

# IRU 2011 SPRING CONFERENCE

## 2011 SPRING CONFERENCE—APRIL 3-5, 2011

Given the importance of Bermuda as a center of reinsurance commerce, not to mention the home of many IRU members, the Board made a conscious decision to periodically convene the Spring Conference on the island, a tradition carried forward with the 2011 meeting.

As always, with the dedication and diligence of the IRU staff and program team, the IRU faithful were treated to both a first class venue, as well as an expert faculty of speakers who addressed topics of immediate concern to industry practitioners.

Starting off the Conference at the traditional Sunday dinner, President Frank Bigley welcomed the assembled multitude, with special mention of new members, Devonshire, MS Frontier and returning member Renaissance Re. Very special thanks were directed toward IRU sponsors; namely, Alterra, R&V, Lloyds, G.J. Sullivan, Transatlantic Re, Arch Re, AXIS, Endurance Re, BMS Group, Guy Carpenter, AONBenfield, Hiscox, Mapfre Re, American Agricultural, EMC, Flagstone, and Renaissance Re.

Frank also reiterated several of the value-added elements of IRU membership, including forthcoming webinars and the upcoming Mini-Session: “All About Form” in New York.

Special recognition was also directed to Josh David, the IRU’s Intern of the Year, and to Jerry Wallis who was justly given the Roy Nelson Award for Outstanding Service to the IRU.

Wrapping up the evening was a very informative presentation by Chubb’s Andrea Taylor who discussed the risks and exposures which emanate from the explosive environment of social networking, including the fact that everyone using the network is now a “publisher.”

Although links to the conference presentations are available from the IRU staff, the following capsules offer brief summaries of the commentary provided by our distinguished faculty.

Kicking off Monday’s program, Chairman, Matt Rose, introduced Mark Greisiger (NetDilligence) and Topy Merrill (ACE USA) who outlined the technical, legal, and underwriting considerations emanating from “cyber risk” which has emerged as one of most significant concerns of the modern electronic era.

Monday’s second panel, including Kirsten Faria (Allied World), Paul McKeon (Transatlantic Re), and Susan Pateras

(Integro Insurance Brokers) dealt with the impact of health care reform on the P&C industry. Their very informative commentary included the following observations:

- Medical Professional Liability constitutes only a small portion of the P&C market.
- Can the cost of service be lowered?
- Uncertainties emerging from the newly created ACO's (Accountable Care Organizations).
- ACO auditors compensated based on savings found during their analyses.
- Advent of "employed" vs. independent physicians.
- Increased use of electronic record keeping to generate savings.
- Med/Mal coverages blurring with cyber risk exposures.
- Unnecessary procedures and tests looming as a real problem.
- Era of huge consolidations now under way.
- Premiums decreasing while exposures are increasing exponentially.

The third panel of the morning addressed the state of the Property Cat market in light of capacity and modeling changes, which topic was ably presented by John DeMartini (Towers Watson), David Duffy (Guy Carpenter), Jed Rhoads (Alterra) and Steve Fallon.

During the course of their discussion, the panel reviewed the magnitude of loss emanating from the Japanese quake and tsunami in comparison with recent catastrophes as guesstimated by the various modeling agencies. Although RMS had not provided an insured estimate of that event at the time of the conference, that agency created a significant market stir based on the dramatically increased valuations contained in the most recent version of their hurricane model.

In summary, it was quite clear that reinsurance managements and underwriters alike are in the throes of assessing their exposures from both the cats and the RMS model, and trying to determine the validity of those estimates. Among the options apparently on the corporate tables are reformulating the models, limiting exposures, buying more retro coverage, and increasing rates. Of important interest and concern will be the assessment of the rating agencies in evaluating corporate strategies in dealing with these issues.

During the course of Monday's dinner session, the audience was treated to a fascinating commentary from Professor Paula Jarzabkowski (Aston Business School) who had been commissioned to study the methods of trading risk in both Bermuda and London. For someone on the outside looking in, the Professor truly "nailed" the nuances of dealing in both markets, and no additional summary would do her presentation the accolade it deserves.

Leading off Tuesday's program was a fascinating dialogue among Peter Bickford (Special Advisor to the NYIE Working Group), Don Kramer (Kramer Capital LLC), and Francine Semaya, Esq. who discussed the recent effort to revive the New York Insurance Exchange.

In brief, although the original Exchange failed for a number of reasons, including soft market conditions, inadequate capital, cost, directed business, etc., both the Exchange and the related Security Fund actually functioned as designed.

As to the timing of the resurrection, there may be merit to a current revival in preparation of a tighter market, the need for market efficiency, and to provide a U.S. platform for reinsurance transactions. Much will depend, however, on the appetite of New York's political leadership for the revival which might also be impacted the merger of the state's banking and insurance

units. Additionally, the success of such re-venture will very much depend on the design and implementation of a viable business plan.

Wrapping up the Conference program was the ever popular Executive Roundtable which was very ably moderated by AONBenfield's Rod Thaler, with invaluable contributions by Charles Cooper (XL Re), Charles Dupplin (Hiscox), Professor Paula Jarzabkowski (Aston Business School), and Jonathan Turner (Brit Insurance). Among the panel's astute observations were the following snippets:

- The need for, and emphasis on trust in the face-to-face and electronic dealings among world-wide customers and markets.
- Questions concerning the power of the both the modeling and rating agencies.
- Perception that the recent catastrophes were "earnings" vs. "capital" events, but that it won't take much more of a spark to reverse that perception.
- "Flat" is the new "down" in describing contract renewals following the Japanese disaster.
- The "fear factor" will drive market behavior and pricing.
- Cat margins have all but disappeared to date in 2011, leaving little if any cushion for the upcoming U.S. hurricane season.
- Retro markets are hardening.

From the vantage point of this attendee, the program and venue of this year's Spring Conference was the best ever! Hopefully, that message will get out and around to all IRU members, and generate corporate interest in sending even more representatives whose expertise and understanding of market issues will undoubtedly be enhanced by the quality of the IRU experience.

**Paul Walther, Editor**

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