a team of around 30 experts on a book, *Fundamentals of the future of insurance regulation*, to be published by Oxford University Press, to be finalised in November and on developing an Eastern European conference on modern pension systems.

Liaison Office for North America

Gordon Stewart became the North American Liaison for The Geneva Association in March 2010. In this role, Mr. Stewart's initial objective is to develop a general strategy for increasing and improving awareness of the organisation in a huge and highly complex "marketplace" of ideas, political alignments, economic interests, and of course insurance.

To date this has included work on the dissemination of The Geneva Association's Report on Systemic Risk in the unique environment of the United States following what began as a financial crisis in 2008. This priority led

to Mr. Stewart's joining Patrick Liedtke in a long, substantive discussion of the report with representatives of the U.S. Federal Reserve from Boston, New York, Washington and the U.S. Treasury. He has also held conversations with CEO's and other senior executives about the report and its implications.

Gordon Stewart has begun to introduce more major U.S. research organisations, think tanks, etc., to the Geneva Association's extensive amount of valuable research over many years, developing new relationships on behalf of the Association and providing a more immediate point of contact for existing ones. He is exploring possibilities for further collaboration on insurance related issues, which has always been one of The Geneva Association's strengths.

Gordon Stewart served as President of the Insurance Information Institute for over 15 years. During that time he became the first



Gordon Stewart

Chairman of The Geneva Association's Communications Advisory Council, invited The Geneva Association as co-organiser of the U.S. Joint Industry Forum, and worked extensively with the Association on issues and programs. Before the Insurance Information Institute (III), Mr Stewart was a principal speechwriter for President Carter, Executive for Policy and Program to New York Mayor John Lindsay, Head of Public Affairs for Arthur Levitt at the American Stock Exchange, and Member of the Defense

Science Board involving special task forces in Central America and elsewhere. Since the III, he continues to work as a life Member of the Council on Foreign Relations, became Head of the Association of Presidential Speechwriters, and chairs the Named Fiduciaries of one of the largest multiple-employer pension plans in the U.S. In June, 2010, he will be appointed Vice-Chairman of the International Insurance Society.

Affiliates

In the course of its activities, The Geneva Association has established a series of affiliated organisations that operate independently but in a coordinate way in parallel fields of research. The affiliates are often supported by the Association but have their own identity and stand apart from the Association's main research programmes.

World Fire Statistics Centre (WFSC)

Between 1975 and 1978, The Geneva Association sponsored research into European fire costs by Tom Wilmot at Sussex University.

This led to the publication of a report, *European Fire Costs —The Wasteful Statistical Gap*, which formed the basis for a contribution by Mr Wilmot to a pilot study on fire statistics initiated by a United Nations Working Party in 1981. Subsequently Mr Wilmot, with the support of The Geneva Association, founded and directed the World Fire Statistics Centre to carry forward this work within a more structured organisational framework. In 1994, Mr Tony Paish joined the enterprise and became Director of the WFSC in 2006.

The Centre is concerned with the practical problem of reducing economic and material waste from fire. The main focus of its work, the collection, analysis and dissemination of internationally comparable fire cost statistics, is thus seen very much as a means to an end: providing reliable national data on fire costs, their incidence and estimated costs and national efforts at fire protection, prevention and



research, but also persuading governments to adopt coherent fire strategies aimed at reducing national fire costs.

Each year the World Fire Statistics Centre collects and collates fire cost statistics, under seven main headings, from a number of leading countries worldwide, mainly within Europe but also including, for example, the USA, Japan and Canada. The Czech Republic and Singapore are just the latest adherents to our annual questionnaire process. Currently, the seven data fields queried include: Direct Fire Losses; Indirect Fire Losses; Human Losses—Fire Deaths and Injuries; Fire Brigades; Fire Insurance; Building Protection; Fire Research, Training and Publicity.

Each Annual Report from the Centre to the United Nations, through its United Nations Economic Commission for Europe (UNECE) Committee on Housing and Land Management, forms the basis for an *Information Bulletin* with a worldwide direct circulation of over 300 to relevant government departments, fire protection associations, fire brigades, insurance companies, fire engineers, the trade press and academic fire experts. This *Information Bulletin* also provides an opportunity to showcase examples of how WFSC statistics can be utilised effectively to deal with current fire problems and issues.

WFSC statistics have often proved of use during national reviews of various aspects of fire-related expenditure or organisation; for example the Audit Commission review of the fire services in England and Wales, a Greek study of building protection, a Norwegian study of the incidence of large fires in industry and a New Zealand examination of the risks of death and injury arising from fire. In addition, the Centre's statistics are often referred to in academic works, for example *The Economics of Fire Protection* (Prof. G. Ramachandran, Routledge, 1998), and it is anticipated that wider international coverage in future and interactive access to fire cost data will increase the value of this unique resource for academics and researchers.

The Geneva Association has organised or supported international meetings and seminars every three to four years, generally in Geneva, in order to enable the Centre's latest work to be presented and discussed and to provide a forum for other fire experts working in related fields. During its early years, the Centre was represented at many international conferences of fire protection and fire prevention associations, insurance industry groups, and governmental organisations. During more recent years, the Centre has attached increased emphasis to publicising its work, both by issuing frequent press releases and by giving a series of papers or talks at meetings and seminars in Prague, Nottingham, Helsinki, Oslo, Boston, Madrid, Melbourne, Hanover, Singapore, Krakow, Vienna, Minneapolis and Atlanta.

The Centre has been trying for some years to interest the European Union authorities, particularly both its Commission and the European Parliament, in the inter-related issues of fire protection and fire costs. In 2009, the EU Fire Safety Network— an inter-governmental body set up in 2005 with the support of the EU Commission, decided to initiate a major study

into European fire costs.

The World Fire Statistics Centre publishes a newsletter, *World Fire Statistics—Information Bulletin of the World Fire Statistics Centre*, which appears annually. It presents statistics on national fire costs from over 20 leading countries in an effort to persuade governments to adopt strategies aimed at reducing the cost of fire. The WFSC newsletter has been published since March 1984 and is now consulted frequently and widely on the WFSC and Geneva Association websites.

After 15 years of dedicated and most able service, Mr Tony Paish is relinquishing his responsibilities as Director of WFSC in London, although the good news is that Tony has kindly agreed to continue to share his formidable energy and expertise as national correspondent for the United Kingdom. Professor Brian Woodrow of the University of Guelph has agreed to take on this task of running the WFSC and gradually to integrate WFSC activities with his current responsibilities for the Applied Services Economic Center (ASEC). As of 1 July 2010, the WFSC and ASEC will both be based in Canada.

Both Tony Paish and Brian Woodrow presented the WFSC Annual Report to the UNECE Committee on Housing and Land Management in September 2009, which was, as usual, warmly received. Work continues on the *Information Bulletin* which is produced annually to report current fire loss data. This popular production will in future be supplemented with topical articles on the fire situation in specific countries or regions as well as analyses of important comparative trends. A dataset of all WFSC statistics collected from 1979 to 2009 has been prepared and further work is being done to make the data more easily accessible. Attempts are being made to fill in country gaps in the existing fire losses dataset and to recruit

national correspondents in countries beyond the current 20 or so countries, in particular Spain, Portugal and hopefully South Africa and planning is underway for a Geneva Association sponsored conference/seminar on world fire statistics in 2012.

The Applied Services Economic Center (ASEC)

www.asecinfo.org

The Applied Services Economic Centre (ASEC) was founded by The Geneva Association in 1985 due to concerns that not enough thought and attention was being directed to the steady evolution of modern economies and societies from agriculture and manufacturing towards a “services economy”, with all of the multiple and varied implications which that development might imply. ASEC was thus conceived essentially as a lookout institution—an “observatoire”—which would identify, focus and report on emerging services trends and issues and serve to stimulate interest and wide-ranging efforts by other affected parties. ASEC operates as an independent consortium of researchers and practitioners in the field of services and insurance. It offers a forum for open discussion and exchange of views on key topics, conducts studies and advises on services issues, and seeks to stimulate interaction among business, government and officials of international organisations through seminars, conferences and other activities.



Over more than 25 years now, ASEC has drawn attention and contributed to the evolution of a continuing series of emerging services-related trends and issues:

- Economies and societies worldwide were evolving increasingly into “service economies”. Services are not simple units of production or goods in trade; rather, they are closely tied up with our concepts of uncertainty/certainty, risk and value and pose a fundamental intellectual challenge both to neoclassical economics and to conventional thinking about the operation of modern economies and societies. Through a continuing association with the Club of Rome, these ideas about services and the “service economy” have come progressively to be developed and disseminated widely.
- The 1980s and 1990s witnessed the first real efforts to bring services within the realm of international trade law and regulation and to liberalise trade and investment in services markets worldwide. Since 2000, The Geneva Association has continued to follow and report on trade in services issues, and specifically those relating to financial services, as these have proceeded within the current World Trade Organization Doha Round of trade negotiations. ASEC remains firmly committed to the view that continuing liberalisation of trade in services establishes an essential foundation for further evolution towards a modern global services economy.
- ASEC continues to champion the need for a thoroughgoing rethinking of prevailing understandings of services, how these continue to change in a changing world, and how our globalising world economy has become increasingly a “globalised service economy”.

For more information on Geneva Association work on trade, see the PROGRES section on page XX

The ASEC Services and Vulnerability Project

The ASEC Services and Vulnerability Project focuses on the concept of vulnerability, as distinct from related notions of risk, hazard and uncertainty, as a controlling concept for understanding our 21st century world. At the core of the Applied Services Economic Centre lies recognition of the need for fundamental rethinking of the role and function of services within modern economies and societies. We understand vulnerability to refer to *inherent or circumstantial conditions which may result in an event/outcome occurring with causes or consequences unknown*. In terms of Donald Rumsfeld's now infamous formulation, vulnerabilities are the missing category—the “unknown knowns”—where we know more or less what the problems and issues are but often lack the requisite knowledge about their specific incidence and consequences to take appropriate and effective actions.

Vulnerability is a most difficult concept to nail down. It is a term commonly used in popular parlance and increasingly in more specialised discourses, but without any common and agreed meaning. In popular parlance, vulnerability is often presented in terms of threat, peril or weakness—the threat of a bird flu pandemic, the peril of nuclear disaster, the weaknesses of the internet or of other critical infrastructures—but the essential character of the vulnerability is usually left unexplored. In the more specialised lexicon such as insurance, as well, vulnerability equates to the notion of “collective perils” or “emerging risks” but, we will argue, needs to be given more embedded meaning than simply a composite or open-ended list of subjects and issues which might pose liability problems. Our early 21st century world is very much a world sensitive to vulnerability, as the credit crisis elegantly demonstrated, even though we have failed until now to pay much attention to the essential concept.

ASEC Activities in 2009/2010

During 2009-10, the Applied Services Economic Center (ASEC) continued to focus primarily on its Services and Vulnerability Project, but within a changed context. Until recently, ASEC had been managed out of Geneva by its co-directors, Patrick M. Liedtke and Professor Brian Woodrow. As of 1 January 2010, however, ASEC was established formally and separately as an affiliated organisation of The Geneva Association and Professor Woodrow will also assume primary responsibility for both ASEC and the World Fire Statistics Centre (WFSC). Both ASEC and the WFSC will now operate out of Guelph, Canada.

Silver Workers Institute 2009/2010

www.silverworkers.ch

The aim of the Silver Workers Institute (SWI) is to study the work environment as well as motives of seniors and to propose policy action—for companies and governments.



The Silver Workers Institute has built a good reputation very quickly based on the findings of the many decades of work on the Four Pillars by Geneviève Reday-Mulvey, the research carried out by Orio Giarini and Patrick M. Liedtke on employment and the reorganisation of the welfare State, and most recently the Silver Workers Study. SWI-members have presented at a variety of international conferences in 2009. The core activities were hosting three symposia at the 5th World Ageing & Generations Congress in St. Gallen, managing a Silver Workers Institute Session at the 19th IAGG World Congress of Gerontology and Geriatrics in Paris. Presentations were also given at a joint symposium hosted by SRH-University, Berlin, the German Federal Institute of Population Research, Wiesbaden, the 6th Biannual Conference of German-speaking industrial and organisational psychologists in Vienna, the German University in Cairo, Egypt and the 2nd National Conference on Positive Aging, Saint Petersburg, Florida. Based on his work on aging workforce issues, SWI's research director Professor Jürgen Deller, was also personally invited to participate in an event with the President of the Federal Republic of Germany in Bellevue Castle, Berlin.

Papers were published in different scientific journals, such as *The Geneva Papers on Risk and Insurance*, *Journal of Nutrition, Health & Aging*, *Paper on Gerontology and Geriatrics*, as well as in conference proceedings.

In 2010, presentations on Silver Work have already been given at a meeting of German Senior Expert Service, the Institute on Aging, Portland State University, Oregon, and network partner staff days in Cologne. Professor Deller and his team will be starting a new research project on labour market developments for Silver Workers and grant application has been submitted to the Robert Bosch Foundation for a project entitled, "The Future of Work". Professor Deller and fellow researcher Ms. Leena Maxin are part of a multi-organisation research team that is preparing a longitudinal study proposal on Silver Work in 2010. The team includes the Head of the German Federal Institute of Population Research, Wiesbaden, Professor Norbert F. Schneider.

The SWI will also be involved in symposia at national and international conferences, e.g. Age Expectation, 2nd Common Congress of the German Society for Gerontology and Geriatrics and the Swiss Society for Gerontology, Virchow Klinikum der Charité Berlin, as well as the 63rd Annual Meeting of the Gerontological Society of America, New Orleans, both symposia co-chaired with a colleague from the Institute on Aging at Portland State University. The programme committee of the 4th National Conference on Positive Aging in December 2010 approached SWI to support them in setting up a research-based symposium on Silver Work. Scientific contacts will be made during the Annual Meeting of the Retirement Research Consortium in August in Washington D.C.

Publications in 2010 include the documentation of the 2009 St. Gall Congress in *Études et Dossiers* No. 358, working paper series of The Geneva Association, papers in News service on age questions of the German Centre for age questions, *Fachzeitschrift Personal* as well as a live television interview on Silver Work with Professor Deller on German TV.

Conferences and Awards

Conferences

EALE

11-12 May 2009, Milan, Italy

The 13th Joint Seminar of The Geneva Association and the European Association of Law and Economics (EALE) was held in Milan, Italy, at the Department of Law “Angelo Sraffa” of Bocconi University, on 11 and 12 May 2009.

Reviving a longstanding tradition, scholars interested in the economic analysis of risk and insurance gathered from all over the world to present new ideas and discuss critical issues in a number of topics selected by an international scientific board, including: the governance of emerging catastrophic risks; the development and interdependency of corporate liability risks and the insurance system; environmental liability and accident prevention; the impact of directors’ and officers’ (D&O) liability insurance and the insurance coverage of risks arising out of extraordinary corporate transactions (mergers, acquisitions and IPOs) on corporate governance, securities regulation, accountability, transparency and investors’ protection; innovative insurance tools and alternative risk transfer (ART) solutions; and the changing institutional role of the international reinsurance sector. The closing session of the Seminar hosted a round table discussion with major European and international private sector

players to address some of the key questions raised during the academic part of the Seminar from a practical and operational viewpoint. The discussion among key participants in the D&O and transactional (M&A) insurance business in Europe and the United States focused on critical issues at the crossroads between corporate governance, extraordinary corporate transactions and innovative insurance solutions.

Papers were presented by a series of academics and industry professionals including, Kenneth S. Abraham, one of the world’s leading scholars in the fields of tort and insurance law, Onno Hoffmeister, Reimund Schwarze, Véronique Bruggeman, Michael G. Faure, and Giuliano Castellano.

The Geneva Association/IIS Research Awards

7-10 June 2009, Amman, Jordan

The Geneva Association and the International Insurance Society (IIS) research programme is designed to foster original, practically oriented applied 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 IIS annual seminar is one of the largest international insurance conferences for senior executives. It explores the key issues facing



Hosts and winners at the IIS/Geneva Association Awards, Amman Jordan.

From left: Patrick M. Liedtke, Secretary General, The Geneva Association; Robert E. Hoyt, University of Georgia, USA; Hale Abdul Kader, University of Nottingham, UK; Michael Adams, Swansea University, UK; W. Jean Kwon, St. Johns University, USA; Patrick Kenny, President IIS; Yong-Kil Shin, Kyobo Life, South Korea.

the global insurance and financial industries and provides unparalleled networking opportunities. During the seminar, the premier award in the insurance industry, the “Insurance Hall of Fame Award”, is bestowed and the original research is presented. The 2009 conference took place in Amman, Jordan, 7-10 June 2009 and was a resounding success with more than 400 insurance leaders in attendance.

The winning papers for the 2009 Awards were:

- *An Analysis of Organizational, Market and Socio-cultural Factors Affecting the Supply of Insurance and Other Financial Services by Microfinance Institutions in Developing Economies* by W. Jean Kwon, The School of Risk Management, St. John’s University, USA,;
- *Successful Business Strategies for Insurers Entering and Growing Emerging Markets* by Thomas R. Berry-Stöltzle, Terry College of Business, University of Georgia, USA, Robert E. Hoyt, Terry College of Business, University of Georgia, USA, and Sabine Wende, University of Cologne, Germany; and,

- *The Cost Efficiency of Takaful Insurance Companies* by Hala Abdul Kader, Centre for Risk & Insurance Studies (CRIS), Nottingham University Business School, University of Nottingham, UK, Mike Adams, School of Business and Economics, Swansea University, U.K., and Philip Hardwick, Business School, University of Bournemouth, U.K.

The winning research is published in *The Geneva Papers on Risk and Insurance—Issues and Practice*. The papers are distributed by the IIS and The Geneva Association and a prize of up to \$10,000 is given to the winning research.

The 7th ART of CROs Meeting 28-29 June 2009, Warsaw, Poland

The 7th ART of CROs meeting was held on 28 and 29 June and was hosted by PZU in Warsaw, Poland. The meeting focused on the key issues facing the risk functions of insurance companies and provided a forum for discussing potential solutions and secondary issues. During the two days of discussions, topics discussed included the current progress of Solvency II, case studies on reputational risk, the role of the CRO and his reporting line, supervision in Poland, product pricing, climate change risks and issues that led to the financial meltdown.



Andrej Klesyk, CEO at PZU at the 7th ART of CROs

Delegates were provided with a mixture of senior outside and industry experts including, Andrej Klesyk, CEO of PZU; Michel Flamée, Chairman of the International Association of Insurance Supervisors (IAIS) and Vice-Chairman of the Belgian Banking, Finance and Insurance Commission (CBFA); Karel van Hulle, Head of the Insurance and Pensions Unit of the European Commission, and Garry Honey, Visiting Senior Fellow at Southampton University specialising in Reputation Risk.

The meeting was followed by a workshop with PZU and other Polish market participants on the principles of economic valuation, internal models and other issues related to Central and Eastern European markets.

CC+I Conference 2 July 2009, London

Launch of the Kyoto Statement

On 2 July 2009, The Geneva Association launched a major new research report, The insurance industry and climate change—Contribution to the global debate, drafted by senior insurance executives and international climate change experts. The report was presented at a press conference in the Old Library at Lloyd's in London. A panel of insurance Board level insurers, led by the co-Chairmen of The Geneva Association's Climate Change and Insurance (CC+I) project, Michael Butt, Chairman of AXIS Capital and Kunio Ishihara, Chairman, Tokio Marine & Nichido Fire Insurance, introduced the Geneva Report No.2 on Climate Change. Also on the panel were Christine Bosse, CEO of TrygVesta, Thomas Blunck, Member of the Board of Management, Munich Re, Rolf Tolle, Director, Franchise Performance, Lloyd's of London and Dr. Richard Ward, CEO, Lloyd's of London.

The meeting also unveiled the Kyoto Statement of The Geneva Association, a statement

signed by 56 members of the Association that reaffirmed the industry's commitment to support its customers in mitigating and adapting to climate change through enhanced research, innovative products and focused investments in low-carbon energy projects.



The panel of insurance leaders at the CC+I conference at Lloyd's.

From left; joint Chairman of the CC+I project, Kunio Ishihara, Chairman Tokio Marine and Michael Butt, Chairman Axis Capital; Christine Bosse, CEO TrygVesta; Rolf Tolle, Director—Franchise Performance, Lloyd's; Thomas Blunck, Board member, Munich Re.

EGRIE Conference 21-23 September 2009, Bergen, Norway

The 36th annual seminar of the European Group of Risk and Insurance Economists took place at the Norwegian School of Economics and Business Administration in Bergen, Norway. The location was particularly significant as one of the founding fathers of modern insurance economics, the late Karl Borch, was Professor at the School. Professor Karl Borch had longstanding ties with EGRIE and The Geneva Association, and regularly participated in EGRIE seminars. The meeting was also attended by another outstanding academic from the Norwegian School of Economics, Agnar Sandmo who delivered the Geneva Risk Economics Lecture at the meeting.

Topics of sessions at the conference included, Risk Aversion with Flexibility vs. Constraints; Macroeconomic and Background Risks;

Higher-Order Risks; Demand for Insurance: Empirical Studies; Demand for Insurance: Theoretical Studies; Incentives in Contracting, Marketing, and Investing. Many well-known academics participated in this seminar amongst whom were Christian Gollier, Pierre Picard, Chwen Chi-Liu, Keith Crocker, Arthur Snow, James K. Hammitt and Achim Wambach.

The AXA MPS Annual Forum 16 October 2009, Rome

The AXA MPS Forum was an initiative launched by the Montepaschi Insurance Group and The Geneva Association in 2002. In 2004, the two organisations were joined by the National Association of Insurance Companies (ANIA). The forum looks into the “frontier” issues that affect the key role of insurance and financial institutions in protecting society and managing medium-long term risks. The 2009 meeting was lent particular relevance given the recent financial crisis and hence the conference was focused on the possible future scenarios for financial and insurance markets beyond the crisis and its impact on Italian and European societies. Speakers included Frederic de Courtois, CEO AXA MPS; Paolo Garonna, General Director, ANIA; Denis Kessler, Chairman and CEO, SCOR; Giuseppe Mussari, Chairman, Banca Monte dei Paschi di Siena; Marco Onado, Professor, Università Luigi Bocconi.

The M.O.R.E. 23/1st CC+I Seminar—The Insurance Industry and Climate Change, with a Latin American F 19-20 October 2009, Bogota, Colombia

The Management of Risks in the Economy (M.O.R.E.) seminar programme is run under the Risk Management Programme of The Geneva Association. In an annual seminar, the

key risks facing economies are discussed, risk management ideas are shared and a geographical element may flavour the proceedings. The M.O.R.E. 23 Seminar in Colombia, organised jointly with, and sponsored by, Suramericana de Seguros, focused on the effects of climate change, in particular in the South American region. At the same time, it has also been the first of a new series, the Climate Change and Insurance (CC+I) Seminars. The conference demonstrated clearly that whilst property damage and sea-level rise may predominate developed world discussions, in the developing world, health and social issues are likely to have far more significant repercussions on lives and the development of economies. With subjects such as An Overview of the IPCC Report in the Latin American and Chilean Case; Risks and Opportunities of Climate Change for the Venezuelan Insurance Industry; Climate Change and Human Health in Latin America; and Potential Impacts of Climate Change on Latin American Cities, attendees were given a variety of viewpoints on climate change in the region and in insurance. Speakers included, Gonzalo Alberto Perez Rojas, CEO of Suramericana de Seguros; Dr. Christian Parker, Sociologist, University of Santiago; Prof. Ana Rosa Moreno, Dept of Public Health, School of Medicine, University of Mexico; Raquel Szalachman, Office de Asuntos Economicos, UN-ECLAC, and Prof. Germán Poveda, Bogotá, Member of the UN IPCC.

The 5th Chief Risk Officers Assembly 11-12 November 2009, Rüşchlikon, Switzerland.

The 5th Chief Risk Officer Assembly was hosted by Swiss Re, The Geneva Association and the CRO Forum at the Swiss Re Centre for Global Dialogue near Zurich. The annual CRO Assembly provides an annual discussion

platform for CROs from all over the world to address current issues as well as emerging risks and opportunities with their peers and leading experts from academia. The crisis called into question many economic assumptions including the role of internal risk models and external credit ratings; the effectiveness of current regulation; and, State support for financial services. Special emphasis was added to the meeting by the recent crisis and the topic of the Assembly was, naturally perhaps, risk management within the insurance industry during the current economic crisis.

Prominent speakers including Karel van Hulle, Head of the Insurance and Pensions Unit of the European Commission; Terri Vaughan, CEO of the NAIC; Gillian Tett, Assistant Editor of the *Financial Times*; Curtis Mewbourne, Managing Director and Portfolio Manager at PIMCO; Rob Jones, Managing Director at Standard & Poors and Paul Sharma, Director of Prudential policy at the Financial Services Authority, as well as a series of Member CROs. Presentations addressed how the crisis has already changed the parameters of insurance risk management and topics included: How has enterprise risk management (ERM) fared during the current economic crisis?; Group strategy and risk management—insights and outlook; The changing regulatory environment: Europe, the U.S. and International; Adapting risk modelling in the light of the current financial crisis; and, a view from Dr Stefan Lippe, CEO of Swiss Re on navigating the current markets.

6th Geneva Association Health and Ageing Conference 26-27 November 2009, Warsaw, Poland

On 26 and 27 November the 6th Geneva Association Health and Ageing Conference took place in Warsaw, Poland. It was hosted by PZU, a Polish member company of The Geneva Association. The theme of the

conference was “Health and Long-Term Care Insurance in Eastern and Central European (ECE) Countries”.

The “double greying” of almost all countries puts existing public systems for health and long-term care (LTC) under increasing pressure. However, there are different ways out of this dilemma. One may be that the problem may not become so serious at all because—despite growing older, we and the upcoming generations will be healthier in old ages than our parents or grandparents; in the scientific discussion this is connected with the compression hypothesis. Another way out is to have more money in old age to spend for the needed services via income growth, via insurance or via reversed mortgages. However, it is a long-standing fact that—despite of the awareness in the public—LTC insurance is seldom bought although several countries pay subsidies or give special tax treatment.

The conference addressed these issues through four sessions: Health and LTC Systems in ECE countries; National Perspectives of Financing Health and LTC in ECE countries; Rationalising LTC in ECE countries; and, Insuring and Funding Health and LTC Risks. Speakers included experts from the OECD, The World Bank, insurance companies and academia.

COP15 Conference 9 December 2009, Copenhagen, Denmark

On 9 December 2009, The Geneva Association represented its 56 member signatories of the Kyoto Statement of The Geneva Association at the 15th Conference of the Parties (COP15) meetings in Copenhagen, Denmark. The weight of diplomatic and public expectation of the conference meant unprecedented levels of attendance as well as media attention. With

the help of Christine Bosse and her team at TrygVesta, one of the highly sought after official side-event presentation opportunities was secured by The Geneva Association in the Central Hall, the logistical heart of the COP15 event.



Dr. Richard Ward presents to attendees in the centre hall at COP15.

From left: Dr Richard Ward, CEO Lloyd's; Patrick M. Liedtke, Secretary General, The Geneva Association; Dr Eberhard Faust, Head of Research: Climate Risks and Natural Hazards, Munich Re; Christine Bosse, CEO TrygVesta.

Fronted by a panel of leading insurance CEOs and experts, namely, Christine Bosse, CEO of TrygVesta, Dr Richard Ward, CEO of Lloyd's of London, Dr Eberhard Faust, Head of GEO Risk of Munich Re and Patrick Liedtke, Secretary General and Managing Director of The Geneva Association, the presentation called on delegates and policy-makers to recognise and harness the skills of the insurance industry in managing climate related risks. With up to a hundred attendees and many more drifting in and out en-route to and from the delegates meeting areas, the message was given an excellent platform and was widely disseminated.

In a first for The Geneva Association, the event was recorded for a webcast and is now available on our website. A comprehensive print-set

background document for the conference was also issued, providing a more in-depth discussion of the CC+I working group research and positioning the issues of climate change and insurance.

The Geneva Association was almost if not completely unique as an industry representative in the side events. The event was the culmination of nine months of planning and three months of preparatory work. The miraculous achievement of securing a place so centrally located was down to Christine Bosse and her team at TrygVesta. The panel made time in very busy schedules to prepare presentations, to get to Copenhagen and who presented a highly compelling and clear account of the reasoning for this call on governments. We would like to thank all of them for their help in making the COP15 event possible.

16th Insurance & Finance Seminar 4-15 December 2009, London, U.K.

The 6th Insurance & Finance Seminar was held in the Old Library at Lloyd's of London. The seminar series discuss the key strategic issues facing insurance in the financial arena. The events are targeted at leading insurance and wider financial services executives, government officials and regulatory stakeholders with a close interest in insurance. Speakers in 2009 reflected the fact that the financial crisis and subsequent regulatory reform were amongst the most significant strategic issues facing the industry and included: Monica Mächler, Vice-Chair of the Board of Directors, Swiss Financial Market Supervisory Authority (FINMA); Thomas Steffen, Chief Executive Director Insurance Supervision, Bundesanstalt für Finanzdienstleistungsaufsicht (BAFIN); Luke Savage, Chief Financial Officer, Lloyd's; Carlos Montalvo Rebuelta, Secretary General, CEIOPS; Jozef de Mey, Chairman, Fortis

Insurance; Bronek Masojada, CEO, Hiscox plc; and, Mike McGavick, CEO, Chairman of the Board of Directors, XL Capital.

Chief Investment Officers Meeting 15 January 2010, Munich, Germany

The 4th Geneva Association Meeting of CIOs in Insurance took place on 15 January 2010 at Allianz Global Investors AG in Munich. The conference has continued to grow in popularity and gain momentum among CIOs. Delegates were provided with a series of sessions that covered issues such as The Geneva Association's activities on Systemic Risk in Insurance, After the Crisis—which regulatory actions are getting real and how should we prepare for them; and, Green Investing for Insurance. Speakers included the host, Joachim Faber, CEO of Allianz Global Investors, Jerry de St Paer, Executive Chairman of the Group of North American Insurance Enterprises and Michael Butt, Chairman of Axis and Co-Chair of The Geneva Association Climate Change and Insurance Working Group.

Systemic Risk Press Conference 26 February 2010, London

Alongside the publication of the Systemic Risk and Insurance Report (see page XX), a press conference was held in London to present the report to the world's press. The conference was hosted by Aviva and presented by three Geneva Association Board Members, Dr Nikolaus von Bomhard, CEO Munich Re and President of The Geneva Association, Mr Andrew Moss, CEO of Aviva, and, Dr Stefan Lippe, CEO of Swiss Re. The conference explained the contents of the report and that the unique characteristics of traditional insurance such as upfront premia, assets matched to liabilities, long-term provisioning and controlled outflows

mean that insurance does not create systemic risk. The Board called on supervisors and policy-makers to focus on activities rather than on financial institutions and described why existing and upcoming insurance regulatory regimes such as Solvency II in the EU already adequately address insurance activities.

Simultaneously, a press release was distributed in every G-20 country by member companies (see page XX). The report received widespread coverage in the international, national and trade media and the message was clear that core insurance activities do not create systemic risks.

Prize, research grants, awards

In its role of promoting research in risks and insurance economics, The Geneva Association also awards a series of prizes and research grants every year.

The Ernst-Meyer Prize

The Ernst-Meyer Prize awards a university research work, mostly in the form of a doctoral thesis, which makes a significant and original contribution to the study of risk and insurance economics (worth CHF 5,000).

Research grants and subsidies for theses

Each year The Geneva Association also awards two research grants for submissions, usually in the form of a doctoral thesis, carried out in the field of risk and insurance economics worth CHF 10,000.

Subsidies of up to CHF 3,000 are also granted

to authors of university theses on risk and insurance economics to help defray printing costs and to support the publication of high quality work.

Partnership Award

The Geneva Association and the International Insurance Society research partnership award is designed to foster original, practically oriented applied research in the insurance. The award is aimed at research that addresses

issues of concern to global insurance leaders and which directly influences business operations on a practical level. The winning research is presented in a seminar at the annual IIS meeting—in 2010 this will be in Madrid, Spain, 6-9 June 2010. The research is published in a special edition of *The Geneva Papers on Risk and Insurance—Issues and Practice* and distributed by The Geneva Association and the IIS. Awards of up to US\$10,000 are presented to the winning researcher.

List of recent Ernst-Meyer Prize Winners

- Renaud Boulès (2010) for a thesis on *Essays on the Stability of Mutual Insurance Agreements*
 - James R. Thompson (2009) for a thesis on *Insurance and Credit Risk Transfer: A Study of Moral Hazard and Adverse Selection*
 - Nadine Verena Gatzert (2008) for a thesis on *Implicit Options in Life Insurance: Valuation and Risk Assessment* and Alexander Kling (2008) for a thesis on *Modellierung, Bewertung und Risikoanalyse von Zinsgarantien in konventionellen deutschen Lebensversicherungs-verträgen*
 - Wenan Fei (2007) for a thesis on *Secondary Risks in Insurance Markets* and Yijia Lin for a thesis entitled *Mortality Risk Management*
 - Bidénam Kambia-Chopin (2006) for a thesis on *Prevention of Risks, Insurance Markets and Environmental Liability: Essays on Incentive Theory*
 - Jörg Schiller (2005) for a thesis on *Insurance Fraud as an Economic Problem: A Contractual Approach*
 - Amy Finkelstein (2003) for her work on *Adverse Selection and Government Intervention in Life and Health Insurance Markets*
 - Achim Wambach (2001) for a thesis entitled *New Perspectives on Insurance Markets and Adverse Selection*.
 - Christophe Courbage (2000) for a thesis entitled *Risk, Health and Prevention* and Andreas Richter (2000) for a thesis entitled *On the Function and Design of Liability Rules when Parties are Risk Averse—An Economic Analysis Especially Considering the Risk of Cumulative Losses and Imperfect Insurance Markets*.
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Publications

Publications

The Geneva Association publications take six different forms in addressing its various audiences:

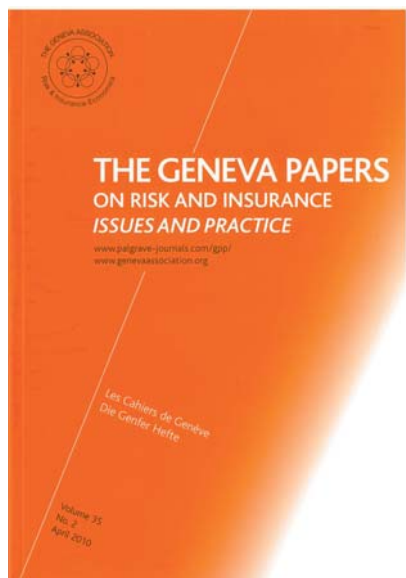
- two journals, *The Geneva Papers on Risk and Insurance—Issues and Practice* and *The Geneva Risk and Insurance Review* (formerly *The Geneva Papers on Risk and Insurance Theory*);
- reports on major themes discussed throughout a part of the year, otherwise known as *The Geneva Reports*;
- eight different newsletters;
- *Etudes et Dossiers*, or working papers from conferences and meetings; and,
- books and monographs written by Geneva Association staff and/or external collaborators.

In 2009/2010 with the appointment of a Head of Communications, a profile-raising drive has been undertaken to increase the profile of The Geneva Association, part of which has been an effort to make each publication more available and widely known to its target audiences, which include academia, the insurance industry, and the general public. This strategy will progress through 2010/2011, reinforcing the position of The Geneva Association as a worldwide leader in insurance economics research and thinking.

Journals

The Geneva Association's main publication, *The Geneva Papers on Risk and Insurance*, was founded in January 1976, under the auspices of the first President of The Geneva Association, Mr Raymond Barre. As stated by Mr Barre, the goals of *The Geneva Papers* were first and foremost to become the voice of insurance at the highest world level to help elaborate and confront key strategic views of the sector; and second, to stimulate a constructive dialogue between insurance and its social and economic partners. In 1990, with the development of more theoretical studies on risk and insurance, *The Geneva Papers* were separated into two series: *The Geneva Papers in Risk and Insurance—Issues and Practice* and *The Geneva Papers on Risk and Insurance Theory*; the latter became *The Geneva Risk and Insurance Review*. These two publications are examined in more detail below. Both journals publish peer-reviewed articles and are issued by Palgrave Macmillan. The archives less than three years old are available via Palgrave Macmillan (Palgrave) website (www.palgrave-journals.com)—older archives are also now fully digitised and online on The Geneva Association website and in the archives section of the Palgrave website.

The Geneva Papers on Risk and Insurance—Issues and Practice



Founded in 1976 and published quarterly by Palgrave Macmillan, *The Geneva Papers* publish papers which both improve the scientific knowledge of the insurance industry and stimulate constructive dialogue between the industry and its economic and social partners. It is essential reading for academics and researchers in insurance, insurance industry executives and other professionals who are searching for a 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.

In terms of publication workflow, The Geneva Association has been working with Palgrave to create a more efficient publication process, tighter turn-around times and a stricter adherence to publication dates. This work has delivered a significantly more efficient and timely publishing process to date and a further refining of the process in 2010 is expected to provide further improvements.

The Geneva Papers had a successful year in 2009, publishing several special themed issues including:

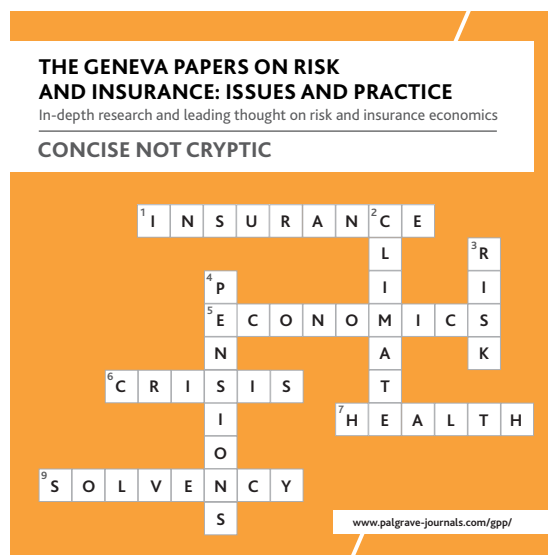
- contributions from the 35th General Assembly of The Geneva Association, May 2008;
- a Special Issue on Insurance-Linked Securities, Asset and Balance Sheet Management;
- a Special Issue on Climate Change and Insurance. This particular issue showed how the insurance industry can contribute to curbing the effects of climate change on populations and economies through insurance solutions and incentives to companies as well as to individuals; and,
- A Special Issue on the Four Pillars by Geneviève Reday-Mulvey, Head of the Four Pillars programme, retiring in 2010.

In April 2010, *The Geneva Papers* showcase a variety of articles on topics such as insurance development and economic growth, reinsurance intermediaries, frontier efficiency methodologies in insurance and insurance company views on climate change. Half of the July issue of *The Geneva Papers* is to be dedicated to European Association of Law & Economics (EALE) submissions, on legal aspects of insurance. The last issue of *The Geneva Papers* for 2010, published in October, will be a full Special Issue on Health and Ageing, edited by Christophe Courbage, Head of the Health and Ageing Research Programme.

Marketing efforts

As part of the 2010/2011 visibility strategy, The Geneva Association and Palgrave will be developing a citation strategy for *The Geneva Papers* and *The Geneva Risk and Insurance Review* which will improve article awareness, article access and an increase in usage and citation, ultimately leading to a higher impact

factor.¹ Promotional activities have been split into two between The Geneva Association and Palgrave, the former focusing efforts on the industry, and the latter on the academic community. A new marketing flyer was produced at the end of 2009, using a “crossword” theme—“Concise not cryptic”. This is being used for internal mailings, for direct mail marketing and at conferences. “Preview” flyers were developed and handed out at The Geneva Association’s press conference on “Climate Change and Insurance”. A similar flyer was developed to promote the “Credit Crisis and Insurance” special issue in December 2009 and was distributed at the 6th International Insurance and Finance Seminar, at Lloyd’s in London on 14 and 15 December 2009.



The Editors and Editorial Board of The Geneva Papers on Risk and Insurance

The Editorial Board is looking to make *The Geneva Papers* more forward-looking and to enhance the journal’s position at the forefront of research in the field of insurance economics. As leaders in the field of insurance economics, members of the Editorial Board are asked to peer review each article submitted to *The Geneva Papers*. The Deputy Editors, Prof. Gerry Dickinson, Head of the Insurance and Finance research programme of The Geneva Association, and Dr Christophe Courbage, Head of the Health and Ageing and Insurance Economics programmes of The Geneva Association, serve as initial referees the submissions’ initial suitability to the journal and potential contribution to the industry. We are very grateful to the Editorial Board for their steadfast dedication and input on the submissions and look forward to their continued support in 2010/2011.

This year four new members have joined the Editorial Board. Prof. Etti Baranoff, Virginia Commonwealth University School of Business, Dr. Thomas Buchmueller, The Stephen Ross School of Business, Mr Dario Focarelli, Chief Economist from ANIA and Prof. Wei Zheng, Peking University. The Geneva Association welcomes these new members and will look forward to the contributions and added perspectives that they will bring.

As at April 2010, the Editorial Board Stands as follows:

Editor-in-Chief: Patrick M. Liedtke, The Geneva Association

Deputy Editors: Gerry Dickinson, Sir John Cass City of London Business School; Christophe Courbage, The Geneva Association

Editorial Manager: Samantha Solida, The Geneva Association

¹ The impact factor, often abbreviated IF, is a measure reflecting the average number of citations to articles published in scientific journals.

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 journal now utilises Palgrave Macmillan's industry-leading Advance Online Publication (AOP) service. These AOP articles are fully citeable, as Palgrave publishes only the final versions of papers, and they can be referenced as soon as they appear on the AOP site, using

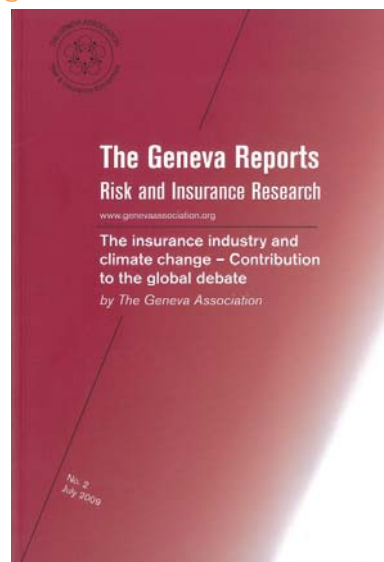
the digital object identifier (DOI). This feature went live at the end of March 2010.

The Geneva Reports

The Geneva Reports Series tackles issues of strategic importance to the insurance industry that warrant special attention and particular analysis. The series is published on an "as appropriate basis" and is available both in printed and electronic versions.

The Geneva Reports are rising in prominence, with two issues published during 2009/2010, one on climate change and one on the credit crisis:

The Insurance industry and climate change—Contribution to the global debate

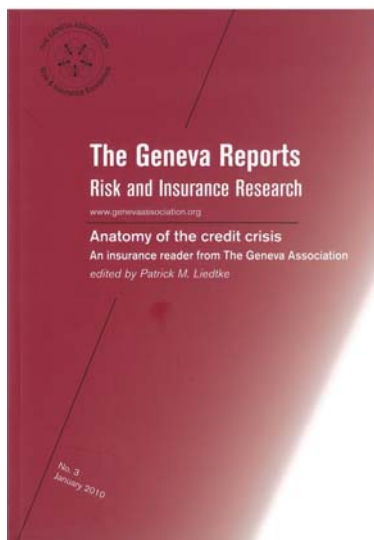


The Editorial Board of The Geneva Risk and Insurance Review

The Editors-in-Chief of *The Geneva Risk and Insurance Review* are Prof. Keith J. Crocker, William Elliott Chaired Professor of Insurance and Risk Management at The Pennsylvania State University and Prof. Pierre Picard, Professor and Head of the Department of Economics at the Ecole Polytechnique in France.

This first report of the Climate Change and Insurance (CC+I) project was written by a working group of insurance executives and climate change experts, in the period between September 2008 and May 2009, and was published in July 2009. The CC+I Project is directed by Mr Walter R. Stahel, Vice Secretary General and Head of the Risk Management Programme at The Geneva Association.

Anatomy of the credit crisis— An insurance reader from The Geneva Association



This report, published in January 2010, is a thorough investigation into the credit crisis, its origins, and its influence on the insurance market, as well as the insurance industry’s involvement in the worldwide financial crisis.

In this special *Geneva Report*, The Geneva Association has assembled a series of key articles written during and on the subject of the credit crisis, compiling them into an insurance “reader”. This reader provides an insight into the credit crisis from an insurance point of view, looks at its impact on the insurance industry and finally examines the episode for lessons learned and concerns that remain.

As this insurance reader is a global summary and activity report on the insurance industry’s role in the credit crisis, 12,000 copies were printed and sent out to The Geneva Association’s contacts.

Newsletters

Seven newsletters on the main research activities, as well as on World Fire Statistics, have been published throughout the year. They are published biannually, except for Insurance and Finance and the World Fire Statistics. They were disseminated in hard copy and in the form of e-newsletters, a new feature implemented in February 2009.

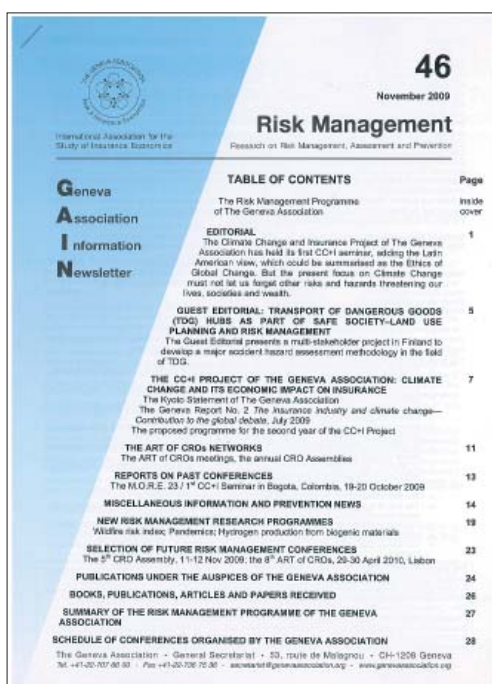
Insurance Economics

<p>International Association for the Study of Insurance Economics</p>	
61	January 2010
Insurance Economics Information for Risk and Insurance Economists	
G A I N	<p>I. EDITORIAL 1 Insuring Long-Term Care Risk Christophe Courbage outlines some ideas on the issue of covering the financial risks of needing long-term care and pays special attention to insurance.</p> <p>II. NEWS FROM EGRIE 4 Letter from the President Call for Papers—World Risk and Insurance Economics Congress SCOR-EGRIE Best Paper Awards and Winners AXA-EGRIE Prizes</p> <p>III. ERNST-MEYER PRIZE WINNER 9</p> <p>IV. GENEVA ASSOCIATION PRIZE AND RESEARCH GRANTS 10 Ernst Meyer Prize and Research Grants The Geneva Association/IS Research Awards Partnership</p> <p>V. NEW GENEVA ASSOCIATION RESEARCH ON CLIMATE CHANGE AND INSURANCE 13</p> <p>VI. ACTIVITIES SUPPORTED BY THE GENEVA ASSOCIATION 14 Special Issue on Health of The Geneva Papers Joint Industry Forum for P&G Insurance Industry 23rd PROGRESS International Seminar 24th M.O.R.E. Seminar on Modelling and Mapping Risks 6th CC+I Seminar on Climate Change—Opportunities for Latin American Insurers</p> <p>VII. OTHER SEMINARS AND CALLS FOR PAPERS 17 Annual Congress of the German Insurance Science Association Asia-Pacific Journal of Risk and Insurance Risk Theory Society Annual Seminar 6th International Longevity Risk and Capital Markets Solutions Conference</p> <p>VIII. RECENT PUBLICATIONS RELATED TO INSURANCE ECONOMICS 21</p> <p>IX. GENEVA ASSOCIATION PUBLICATIONS 23 The Geneva Risk and Insurance Review The Geneva Papers on Risk and Insurance—Issues and Practice Working Papers Series “Etudes et Dossiers” The Geneva Report No. 3, <i>Anatomy of the credit crisis—An insurance reader from The Geneva Association</i></p> <p>X. SCHEDULE OF CONFERENCES ORGANISED BY THE GENEVA ASSOCIATION 26</p>
The Geneva Association • General Secretariat • 53, route de Malagnou • CH-1206 Geneva Tel. +41-20-707 66 00 • Fax +41-20-708 20 38 • secretariat@genevaassociation.org • www.genevaassociation.org	

This newsletter for risk and insurance economists serves as an information and liaison bulletin to promote contacts between economists at universities and in insurance and

financial services companies with an interest in risk and insurance economics.

Risk Management



The Risk Management newsletter summarises The Geneva Association’s initiatives in the field. It is open to contributions from any institution or company wishing to exchange information on the subject.

Four Pillars

The newsletter of the Research Programme on Social Security, Insurance, Savings and Employment was initiated in 1985, and provides information on research and publications in this area. It also covers themes linked to the life insurance sector.

PROGRES

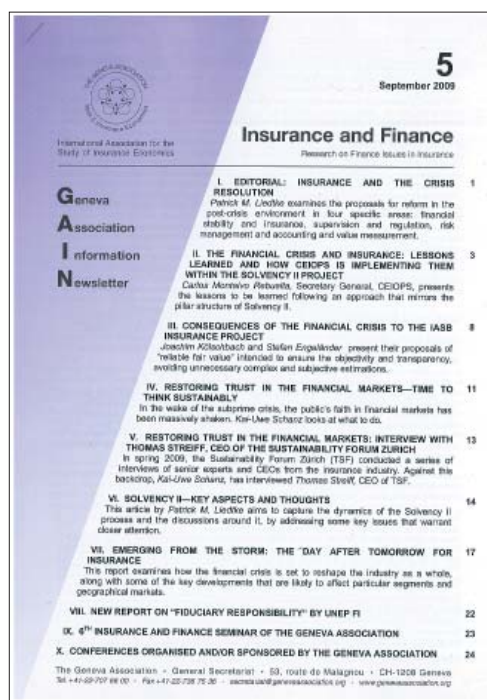
The aim of this newsletter is to contribute to the exchange of information on studies and

initiatives aimed at better understanding the challenges arising in the fields of insurance regulation, supervision as well as other legal aspects.

Health and Ageing

seeks to bring together facts and figures linked to issues in health, and to try to find solutions for the future financing of health and the role that insurance solutions can play in them.

Insurance and Finance



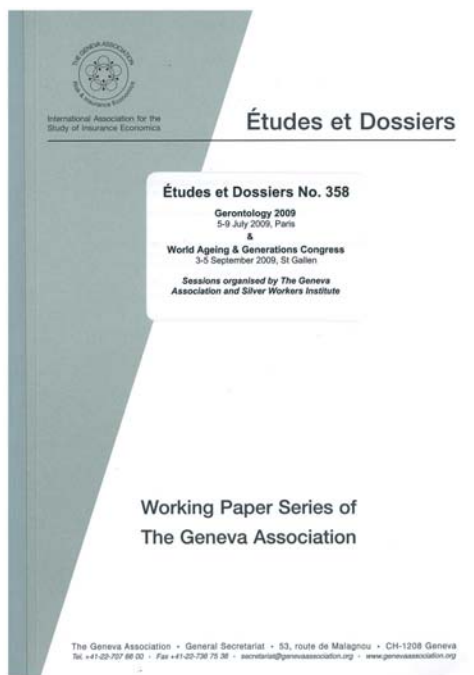
The research programme on insurance and finance comprises academic and professional research activities in the fields of finance where they are relevant to the insurance and risk management sector.

World Fire Statistics

Published annually, this newsletter presents statistics on national fire costs from over 20

leading countries in an effort to persuade governments to adopt strategies aimed at reducing the cost of fire.

Etudes et Dossiers



Etudes et Dossiers are the working paper series of The Geneva Association. These documents present intermediary or final results of conference proceedings, special reports and research done by The Geneva Association. Where they contain work in progress or summaries of conference presentations, the material must not be cited without the express consent of the author. Most of these documents are available freely on The Geneva Association's virtual library, except for those in restricted use, which remain in the private area.

From the beginning of 2010, all documents produced in an *Etudes et Dossiers* from conferences that The Geneva Association organises are available on The Geneva Association's website, in the private area,

within the week following the conference. This ensures swift dissemination of information among conference attendees and has received much positive feedback. This system also means that each person responsible for a conference is more systematic and timely in collecting conference material, which speeds up the production process.

For conferences co-organised by The Geneva Association or organised by an external source, the *Etudes et Dossiers* are produced directly in the virtual library.

The Geneva Association Working Paper Series *Etudes et Dossiers* appear at irregular intervals about 10-12 times per year. Distribution is limited. Hard copies are automatically sent to all of The Geneva Association's members.

Etudes et Dossiers published since May 2009:

- No. 352 / August 2009, *The 25th PROGRES International Seminar, Towards Efficient Regulatory Regimes: Balancing Regulations and Market Forces, Montreux, Switzerland, 6-7 April 2009*
- No. 353 / September 2009, *4th Chief Risk Officer Assembly, Risk Management as Business Enabler, Munich, 20-21 November 2008*
- No. 354 / October 2009, *7th Annual Round Table of Chief Risk Officers, Warsaw, 29-30 June 2009*
- No. 355 / November 2009, *9th CEO Insurance Summit in Asia, Hong Kong, 24-26 March 2009*
- No. 356 / January 2010, *M.O.R.E. 23 / 1st CC+I-Seminar of The Geneva Association, Insurance Industry and Climate Change, with a Latin American Focus, Bogotá, 19-20 October 2009 & XXXII Hemispheric Insurance Conference FIDES 2009 (Selection), Las Vegas, 1-4 November 2009*

- No. 357 / January 2010, *6th Geneva Association Health and Ageing Conference, Health and Long-Term Care Insurance in Eastern and Central European Countries, Warsaw, 26-27 November 2009*
- No. 358 / February 2010, *Sessions organised by The Geneva Association and Silver Workers Institute at XIXth IAGG World Congress of Gerontology and Geriatrics, Paris, 5-9 July 2009 & World Ageing & Generations Congress, St Gallen, 3-5 September 2009*
- No. 359 / April 2010, *13th Joint Seminar of the European Association of Law and Economics (EALE) and The Geneva Association, Insuring Corporate Liability Risks, Milan, 11-12 May 2009*

In March 2010, The Geneva Association published one of its largest and most prominent reports yet: *Systemic Risk and Insurance—An analysis of insurance and financial stability*.

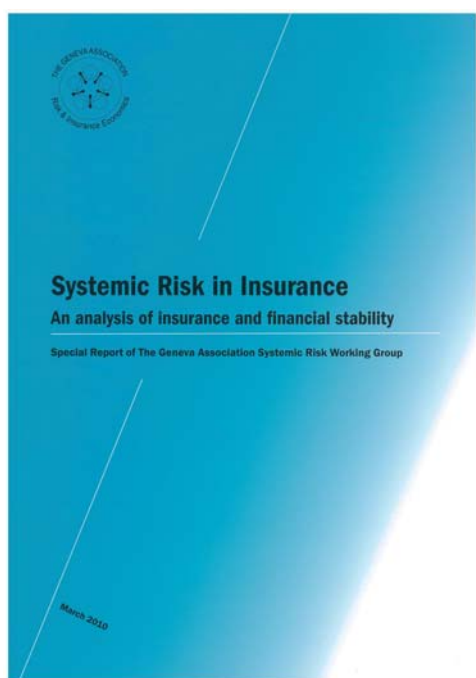
It was widely picked up and reported in the press: nearly 50 articles were published on this report from 26 February to 11 March 2010 around the world. Among the newspapers/magazines/newswires having relayed this information are Reuters, *The Wall Street Journal*, *L'AGEFI*, *SonhoSeguros*, *Börsen Zeitung* and *Insurance Day*, as well as *The Financial Times Deutschland*.

15,000 copies were printed and distributed worldwide.

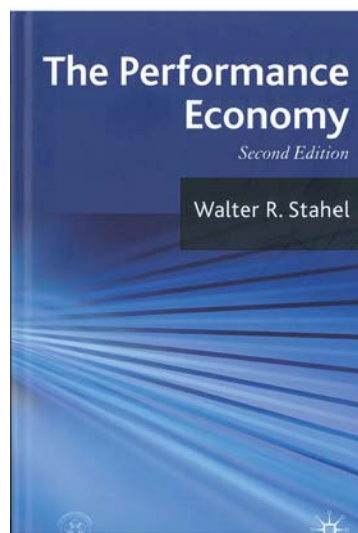
For more information, please see page XX

Books and monographs

Systemic Risk in Insurance—An analysis of insurance and financial stability, March 2010



The Performance Economy, 2nd Edition, Walter R. Stahel, Palgrave Macmillan, 2010



The industrial economy is transforming from a production-based model into a more intelligent performance-based model. Yet despite the proven benefits that selling performance provides, too many managers

and policy makers still focus on designing, manufacturing, and selling goods using costly economic models and production methods. Replete with case studies, new examples, and decades of proven research, the second edition of *The Performance Economy* outlines the strategies needed to face tomorrow's challenges by using science and knowledge to improve product performance, create jobs, and increase wealth and welfare. Additional topics include a description of the skills needed to produce and sell performance, details of how performance is managed over time (long-term thinking), and clear explanations that illustrate how manual and skilled jobs are created—all while reducing the consumption of non-renewable resources and contributing to a low carbon, low toxin society.

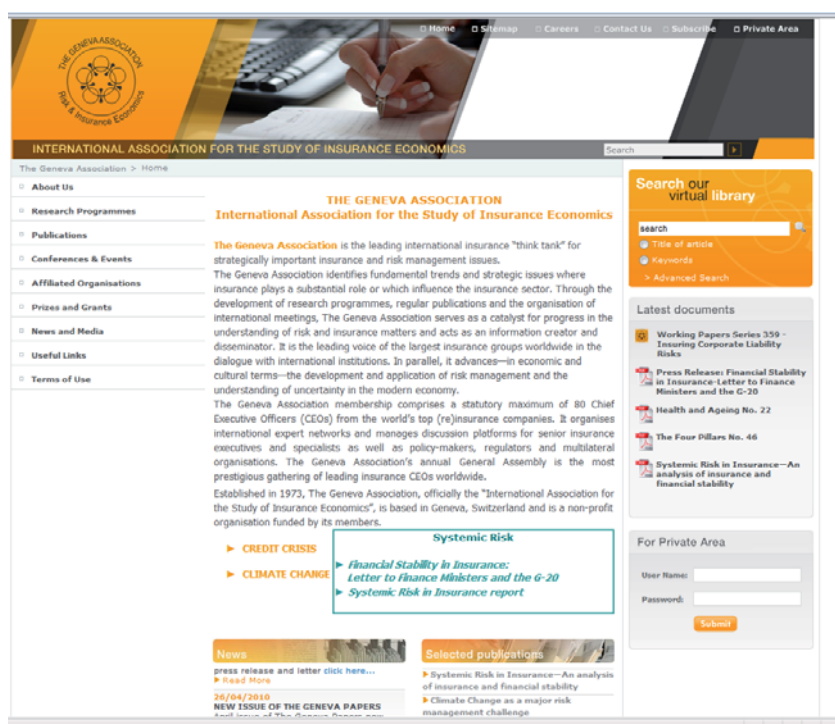
subject beyond simply economic evaluation and explores the behavioural aspects, organisation and incentives for new technology developments, and the adoption and diffusion of these technologies; and is hugely topical for modern health care, relevant to issues such as nano-technology, cloning, and tissue engineering. It contains contributions from international experts including economists, health policy analysts, clinicians and social scientists.

***The Economics of New Health Technologies—
incentives, organization, and financing***
edited by Joan Costa-Font, Christophe Courbage and Alistair McGuire
Oxford University Press, 20



This book offers the first truly global economic analysis of health care technologies; takes the

The Geneva Association online



The website forms a crucial part of The Geneva Association communications strategy. Following the appointment of a new Head of Communications in July 2009, the site content was refreshed and a new “News & Media” section was added. The distribution of Geneva Association newsletters in an electronic format was formalised in mid 2009 and the process of conference bookings has begun a migration to being an online process. The webcasting of the Geneva Association presentation at the COP15 conference (*see page XX*) was a first step into

new media for the Association and more use of new media will take place in 2010.

The private area of the website has also been revised with the private information provided for different working groups being easier to search and more directly accessible. With the increasing levels of interest in The Geneva Association, higher traffic and download figures, more bandwidth hungry media and plans to host far greater levels of information on the website, a new website offering increased

utility and better in-house content management is being considered for early 2011.



The virtual library

The virtual library of The Geneva Association's website contains all of The Geneva Association's publications, as well as some books that the Association has published. The search engine of the virtual library is a permanent fixture on every webpage.

Putting all internal documents online is an ongoing process. The next documents that will be put online will be all the articles published in *The Geneva Risk and Insurance Review*, *Etudes et Dossiers* and *The Geneva Papers*. The background documents of the Four Pillar

and Pensions research programme will come next. As of early 2009, most of the *Etudes et Dossiers* are accessibly freely; for past issues, the Information Hub Manager is requesting authorisation from authors to put their documents online.

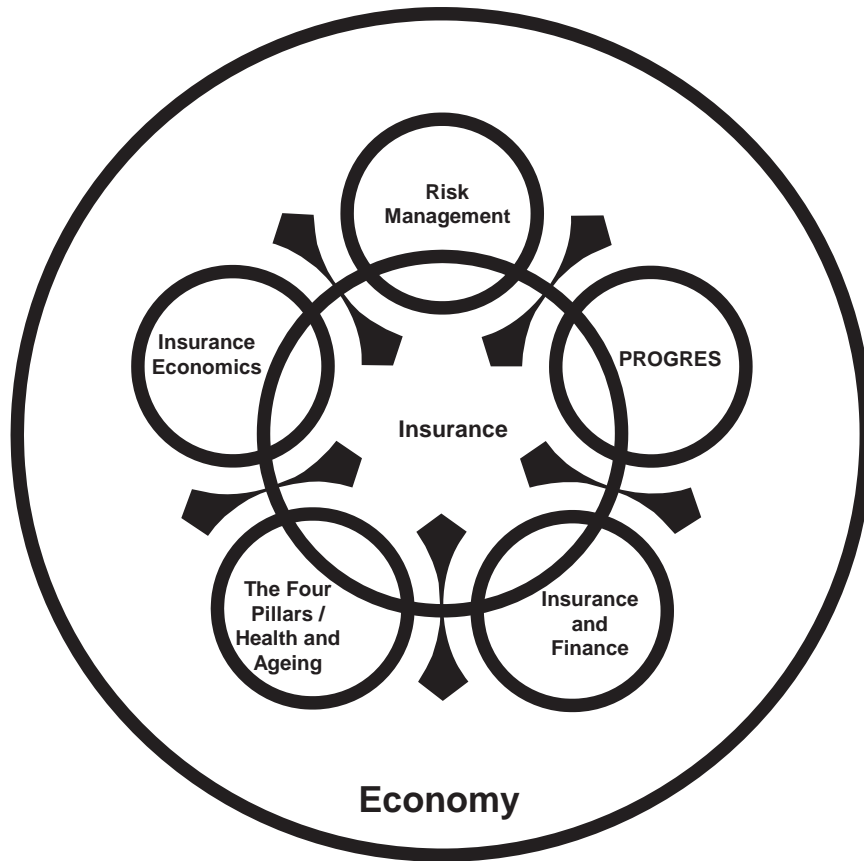
The goal of the virtual library is to become an international virtual library on the subject of insurance, to be an international reference in the matter. It should host documents on insurance in English, French and Spanish from all over the world. For this to happen, a series of hurdles are currently being studied and resolved, including copyright issues, authors' contact details, etc.

Digitisation of publications

The articles of *The Geneva Papers on Risk and Insurance—Issues and Practice*, *The Geneva Risk and Insurance Review* and *Etudes et Dossiers* are now all fully digitised. *The Geneva Papers on Risk and Insurance* are online, up until April 2007 for copyright reasons. All documents are being progressively put online.


Research Strategy Diagrams

Interfaces and Economic Research Areas



Keys

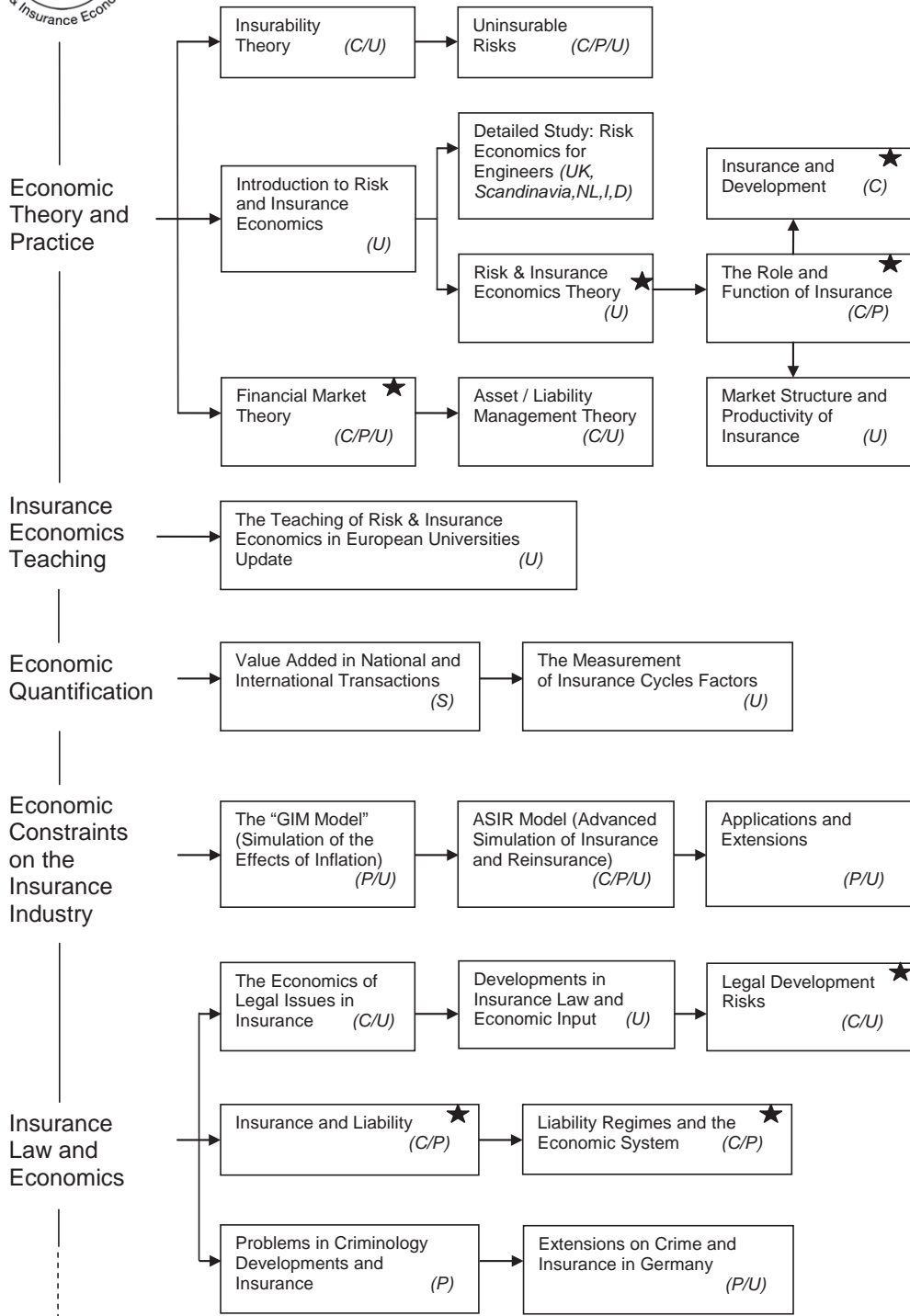
Project
Concluded

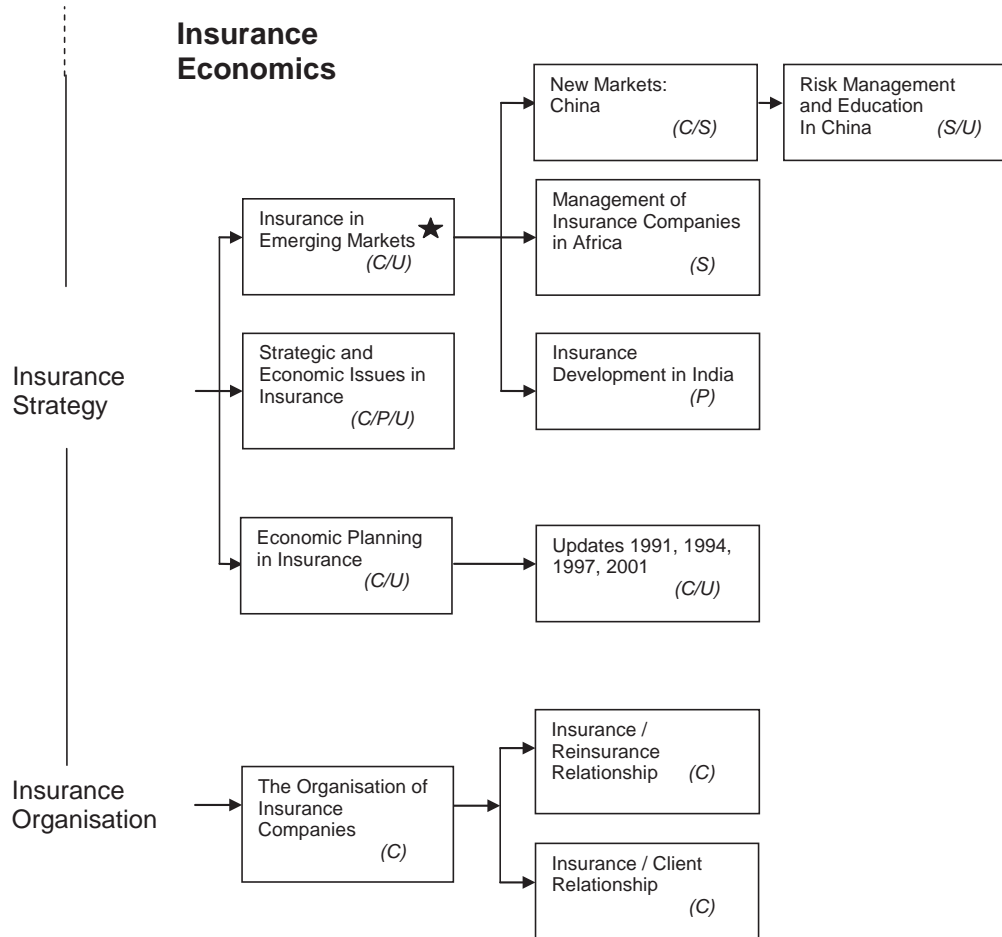
Research 
Under Way

- C Workshops/Conferences
- P Professional Research
- U University Research
- S Scholarships



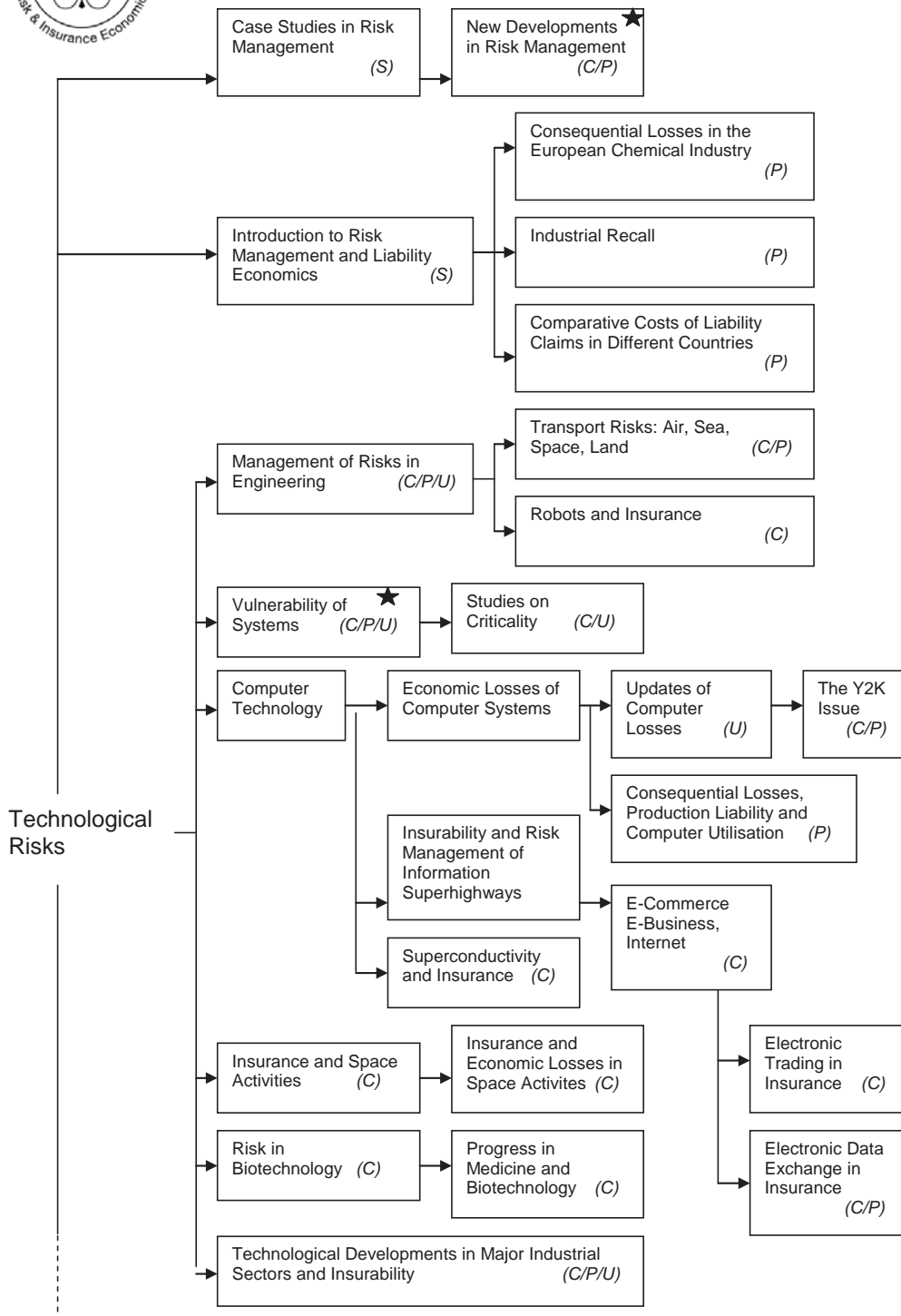
Insurance Economics

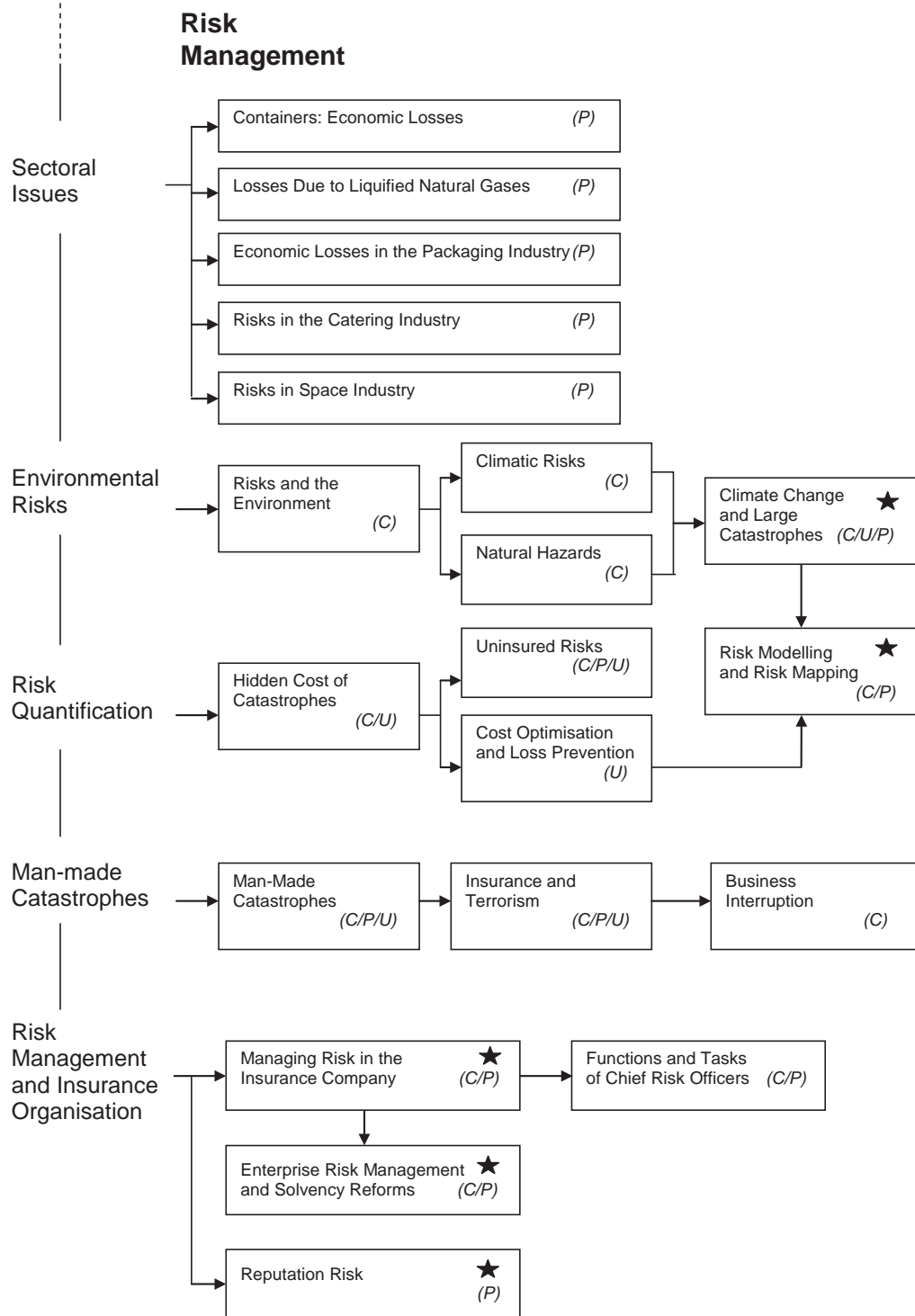


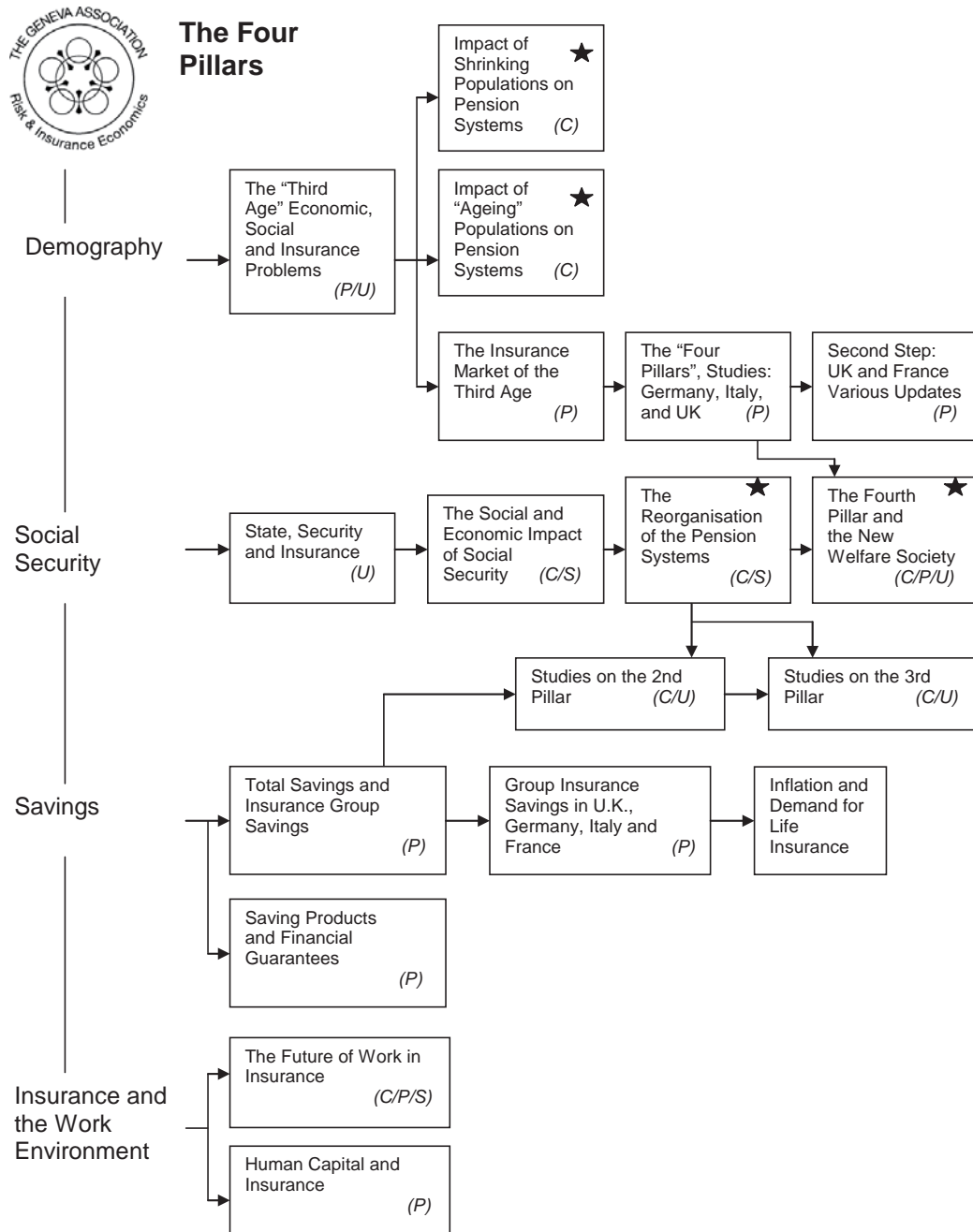




Risk Management

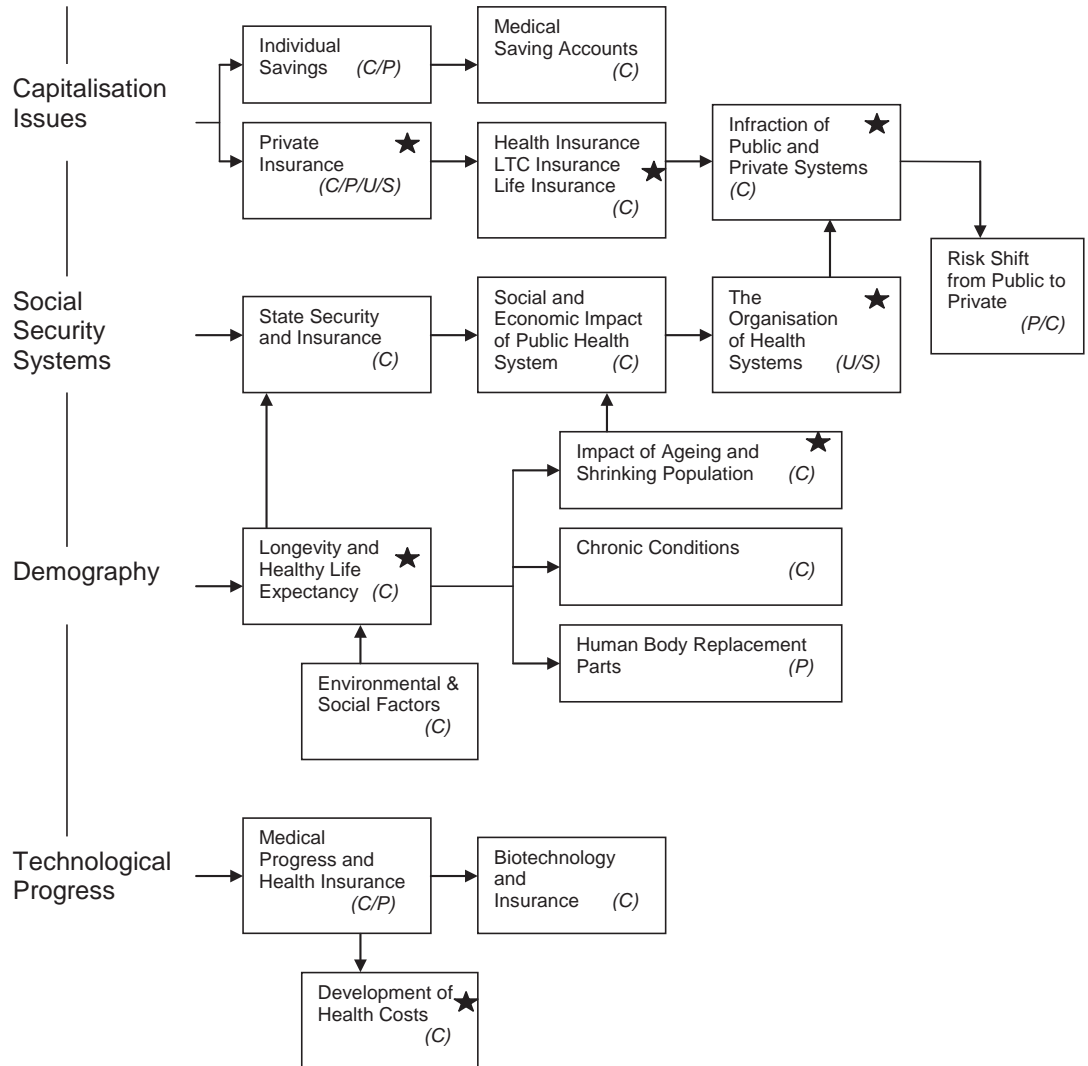






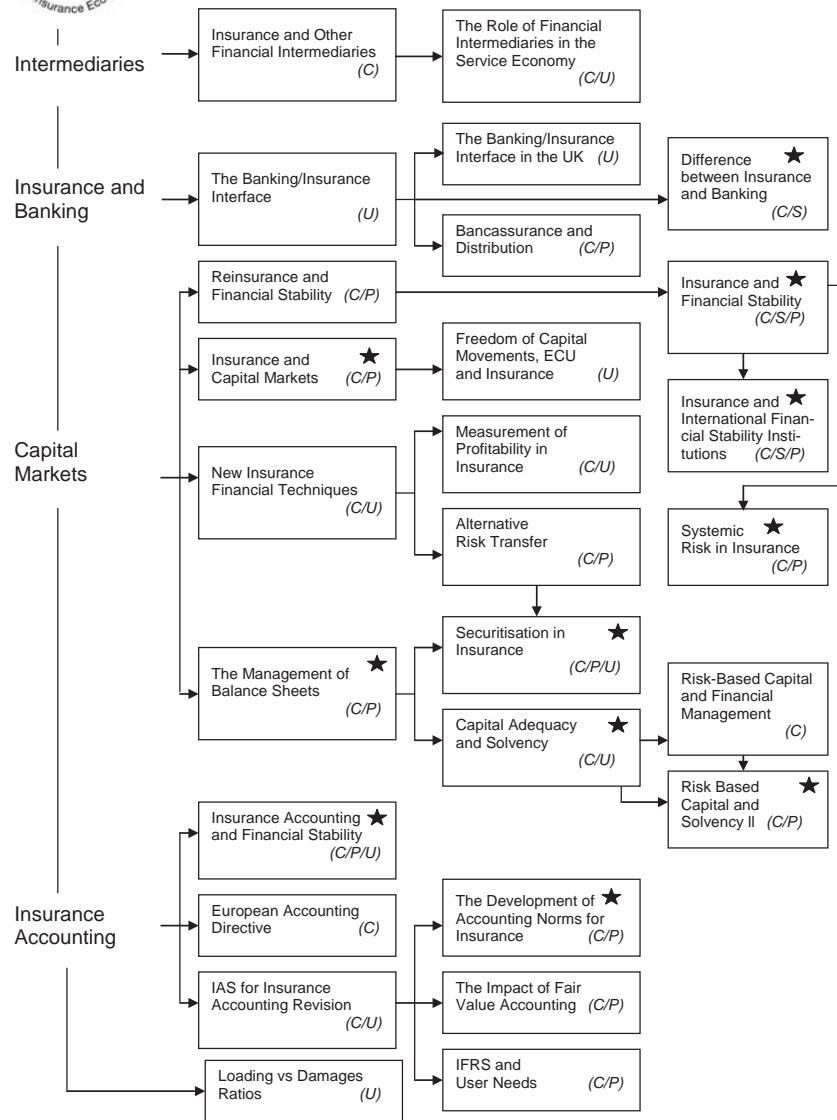


Health and Ageing



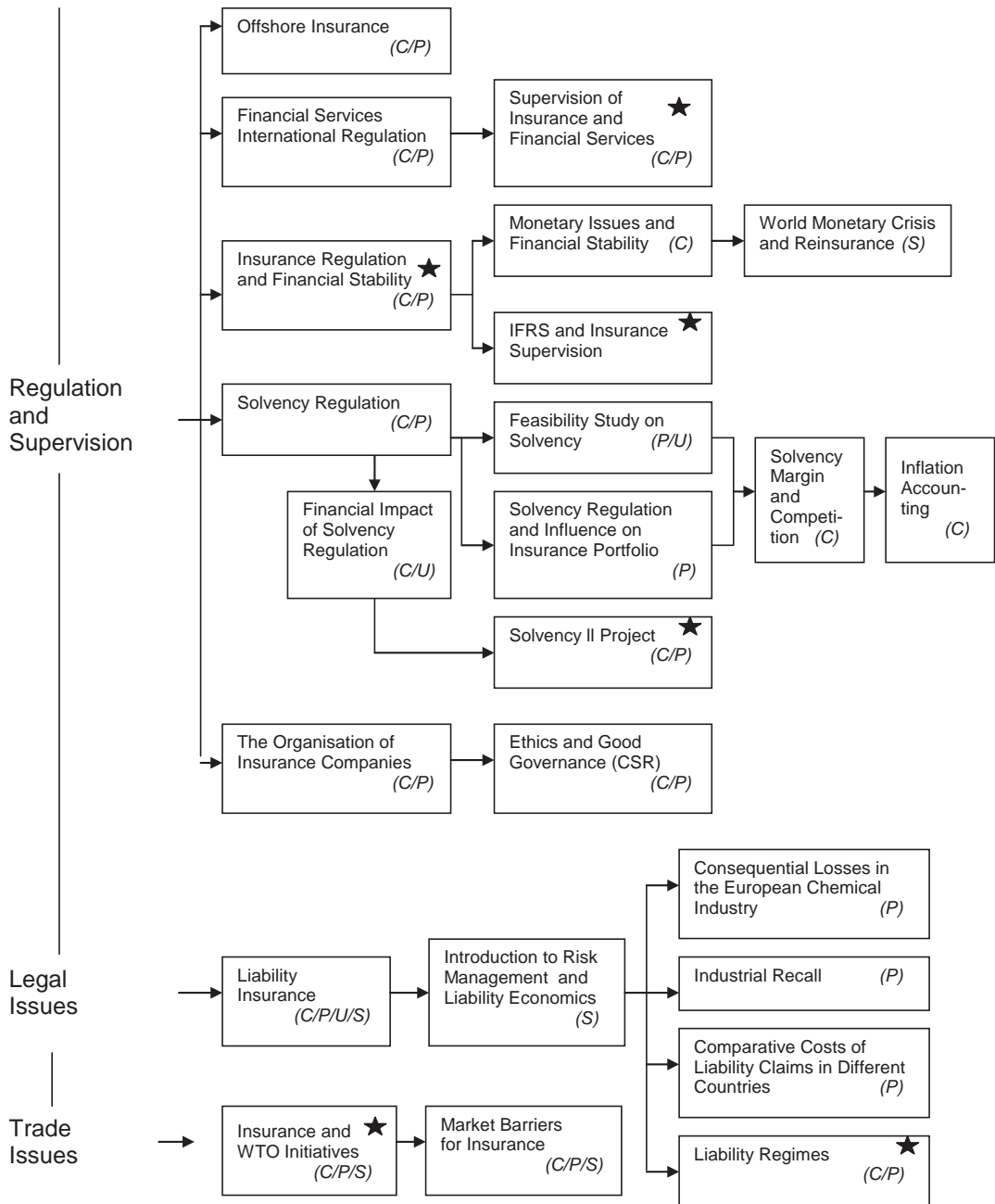


Insurance and Finance





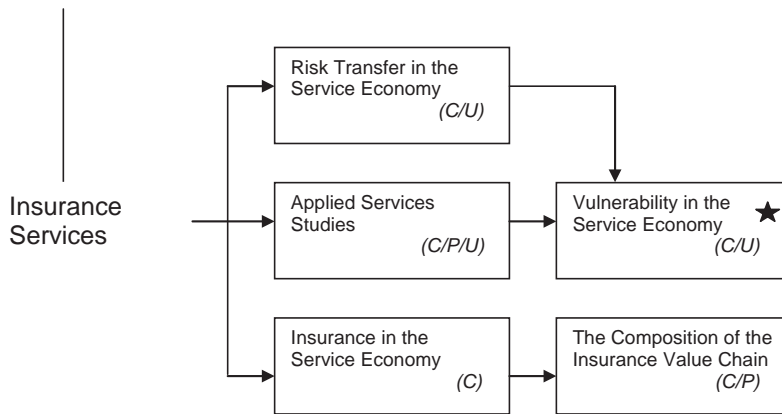
PROGRES
Programme on
Regulation, Supervision
and Legal Issues





Affiliated Organisations

ASEC
Applied Services
Economic Centre



WFSC
World Fire
Statistics Centre

