

Guy Carpenter: Having a First-Class Reinsurance Broker Is an Asset

Investors today are interested in virtually every aspect of an insurer's business, and their reinsurance arrangements are receiving as much attention as any other, says **Mr David Spiller**, Chief Executive Officer of Guy Carpenter & Company, LLC. Here, he and **Mr Geoffrey IK Bromley**, Chairman, United Kingdom, Continental Europe and Asia Pacific Regions of Guy Carpenter & Company, LLC, tell *Asia Insurance Review* why Asia is a key focus for their company's growth.

Looking at Asia, which currently comprises 13% of the global reinsurance premium, Mr David Spiller, Chief Executive of Guy Carpenter & Company, LLC, said it would not be long before that percentage increases significantly, reflecting the growing strength of the underlying economies in the region. The middle class in India and China will soon surpass that of many European countries, implying growth in personal lines, as these groups have both assets that need financial protection and the income to afford paying for that insurance safeguard. On the commercial side, double-digit growth rates in the major economies of the region are generating increased demand for nearly all forms of industrial covers.

Resurgent Capacity

He also anticipates further consolidation in the Asian marketplace as companies evolve and become better able to manage increasing competition, regulation and scrutiny. Smaller and poorly capitalised insurers are likely to have a difficult time as they adjust to higher capital standards dictated by regulators and rating organisations.

Keeping Everyone Happy

Noting that the reinsurance buying approaches in the markets differ from a majority of the Southeast Asian companies that are still giving out small shares to keep everyone happy, Mr Geoffrey IK Bromley believed this cannot continue for long as markets mature and give way to greater consolidation.

Investors' Demands

Mr Spiller said: "Investors will demand to know how companies operate and may find that such small reinsurance shares are not efficient." In addition, with consolidation, larger conglomerates will likely be regional, if not global, players and they will require their broker to have global capabilities in order to provide broader solutions for the entire group. Investors will expect no less, he added.

Therefore, having a first-class global reinsurance broker to arrange reinsurance is certainly an asset, Mr Spiller stressed. Noting that Guy Carpenter has built an incredibly strong brand in the US and Europe with its powerful analytic tools and depth of broker expertise, he believes the company has the resources and personnel to assist these growing insurers in Asia.

Offering Risk Analysis

Guy Carpenter is already doing this, Mr Bromley pointed out. The reinsurance broker assisted the People's Insurance Corporation of China (PICC) by creating China's first detailed earthquake risk analysis with

AIR's earthquake model in 2005. It also published typhoon reports in China and helped Taiwan develop its Taiwan Residential Earthquake Insurance Program. In addition, Guy Carpenter offers the modelling and actuarial expertise of its InStrat® unit to clients and plans to continually bring new solutions and tools from around the world to the Asia marketplace, localising knowledge and making it relevant for the people here, he said.

Broaden Global Footprint

Presently, Guy Carpenter's Asian portfolio makes up 7% of its total revenue, and it is looking to grow.

Broadening Guy Carpenter's global footprint is a key priority for the firm going forward. Mr Spiller said: "We are a global company, and we want to increase our territorial diversification. This will include further expansion into Asia and continental Europe."

Recently, Marsh & McLennan Companies, its parent firm, just obtained a licence in China, and Guy Carpenter already has a strong position in the Mainland – a country that is certainly on its radar screen for increased business.

Asia Not New for Guy Carpenter

Guy Carpenter recently celebrated 100 years of an unbroken relationship with two of its clients in the region. Asia is not unfamiliar territory to Mr Spiller, either. In 2005, he left Benfield where he was responsible for all of Benfield's business outside the US, including Asia to join Guy Carpenter in 2006. For him, learning the business in the US has not been difficult, since reinsurance is a truly global business and is not radically different in the various markets around the world.

Resilience of the Market

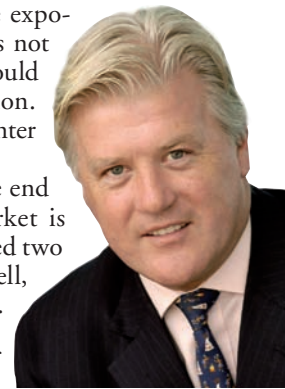
What has astounded him in recent years is the resilience of the reinsurance market, which bounced back even after registering the worst catastrophic losses in history following Hurricane Katrina.

He recalls being concerned in the middle of 2006 that, due to limited capacity for peak catastrophe exposures, he would have to tell clients there was not enough capacity in the market and that they would have to pay significantly more for protection. Fortunately, capacity returned and Guy Carpenter completed all placements without problems.

"And for 2007, it all came together in the end as capacity rolled in. The reinsurance market is very dynamic and responsive. Having managed two major hurdles in 2001 and 2005 amazingly well, we should not underestimate its resilience. Reinsurance is certainly the most efficient mechanism we know of for the transfer of volatile risk," he said. ■



Mr David Spiller



Mr Geoffrey IK Bromley