

News Release

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Baden-Baden Reinsurance Symposium Calls On Industry To Do More To Meet Client Needs

New York - October 21, 2013 – Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist and member of Marsh & McLennan Companies (NYSE: MMC), hosted “Transferring Risk – Is the Insurance and Reinsurance Industry Adequately Servings its Clients?” the Reinsurance Symposium held in Baden-Baden on October 20. The event explored a range of topics including: the gap between economic and insured losses; how new capital entering the market can move beyond property catastrophe; and measures to provide coverage for new and emerging risks.

Nick Frankland, Chief Executive Officer of EMEA Operations at Guy Carpenter, provided the Symposium’s opening remarks and the event was moderated by Chris Klein, Managing Director and Head of EMEA Strategy Management at Guy Carpenter. Torsten Jeworrek, Member of the Munich Re Executive Committee and Chairman of the Reinsurance Committee at Munich Re delivered the first speech, followed by Paul Horgan, Global Head of Group Reinsurance and Global CUO of Casualty at Zurich Insurance Company Ltd; Luca Albertini, CEO of Leadenhall Capital Partners LLP; and Tom Bolt, Director of Performance Management at Lloyd’s. Wolfgang Gerstner, Lord Mayor of the City of Baden-Baden, welcomed attendees to the city.

Introducing the theme for the Symposium, Mr. Frankland stated that regulatory changes and economic conditions had served to concentrate minds on capital optimization. “Sometimes capital optimization seems to be a euphemism for reducing capital or shrinking to grow,” he said, “but true growth comes from profitable expansion of our business, and our core business is to provide protection through the transfer of risk. We think it is time to refocus on such growth opportunities.”

Providing the reinsurer’s perspective, Mr Jeworrek said: “Risk transfer is the core of our business as a leading reinsurer. The landscape for risk is undergoing a substantial change which our industry needs to respond to in order to facilitate sustainable growth in line with the demands of the client. This starts with counteracting the low insurance penetration in NatCat risks by increasing risk awareness, building up necessary capacities and becoming a better and more mobile partner than in the past.” He continued: “On the other side, we see an increased need for the insurance of intangible assets where our industry is not yet able to provide insurance products that respond adequately to the emerging risks of the 21st century. To close the gap, cooperation between primary insurers, brokers, new capital sources and reinsurers is more important than ever.”

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Mr. Horgan called upon the industry to look at ways of expanding the remit of its insurance products to help meet demand. He said: "It is generally accepted that our industry only offers insurance for about 20 percent of the risks facing our clients today, because insurance products have been too narrowly defined and too limited in capacity to satisfy demand. The industry must become more comfortable developing products and services that address non-physical risks if clients' needs are to be satisfied and opportunities found to deploy the new capital entering the market. A key step to achieving this is better data to improve the understanding of exposure and reinsurers are probably in the best position to demand this."

Continuing the focus on new capacity, Mr. Albertini considered the potential for capital market investors to cast their nets beyond the property catastrophe market. He said: "Capital market investors currently prefer well modeled perils as they struggle to understand how non-modeled perils can be underwritten. However, some specialized investors who better understand the underwriting process for non-modeled perils are starting to enter into the non-catastrophe space by participating in a wider range of opportunities in the insurance industry, such as the marine and energy sector."

Turning the discussion towards the extent to which the industry is tackling emerging and new risks, Mr. Bolt said: "Many emerging risks, as well as contingent business interruption, are not being fully met by current efforts. A greater dialogue between the parties, especially the buyers and underwriters with the help of the intermediaries, would go a long way towards moving new product opportunities forward."

Drawing the discussion to a close, Mr. Klein said: "We have been reminded today that supply and demand are frequently mis-matched. Some risks attract too much capacity, while others are under-served or even ignored. The industry must improve its ability to communicate to ensure that clients' wants and needs are better understood and fulfilled."

TAGS/KEYWORDS

Guy Carpenter, Baden-Baden, Frankland, Klein, Jeworrek, Horgan, Albertini, Bolt, reinsurance, insurance

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