

CONFERENCE HIGHLIGHTS

2007 FALL CONFERENCE—SEPTEMBER 9-11, 2007

For the second time in as many years, the IRU faithful gathered for the Fall Conference without the pressures of hurricane losses creating a pall over the proceedings. As the atmosphere was extremely relaxed, attentions could be concentrated on the educational bent of the conference, not to mention the networking element of the festivities.

President, Tony Joseph, kicked off the conference with his customary welcome, including praise for the sponsors (Sullivan HealthCare, G.J. Sullivan Co., Signet Star, Harbor Point, AXIS, Transatlantic Re, Endurance) whose support has been invaluable to the success of each conference and the IRU's educational program.

Additional praise was heaped on the IRU Staff (Executive Director, Amy Barra, and her assistant Andrea Barra) who have continued the IRU's long history of making first class arrangements for the meeting. Two new representatives were voted to the IRU board of directors; Douglas Rarig of Arch Re and Brian Quinn of Odyssey Re. Jessica Bongiorno of Arch Re, Virgil Maxwell of American Agriculture Insurance Company, Doug Nuehring of EMC Re and Judy Vogel of Arch Re were re-elected to the IRU Board.

As a supplement to the presentation links itemized in the IRU e-mail of September 18, the following comments will provide a summarized re-cap of the Fall program which was very ably developed and moderated by Axiom Re's, Matt Rose.

Starting off, was Paul Balbresky's informative presentation: **Negotiation Skills – They Can Never Be Sharp Enough** which focused on the need for continuing improvement in this critical area of each professional's business life. Paul is the Principal of Balbresky Consulting Services, a marketing/sales strategy and training professional practice specializing in the insurance industry. Among his points of emphasis, Paul stressed the importance of trust, experience, knowledge, listening, and speaking ability to facilitate effective business relationships. Additionally, "service" was deemed the most critical element in the sales process, accounting for a 70% importance level, compared to "price" and "product" which combined components represent only 30% of customer focus.



Turning Stone Resort & Casino
Verona, New York

In his presentation, **Medical Malpractice – The Latest Rx for Docs**, Kimber Lantry of the Hudson Insurance Group gave a very entertaining presentation of a potentially dry subject; namely, the recent evolution of the medical malpractice industry which, while experiencing an increase in claim severity, is showing a down-turn of frequency.

Once again, Matt assembled a terrific panel to discuss **The Time is Now for ERM**, including A.M. Best's Edward Easop, PartnerRe's Kevin Lehman, Guy Carpenter's Donald Mango, and Fitch Ratings' Peter Patrino who differentiated ERM's best practice considerations, as follows:

"Just Getting started" requirements:

- "Buy-in by top execs
- Clear vision of objectives plus a road map
- Need for strong governance process and dedicated resources; i.e., "ownership."
- Establishment of organization's "risk culture."
- Need for ERM Committee
- Selection of an operating framework
- Development of an ERM "language."

- Need for at least some ERM expertise

“In construction” requirements:

- Good communications from CEO
- Establishment of milestones, including definition of top risks
- Establishment of meeting schedules
- Involvement of key stakeholders.
- Management of “adoption” risk, including reporting streams

“Implementation” requirements:

- Need for ERM calendar.
- Imbed ERM into corporate organization
- Maintain currency of ERM requirements
- Demonstration of ERM benefits and progress.
- Keep models as simple as possible.

In summary, the “journey,” not the “destination,” is the key factor in developing a successful ERM program.

During **Tuesday morning’s business meeting**, Tony brought the members up to date on the IRU’s very positive evolution as it begins its next 40 years of educational prominence. The only major change in IRU activity will be the integration of the previously separate Claims Workshop into the IRU’s normal conference schedule. During the business meeting, the membership also elected/re-elected the following officers and directors Jessica Bongiorno of Arch Re, Virgil Maxwell of American Agriculture Insurance Company, Doug Nuehring of EMC Re and Judy Vogel of Arch Re were re-elected to the IRU Board. Douglas Rarig of Arch Re and Brian Quinn of Odyssey Re were elected to the Board.

Starting off day two’s program was the Florida Insurance Council’s Executive Vice President, Sam Miller’s critique of Florida’s insurance crisis: **Florida Update: Truth or Consequences** which painted a very uneasy picture of Florida’s political, legislative, and regulatory environment in coping with an average annual cost of more than \$3.5 billion of hurricane loss. Despite the entry of \$2.4 billion of new capital, Florida consumers continue to heavily rely on the residential protection offered by Citizens Property Insurance Corporation which, with more than 1.3 million policies, is the state’s largest insurance carrier and which, in turn, relies heavily on the state’s Hurricane Catastrophe Fund for reinsurance coverage. The only problem is the repercussion which would occur if a massive storm(s) generates insured losses above the \$28 billion capacity of the Fund. As Sam pointed out, “it’s all about rates” which, at the moment, are not as sound as they should be.

During his presentation dealing with **Federal Regulations and TRIA – Prospects for Big Brother**, attorney Tom Litjen set out his projections for the following pending legislation:

1. TRIA – Questions abound as to whether TRIA will be extended beyond year-end. The the House has already passed an extension bill, but the Senate version hasn’t emerged as yet, and much more work will be required to escape a Presidential veto.
2. Flood Insurance – There has been a move to include wind coverage in the House version of updating legislation, but the Senate has yet to be heard from.
3. National Catastrophe Coverage – “Is not going anywhere.” What is more likely is the enactment of bills appointing commissions to further study the issue.
4. Optional Federal Charter – “Will take 8-10 years” and is more likely for the Life industry than the Property/Casualty community.
5. Repeal of McCarran-Ferguson – May appear in the Senate.

Overall, there are real questions as to how much will get done in these areas, given the impact of election year politics.

Hugh Johnson (Johnson Illington Advisors, LLC) wrapped up the conference program by offering his informed commentary entitled: **Financial Update – Will M & A's Pan Out for 2007?** which included the following observations:

- Investors are migrating to safer sectors of the market
- Interest rates are likely to decline sharply
- The economy is running out of steam
- Inflation remains of little concern
- Emotional extremes are prevalent in financial markets
- Acquisition activity will trend down to more sensible levels
- Credit will evidence further contraction

With another excellent conference in the record books, the planning is well underway for the 2008 Spring Conference April 13-15 at the Marriott Hilton Head Resort on Hilton Head Island, South Carolina. Mark your calendars to attend!

Paul Walther, Editor
Journal of Reinsurance