

IRU 2009 SPRING CONFERENCE

2009 SPRING CONFERENCE—APRIL 5-7, 2009

Although the reinsurance community has not been immune from the investment repercussions of the global economic meltdown, not to mention the increased loss estimates from Hurricanes Ike and Gustav, the industry remains in decent shape judging from the attendance and commentary at the IRU's Spring Conference in Bermuda.

Although the IRU's membership experienced a slight reduction in the ranks, the addition of Walsham Brothers & Co., as well as staff efforts to reduce costs, has enabled the IRU to maintain a strong relevance and financial viability in these interesting times. Certainly a key element of that viability is the continuing support of our generous sponsors; namely, American Agricultural Insurance Company, BMS Group, Brit Insurance, EMC Insurance Companies, Flagstone Reinsurance Limited, Guy Carpenter, G.J. Sullivan, Max Bermuda, R+V Re, and Transatlantic Reinsurance Company.

At the opening dinner, and of particular interest and importance, the IRU faithful were treated to the remarks offered by the **Keynote Speaker, the Honorable Paula Ann Cox, Bermuda's Deputy Premier and Minister of Finance and Development**, who extolled the attributes of the Bermuda environment in support of the insurance and reinsurance community.

Starting off the program, very ably orchestrated and moderated by Axiom Re's Matt Rose, was a **presentation by Tom Litjen, VP-Federal Government Relations for the PCI, who discussed Insurance Regulation: The Present & Future State of the Union**. During his remarks, Tom discussed a number of wide-ranging issues. Such issues included the probability of having a "super regulator" to ride herd over "systemic risk" issues emanating from our financial institutions, including insurance. Although he did not think federal legislation, per se, was in the cards for 2009, Mr. Litjen did not rule out enactment of such mandate in the very near future. Given his audience, including significant Bermuda representation, Tom avoided comment on the sensitive issue of potential changes in U.S. tax policy impacting the island and other jurisdictions.

Up next on the program was a very informative and fast-paced presentation (**Florida Update: High Noon on the Sunshine State**) by Fred Karlinsky who brought a very interested group up to speed on insurance developments emanating from the current session of Florida's legislature. Much legislative work is yet to be done before the session adjourns in early May,

but there are indications that the politicians have acknowledged a need to allow rates to gradually increase in order to help preserve a private insurance market in the state.

As usual, a highlight of the program was the discussion panel assigned to deal with **The Changing Horizon of the Bermuda Market**. The discussion was ably moderated by a former IRU President, John Reinman, and included the following industry executives:

Neill Currie of Renaissance Re; Marc Grandisson of Arch Worldwide Re; Greg Hendrick of XL Re; Brian Secrett of Partner Re; and Anthony Taylor of Montpelier Re. Among the comments emerging from the discussion were:

- Some anxiety concerning the potential for an adverse change in U.S. tax policy promulgated by the current administration.
- Continuation of a relatively firm market
- Scarcity of capital
- Very little “traditional” retro capacity
- Saturation of Florida exposures assumed by the Bermuda market

During the mid-conference dinner, **Matt Rose was honored as the 2009 recipient of the IRU’s Roy G. Nelson Memorial Award for outstanding service.**

The return of G.J. Sullivan’s, Steve Fetchet, should also be noted for the record. Steve was severely injured in the horrendous California train accident last Fall, and from all appearances, has made a remarkable recovery. Welcome back, Steve!

Leading off the program for the second day was a very informative presentation by Kathy Barker and Steve Ryland of PRO- IS, Inc. and PRO Insurance Solutions respectively, whose topic – **Commutation and How it Applies to your Portfolio** – addressed issues related to cutting off liability. Among such issues are: current investment difficulties; retrocessional considerations; and internal vs. external negotiations.

During his presentation (**Risk Management: Solvency & Risk-Based Capital Standards**), Craig Swan, Director of Policy, Research & Risk Assessment for the Bermuda Monetary Authority outlined Bermuda’s very comprehensive approach to establishing and monitoring standards necessary to preserve and protect the solvency of companies operating on the island.

Last, but certainly not least, were the very informative remarks offered by John Andre from the A.M. Best Company during his commentary on **The Outlook for the Global P&C Industry**. John’s observations including the following tidbits:

- Written premium has declined for two years in a row, a rarity.
- Policyholders’ Surplus has declined by 7%
- Underwriting commitments remain extremely conservative, being in the area of 0.9 to 1 premium to policyholders’ surplus ratio.
- 7 points of loss ratio have been reserved for catastrophe losses
- Best’s no longer has a minimum threshold necessary to rate a given company
- Best’s rates only 30% of the companies writing business in Florida.

In his closing remarks, IRU President Frank Bigley, again praised the IRU staff and the sponsors for their invaluable contributions to the success of the conference, and expressed the hope to see everyone at the Fall Conference which will be held at the Seaview Marriott near Atlantic City, NJ from September 13-15.

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