

News Release

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Baden-Baden Reinsurance Symposium Focuses on Capital Creativity In the European Re/Insurance Market

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Guy Carpenter & Company, LLC hosted “Capital Creativity – the Road to Renewals,” the Baden-Baden Reinsurance Symposium held in Baden-Baden on October 25. The event focused on the effective management of capital in the re/insurance industry.

The symposium was moderated by Chris Klein, Global Head of Business Intelligence at Guy Carpenter. Henry Keeling, President and CEO of International Operations at Guy Carpenter, provided the opening remarks, followed by presentations from Luzi Hitz, CEO of PERILS; Clemens von Weichs, CEO of Allianz SE, Reinsurance Division; and Victor Peignet, CEO of SCOR Global P&C. Wolfgang Gerstner, Lord Mayor of the City of Baden-Baden, welcomed attendees to the city.

In his introduction, Mr. Keeling discussed the capital management implications of Solvency II for the insurance and reinsurance market. He highlighted the value of “competitive compliance” in this new regulatory environment, explaining, “With capital increases from earnings and more accessible capital markets, and with the benefits of competitive compliance, there are both opportunities and challenges – especially for those insurers and reinsurers here in Europe who can best optimize their capital.”

Mr. Hitz outlined the benefits of having an independent source of event loss data for raising capacity levels within the European Insurance Linked Securities and Industry Loss Warranty markets. “By providing enhanced transparency levels,” he told delegates, “this will serve to facilitate capacity within the European windstorm market,” adding that in conjunction with the enhanced quality of data this will enable the application of independent industry loss triggers to ILS and ILW transactions for the first time.

Commenting on insurance securitization, Mr. von Weichs said, “Many structures are comparable to collateralized reinsurance and help sponsors to manage counterparty credit exposure – this is a significant benefit, particularly in times of crisis.” He added that, while the financial crisis had impacted on insurance-linked instruments, the impact on cat bond returns had been relatively moderate, with new issuances stopping for a period of six months, before resuming in spring 2009. “ILS transactions are expected to continue to complement ‘traditional’ reinsurance capacity,” he said, “in particular in the natural catastrophe area through cat bonds.”

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Looking at the overall financial standing of the market, Mr. Klein concluded, "The swift recovery of investment markets in 2009 has helped reinsurers' and insurers' balance sheets to recover largely without recourse to external sources of capital. Reinsurance supply appears to be ample again, providing choice for buyers and reminding reinsurers of the need for disciplined underwriting and active capital management."

TAGS/KEYWORDS

Guy Carpenter, Baden, Klein, Keeling, Hitz, von Weichs, Peignet, Gerstner, reinsurance, symposium

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