Baden-Baden Reinsurance Symposium Assesses Future Impact of Current Market Conditions

London, October 20, 2014 - Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist and member of Marsh & McLennan Companies (NYSE: MMC), hosted “The Reinsurance Industry of the Future”, the Reinsurance Symposium held in Baden-Baden on October 19. A distinguished line-up of industry luminaries expressed their views on whether the current changes impacting the reinsurance sector are permanent and structural in nature, are a tactical response to short-term conditions, or are part of the normal evolutionary process.

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. The keynote speakers were: Ulrich Wallin, Chairman of the Executive Board of Hannover Re Group; Amer Ahmed, Chief Executive Officer of Allianz Re; and Brian Duperreault, Chief Executive Officer of Hamilton Insurance Group. Margret Mergen, Lord Mayor of Baden-Baden, welcomed attendees to the city.

Introducing the theme for the Symposium, Mr. Frankland said that present market conditions were not necessarily all “doom and gloom”, adding that: “The wide variety of supply means choice for our customers. So we must become expert in and able to advise our clients on all that is available, helping to create solutions that exploit this cornucopia. We must also work with the reinsurers and insurers to stimulate demand by filling known insurance gaps and providing solutions for the new breed of risks.”

Offering the reinsurer’s perspective, Mr. Wallin stated that traditional reinsurance offers far more than just capacity. “Our long-term orientated business model provides extensive experience in assessing current and future risks, in managing risks, and in creating tailor-made risk transfer solutions.” He added: “We offer a consistent client relationship approach and high stability due to reinstatement covers.” Mr. Wallin stated that new product and distribution initiatives will become even more important in the future. He continued: “We support the development of covers for emerging and future risks, for instance infectious diseases, technological and cyber risks. In addition to the support offered for sensing new business opportunities, we also provide distribution capabilities particularly for life and health products in new markets.”

Providing insight into the changing approach of the reinsurance buyer, Mr. Ahmed highlighted the increasing strategic value that reinsurance provided. “We are seeing a shift towards the use of
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Reinsurance as a strategic tool,” he said, “to manage capital and earning volatility from a Group perspective, and away from a trading activity at an individual entity or line of business level.” In terms of how this shift is influencing reinsurance buying within his own organization, he added: “The market offers a range of alternative instruments – varying by coverage scope, term, capacity provider and security – and we use several of them to manage our retrocession landscape as a portfolio.”

Mr. Duperreault considered the impact of the capital markets and addressed the question of whether the reinsurance industry faced an existential threat. “I don’t think that the threat faced by the industry is existential. Yes, it is at a critical inflection point, but we have seen a number of inflection points before and it is usually a place where real opportunities lie.” He concluded: “At the end of the day we are all risk takers. We place a risk and match it up with the best possible capital. How well we match risk to capital will be driven by how well insurers, reinsurers and brokers adapt to the winds of change. The brush strokes we use to paint the future of our industry should be big and bold – and I have no doubt that they will be.”

Drawing the discussion to a close, Mr. Klein said: “We have been reminded today that not everything stands still, but also that some things do not change. Risk will always exist and there will always be those who see risk either as a threat or an opportunity for reward. Our business remains bringing the two together even if the method and means of doing so changes over time.”

TAGS/KEYWORDS
Guy Carpenter, Baden-Baden, Reinsurance, Hannover Re, Allianz Re, Hamilton Insurance Group, Frankland, Klein, Wallin, Ahmed, Duperreault,

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