

## CONFERENCE HIGHLIGHTS

2008 FALL CONFERENCE—SEPTEMBER 14–16, 2008

Unlike the pleasant and non-catastrophic backdrop of the last two Fall conferences, this year's gathering of the IRU faithful took place against not only a very active hurricane season, but the very unpleasant upheaval in the financial markets impacting corporate investment risk.

Nevertheless, the attendees maintained a "stiff upper lip," and were once again treated to a very enjoyable venue, thanks to Amy Barra and her team, and to a truly excellent program, thanks to Matt Rose.

Of particular importance was the combination of the claims and underwriting/broker conferences into a single meeting of general appeal to all concerned.

As usual, IRU President, Tony Joseph, kicked off the conference with his unique brand of welcome, including a special greeting to new members – Ascot Underwriting and Walsham Brothers & Co., Ltd. Tony also touched on the impact of Hurricane Ike, and expressed concern about the well being of IRU member, Steve Fetchett, who had just been injured in a horrific train crash in Los Angeles. Steve was subsequently able to e-mail Tony, saying he was on the mend but would be in the hospital for several more days.

Matt Rose then introduced the first day's program involving a bunch of "know-it-alls" (said in a most respectful tone), and leading off with a presentation by Law Professor Elizabeth Brown of Indiana University who discussed **Insurance Regulation: Past, Present, and Future**.

Professor Brown reviewed the difficulties with the current regulatory environment, including the lack of uniformity, time consuming elements, and the expense of the entire process. She expects that, within the next 5 years, we will ultimately see much more federal involvement, including the prospect of an Office of National Insurance. Based on the recent bail-out of AIG, her forecast is a very realistic projection. Furthermore, according to Professor Brown, the cost of the current U.S. regulatory scheme is 20 times that of the UK and 30 times that of Germany. Additionally, only 7% of the \$16 billion collected in fees and fines is applied to the cost of regulation, with 93 % going into state treasuries, which further suggests the need for change.

In Monday's second slot was a very informative presentation by Mark Jablonowski, VP at Conning Research and Consulting, whose topic was **Unlocking Value of Property Casualty Claims Management**. Mark's presentation was not only informative, but delivered in a very animated fashion which kept even the underwriting audience paying careful attention to his remarks. In brief, claims are getting more complex, and considered thought must be given to the expense levels generated by these claims. The importance of bench-marking these expenses was also stressed during the course of Mark's presentation.

**The Art and Practice of Arbitration** was the focus of the panel discussion which concluded the Monday morning program. Moderated by Paul Walther of Reinsurance Directions, the panel included Brian Casey (RLI Corp.), Terry Van Gilder and Sandra Van Enk (TOA Re), and Jim Stinson (Sidley Austin LLP) who discussed the expectations and reality of the arbitration process. Unfortunately, time restrictions impacted the presentation which could have consumed at least another hour of discussion, but the panel was unanimous in their agreement that the current arbitration process is generally flawed, especially when it comes to cost and time element considerations, and should be avoided if at all possible. Additionally, the panel stressed the importance of devoting great attention to the arbitration provisions in reinsurance contracts in order to provide greater certainty to the process.

During Monday's dinner, Tony thanked the group for all their support during his time as President of the IRU, with the hope and expectation that incoming President, Frank Bigley, will enjoy the same response to his leadership. Paul Walther was also given the Roy G. Nelson award for his outstanding service to the IRU.



Crystal Springs Resort and Spa  
Vernon, New Jersey

During the course of Tuesday's business meeting, the following members were elected to serve as the IRU's Officers and Directors for the coming term:

Frank Bigley (President)

Farmers Mutual Hail Insurance Co. of Iowa  
West Des Moines, IA

Jim Brost (Vice President)

BMS Intermediaries  
Edina, MN

Jessica Bongiorno (Secretary/Treasurer)

Arch Re  
Morristown, New Jersey

Tony Joseph (Immediate Past President)

Lloyd's America  
Manhattan Beach, CA

Glenn Clinton

IPC Re  
Pembroke, Bermuda

Robin Kelly (Re-elect)

Guy Carpenter & Co  
Philadelphia, PA

Michelle Mahoney

Dorinco Reinsurance Company  
Midland, MI

Jodi Mann

G.J. Sullivan  
Los Angeles, CA

Gordon Olver (Re-elect)

Signet Star Re  
Greenwich, CT

Matt Rose

Axiom Re  
Stoney Creek, NC

Sean Ryan (Re-elect)

Carvill America  
New York, NY

Kevin Shea (Re-elect)

Signet Star Re  
Greenwich, CT

Jerry Wallis (Re-elect)

Mapfre Re  
Florham Park, NJ

Day 2's program was characterized by Chairman Rose as "the march of the experts" which began with a fascinating presentation by George Turner (President of American Nuclear Insurers) who discussed **Nuclear Insurance: Where does it fit in the Green Generation?** Of particular interest was the fact that there are currently some 440 reactors world-wide, with another 35 in the planning stage. Apparently, there is considerable room to build additional reactors on existing sites, and the implementation of enhanced security measures continues to be of paramount importance in the building and upgrading process.

Munich Re's Robert Beck and Michael Scrudato then discussed **Risk Management and Green Technology: What Can Green Do For You?** Based on their presentation and today's environmental concerns, there is considerable emphasis on the underwriting and investment aspects of "green" technology which present significant challenges in dealing with unknown and unproven elements of that technology. A key emphasis in that process is the assessment of "sustainability" with respect to corporate value, environmental protection, and social responsibility.

Closing out the formal program was Brian Meredith's (UBS Investment Research) very informed commentary on **The Financial Outlook: The 2009 View** which included the following perceptions:

- Pricing trending down due to modest catastrophe loss activity, but with the belief that pricing will remain disciplined.
- Estimate that loss reserves in the U.S. P&C industry are redundant by \$18-31 billion.
- About 60 % of the sidecar capital that entered the market since KRW has exited as traditional capacity has increased.
- Since 2006, reinsurers have been investing in primary insurers and MGAs. Consolidation among reinsurers has been minimal.
- A major catastrophe loss and/or spike in interest rates could result in a material decline in book value.

Greater than expected price competition in commercial lines and/or personal lines could result in quicker than anticipated declines in underwriting profitability and a bigger than anticipated decline in valuations.

With another excellent conference behind us, the planning will pick up for the 2009 Spring Conference which will take place April 5-7, 2009 at the Fairmont Southampton Princess in Bermuda. See you there!

Paul Walther, Editor  
Journal of Reinsurance