

MONTE CARLO

Roundtable 2009

A stock picker's market



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First American

Editor

Mark Geoghegan
mark@insuranceinsider.com

Managing Editor

David Bull
david@insuranceinsider.com

Senior Reporters

Rebecca Bole
rebecca@insuranceinsider.com
Marcus Alcock
marcus@insuranceinsider.com

Reporter

Helen Wright
helen@insuranceinsider.com

Head of Events

Cathy Turner
cathy@insuranceinsider.com

Marketing Manager

Amber Bates
amber@insuranceinsider.com

Sales Director

Spencer Halladey
spencer@insuranceinsider.com

Business Development Director

Tyrone Francis
tyrone@insuranceinsider.com

Subscriptions and Marketing Executive

Annie Lightholder
annie@insuranceinsider.com

Marketing Executive, Subscriptions and Events

Aimee Pitt
aimee@insuranceinsider.com

Art Director

Paul Sargent
paul@insuranceinsider.com

Sub-Editor

Peter Williams
peterw@insuranceinsider.com

Publishing Editor

Peter Hastie
peter@insuranceinsider.com

Printing

Buckley Deane Wakefield

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Insider Publishing Ltd,
Asia House, 31-33 Lime St,
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Fax: +44 (0)20 7397 0616
e-mail: info@insuranceinsider.com
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Blue sky thinking

Dear friend,

There is something about the end of a Mediterranean summer that gives everyone a second wind – it's a last chance to enjoy the pleasures of the season before colder, leaner times ahead.

The first week in September also provides a classic 'back to school' moment after the summer break. Mentally it is the start of our industry's year, with future business plans beginning to come into sharper focus.

People have also had time to collect their thoughts on vacation away from the day to day background noise of the office, hopefully somewhere warm and pleasant in the sunshine.

Well, they don't call it *blue sky thinking* for nothing!

All the above must be why, although Monte Carlo may be the bane of many (re)insurance journalists' (and executive PAs') lives, for four days a year there is no place on earth better for rounding up top executives, putting them in a room together, turning on a tape recorder, firing out a question and standing well back.

We had a lot to talk about. Did the panel dare believe the asset side of the industry balance sheet had recovered enough to think about starting to return capital? And if anybody dared believe that, did they really trust fickle capital markets to be open for business in case an external event required the industry to reload?

And what of the market itself? With a distinct lack of cats and large risk losses was any of the generalised hardening that seemed so plausible and was shouted from the pulpit of many a management briefing from the end of Q3 2008 and throughout 2009 properly materialising in any other than heavily capacity constrained and loss affected areas?

And how about the much-vaunted renaissance of the subscription market and the rise and rise of the broker distribution model?

What about some of the big questions? Such as whether a market can ever discipline its way out of a soft cycle or whether you can ever get investors to understand that sometimes you just have to go ex-growth?

What too of the tidal wave of regulation that was set to engulf us all? Or the political threats to low tax domiciles, or the market itself?

Well, the debate was lively and enlightened.

I hope our edited roundtable transcript conveys a sense of convivial and collegiate dialogue that we experienced down on the Côte D'Azur, and lays out a logical series of thought provoking themes and ideas.

It was a lot more fun to be there in person, but do read on for what I hope is an informative tasting menu.

Yours sincerely

Mark Geoghegan
Editor, *The Insurance Insider*



ROUNDTABLE PARTICIPANTS



Ian Beaton
CEO,
Ark Underwriting



Marty Becker
CEO,
Max Capital



Howard Botts
Executive Vice
President and
Director of
Database
Development,
First American



Mark Geoghegan
Editor,
The Insurance Insider



David Grantham
Senior Associate,
Ince & Co



Thomas Hess
Chief Economist,
Swiss Re



Henry Keeling
President & CEO –
International
Operations,
Guy Carpenter



Gary Prestia
CUO,
Flagstone Re



**Alastair
Speare-Cole**
COO,
Aon Benfield



Tony Ursano
CEO, Willis Capital
Markets &
Advisory
Services, Willis
Capital Markets



Conan Ward
CEO,
Validus
Reinsurance



Mark Watson
President & CEO,
Argo

The Monte Carlo roundtable 2009

Mark Geoghegan – Thanks to everyone who could make it this morning. The real purpose is to get a proper overview of what this Monte Carlo is all about. We might as well start talking about the market place. And I would like to kick off with you Conan, what kind of a market are we facing here?

Conan Ward – I think it probably depends on the class of business you are in. There is a lot of talk about reserve releases and yields and loss costs and third party business. And we are starting to reach the end point at which pricing and terms need to change. I would say for the more capital intensive classes like cat it is worrying – and I think anything that introduces a few billion dollars of supplier or demand can impact pricing pretty meaningfully. You saw it a little bit with aviation, which has been in the doldrums for a while, and you had an event like Air France where because there is so little slack in the system, so little profit left, it has had a pretty meaningful impact on pricing. There are a few ones like that.

MG – Would you agree Mark that it is quite a tight market, would you define it in any other way?

Mark Watson – On the underwriting side I think things are a bit slack. With respect to supply and demand, nine months ago we were all pretty sure that there was going to be less underwriting capacity than today. And we also thought that demand might pull back a little bit but, talking about our business for a minute, we have seen demand for some of our US products pull back a lot because we insure a lot of small business start-ups and there just aren't as many. On top of that there is actually more underwriting capacity today, in my view, than there was a year ago, because some of the markets that we thought would contract have not and are fighting to keep business. Plus there are new businesses or businesses that have got new people with more capital that are putting more capacity out. So it is actually making pricing pretty competitive right now.

MG – Alastair, does that chime with you a little bit? Is it more competitive, less competitive? We are still struggling I think to get a consensus.

Alastair Speare-Cole – I think to try and sum up the whole market with a single statement – that it is hard, it is soft or whatever – is a gross oversimplification. It is just that different sectors are going in different directions, according to the local supply and demand for that particular sector, both for insurance and reinsurance.

MW – You know what is interesting is that from a return perspective, the industry looks overcapitalised. From a risk-adjusted exposure I am not sure it is overcapitalised. I just don't think we have got the right price relative to the risk, relative to the amount of capital it takes to support the risk. But again, it is line-by-line specific.

MG – Thomas, you have got a lot of data, do you think we are overcapitalised?

Thomas Hess – I don't think the market is overcapitalised, no. I'd rather say it's a reflection of the soft cycle that's still going on. Pricing was good in 2004, 2005, 2006, but then we saw a gradual softening, interrupted to some extent by different cat events. There are still a lot of companies that struggle with their capital, so it is good to see that the capital markets have recovered quite a bit. The situation can change quickly however. The crisis is not over and there will be repercussions from the problems in the real economy. When you look at underwriting results, although they are actually quite good, when measured on a calendar year basis, which means there is still positive runoff from prior years. I think the market will turn once we see adverse developments. But I totally

"I think the market will turn when we see adverse developments"

Thomas Hess

agree, from the interest rates environment, higher prices are definitely needed for the long [tail] lines in order to earn anything like the cost of capital. Of course in casualty, the industry is famous for going through long periods of under-reserving before claims are incurred that make it obvious that corrective actions are needed. And I think we're finding ourselves in this phase now, particularly in the US.

MW – But we have no accounting rules to limit that from happening.

Henry Keeling – I agree with Alistair, it is line by line. Most people would say reinsurance rates, especially on long tail, need to go up, but what is going to make them go up? Primary writers are under pressure, all of their clients have got lower turnover and lower revenue. There is less money in the primary system – where is the reinsurance market going to drive that from? So I think it is going to be a pretty flat renewal season.

MG – Would everyone feel that if we don't have a property cat this year, you have got to be looking at some kind of tailing off or some kind of reasonable softening next year, given where prices are today?

Gary Prestia – I think that certainly could be the case in pockets of the market – the US in particular, is one area where the focus could be. In the aggregate though I do think there is a need for grade level increases, we talked about the US casualty market, financial institutions D&O, surety, credit, you name it, there are a number of lines that still need pricing to go up. Are there pockets within the US that could see increased pressure? Absolutely. I think certainly with some of the model release changes out of AIR and RMS, on California earthquake for example, we will see pricing pressure.

MG – I suppose this is where we could bring Howard in here, what do you think about the new releases on the US quake models?

Howard Botts – I am the lone geographer here among the more finance focused panellists so my focus is different than the rest of the panel. My background is building risk hazard models at a very granular level. With each update of a database we incorporate what we have learned from our past mistakes or from the latest scientific information. The 2008 USGS earthquake update, which all major modelling companies have incorporated into their latest releases, has produced a number of significant changes in the way we understand earthquake risk in the United States. We now believe that California in particular and the Bay Area specifically probably have about 20 percent less ground motion risk than we thought it had in the past. Part of what the USGS found is that as a fault moves, the actual ground shaking dissipates much faster than we thought it did and I think that is good news for the Bay Area. Of particular concern is the earthquake potential in the Los Angeles region and areas along the San Andreas Fault, which have a tremendous amount of accumulated fault stress. Given

sixty percent of California's population is located in these regions, the potential for loss is significant. The 2008 revisions have also allowed us to gain a better understanding of the earthquake risk in Utah, particularly along the Wasatch fault and also for the Charleston, South Carolina region. Both Utah and Charleston represent areas where insurance companies are re-evaluating their risk concentration and policy pricing.

MG – I wonder if everyone round the table would agree that while we've got a very patchy and interesting market place, it is still a market where really good, agile underwriters are always going to be able to differentiate themselves because there is not a really obvious across-the-board opportunity in any given sector or geography or line. Marty, you are pretty agile guys, going in and out of different sectors, what's your view?

Marty Becker – The market place clearly is, to use a Wall Street term, a stock picker's market. It is very much risk by risk, I think overall you have to call the reinsurance market as being pretty disciplined and unconventionally boring at the moment, a little bit of up, a little bit of down. It is probably not great for journalists but for reinsurance companies it has been pretty steady. It's a recession, companies are earning double-digit ROE; who would know the stock prices were all trading below book. So I think we are all trying to find our way to prosper in the environment as it is, you have got to pick your way through because there is no big macro trend that is going to dramatically move it one way or the other today.

MG – Where are the rough diamonds bucking the difficult ratings trends in the marketplace?

TH – The big opportunities are definitely on the life side as so many life companies are really still under severe strain. But there are also non-life

“People say ‘oh the capital markets are opening’.

Okay, but at what price?”

Conon Ward

companies looking for a temporary solution until the time that they can approach capital markets again, or find other ways to recapitalise.

MG – Perhaps when if you have had a really great year and are looking to give something back to shareholders or take money off the table in one way or another, has the experience of the last 12 months coloured your judgement? Will it mean



that you are always going to keep a little bit more for a rainy day than you would have done, say, two years ago?

CW – Yes. Being a cash-rich business right now is not a horrible thing. And people say “oh the capital markets are opening”. Okay but at what price? If you were to float shares right now, you would probably take a 20 percent haircut off your trading range. And who wants to do that?

Tony Ursano – It's not clear we are out of the woods from an economic perspective, or whether the investment gains can reverse to some extent and create no stress on the balance sheet. I am worried about the US economy in particular and when the lawsuits hit home. And there is a feeling of euphoria because we are seeing a number of potentially encouraging signs. But if you really look at the fundamentals, it is pretty scary still.

TH – There are a lot of opportunities for using the capital to finance risks in the insurance sector. In M&A, for example opportunities will emerge. But there are also opportunities outside of insurance in the broader capital markets, in particular where markets are still illiquid. It is a somewhat strange situation that insurers put capital to work in insurance by doing cash flow underwriting, when capital is scarce and opportunities for investing capital at attractive returns are high.

HK – But at the end of the day, there is some more ILS capacity coming back in as you have obviously seen.

TH – It went from \$8bn to \$3bn – it is now back to \$5bn.

HK – Yes, there is some coming back. But all of us have been in this market long enough. In 35 years, I have never seen the market will itself out of a soft market into a hard market. It has only changed when it has essentially been imposed either by some severe economic event, or by some severe catastrophic event, or by horrendous reserve deficiencies. Do we really think that it is going to happen any differently now?

MG – You mentioned ILS, which seemed to be having a nice opportune swing, obviously they had a problem with the post-Lehman total return counterparty swap mechanism, which now seems to have been sorted out. But the market is coming back and there seems to be a lot more investor interest on that side. Would any of you like to engage with them more? Obviously in these times, it seems to be an available source of capital. Is there going to be a bigger rebound in the buying?

CW – I think generally speaking it is expensive. I would rather buy those things than issue them right now. And it is a situation where until there is a big market for that stuff, the spreads are going to stay pretty high. And to swallow that kind of price with the basis risk there, you would say how badly do I really need this thing?

MB – I think you have to keep ILS in perspective. It is a limited tool for a narrow segment of the industry. It gets a huge percentage of trade press relative to the percentage of industry premium it commands.

CW – Yes, and the idea that you need a road show to get something done that is effectively an index product is farcical.

TH – You also have ILW – a market I believe will continue to grow. To a certain extent, I think that the cat market is more disciplined than other markets, though the prices have also dropped there.

That said, the reinsurance market itself can scarcely harden without the primary market getting tougher, because otherwise, the primary market will ultimately be squeezed. And I wonder when the primary markets will run into difficulty. I can imagine that the first primary market to experience major troubles will be the US primary market.

MG – When do you think? Second half?

MW – When you say trouble, you mean getting squeezed?

TH – Basically, I expect adverse developments to be the trigger. If the capital markets stay where they are, or keep on rising, adverse developments will eventually be the trigger to turn the market.

MB – I think this will be the reverse of the last cycle. In the last cycle it was the reinsurers that led first and this cycle it likely will be the primary companies that lead first.

GP – There certainly does appear to be a gap between reserve levels and where the perceived aggregate for industry losses are; FI, D&O, which haven't yet fully emerged.

CW – And it won't take a ton, I mean just a market increase in some costs is probably enough, because they lose on the trade for reinsurance. They are paying a ton more for reinsurance, and their margins are getting lower on their original business. And you saw with aviation when something like Air France happened, it was enough to really wake people up. Granted, that is a small market.

CW – But with casualty, I don't know what that seminal event really is. It is probably death by a thousand cuts.

MW – But go back 10 years and companies were reporting adverse development quarter after quarter and rates were still languishing. It took a few companies failing and then that capacity coming out of the market place.

MB – There were a couple of companies putting up a few billion dollars in additional reserves.

HK – 10 years ago, we would have sat round this table and

“In 35 years, I have never
seen the market will itself
out of a soft market”
Henry Keeling

there would have been people proposing that actually we are in a permanent soft market, because as soon as rates start to go up, massive capacity is going to come back into the market. I never felt that because the market goes up and down. Always has done. But it needs something to drive it.

GP – It is always an unexpected event, if you look at the '97 to 2001 soft casualty market, it was actually 9/11 that pulled the casualty market back out of it.

MB – And that's a little bit like last fall, we all felt the market was about to turn, right? Then the asset decline came out of nowhere, nobody had predicted it, we lost a reasonable percentage of the industry balance sheet and we thought rates were about to turn. And then things changed.

HK – Unfortunately, none of that was being driven by underwriting fundamentals. Agreed financials is linked to the underwriting but it wasn't being driven by underwriting.

MW – One of the challenges we have right now, at least for the specialty part of the P&C market, most companies are generating double digit returns, some of which have been pretty good for the first half of this year. So how do you get rates up, or how do you make an argument that we are clunking along at the bottom of the market?

MG – Okay, I think we will move on. It is interesting that the first step of Monte Carlo was 11 CEOs commanding \$100 billion worth of premium, sitting on the same table saying that global reinsurance needed a voice. And perhaps our take as journalists was that the industry perhaps did feel itself a little bit under threat, or felt that it needed to lobby or to communicate much more effectively with large supranational bodies out there, that were perhaps looking to over-regulate. And I ask David, as that is his specialist field, do you think there is anything much to fear from this post-credit crunch, post-asset decline backlash?

DG – I think the word is probably not fear but awareness. And I think in many of these things, people fail to draw the distinction between the reinsurer and the primary, direct insurer. And when it all kicked off and the great cry came up that there is going to be a lot more regulation, the fear was that regulators would not make a distinction between the banks and the insurers. And the insurers, of course, were saying we have always sorted out our problems, we had our asbestosis crisis, we don't need another round of heavily reinventing the wheel now. And again, I think when you look to the banks and insurers who did have problems, it was always in the exotic instruments end of the market.

I think what we have now is a focus more on capital. It is going to be about looking at prudential regulation rather than the stuff that has faced the direct insurers.

CW – I think everybody should be worried, the governments around the world are printing money and they're deflating their own currencies and they are going to start looking for pockets everywhere. It is a bit like casualty, at some point, they will wake up and realise oh my God, we have got a deficit the size of Mount Everest and we need to start finding somebody to pay for it. I could see all of the western governments getting together to strangle business to death.

HK – We would call that antitrust, wouldn't we?

CW – Yes, exactly. It's the Tony Soprano school of regulatory capital!

MB – I think we all do worry about the armchair quarterback trying to help us run our business but at the same time, I would guess that more stringent capital standards are probably going to create new business for reinsurance. The primary insurers are going to need more capital. And reinsurance is probably the most effective way to get it.

CW – Well you can understand it at some level, I think that with the European regulators it is all in the name – Solvency II. To hear an American regulator talk about solvency would be shocking, because all they ever talk about is the consumer protection aspects of what we all do. Sell your product more cheaply to the consumer. There is absolutely no emphasis on solvency itself. Florida is a huge accident waiting to happen.

DG – If I can ask a question, the possible move to one US federal regulator, presumably you guys would view that as a step forward?

“Go back 10 years ago and companies were reporting adverse development quarter after quarter and rates were still languishing”

Mark Watson



CW – Absolutely.

MB – I think we all would love a single regulator but the reality is we will probably end up with duplicate regulation. The state regulator is not going to go away and there is federal oversight. So how that balances out remains to be seen.

CW – Well that is why the banking model is a good one where you can opt for the federal charter and you get the state out of your way, on a voluntary basis. If you want to manage your business on a statewide basis, it's okay too.

GP – A single port of entry is definitely an attractive feature for new entrants. Ultimately, as we said though, the NAIC has to agree that the state regulators will not continue to interfere with the companies that become federally chartered.

MW – Hold on, a single port of entry sounds really cool but as someone that grew up in the US insurance business; we now have 11 insurance companies in the US regulated by 50 regulators with nine domiciliary states, and we also have the SEC, the FSA, the Bermuda Monetary Authority, who am I forgetting? Sarbanes Oxley, the Treasury Department, I mean where does it end?

TU – With the FBI.

MW – Yes, the FBI.

CW – Well, that's why it's got to be a pick your poison thing.

MW – What I worry about is not only do we get, dual regulation but the Federal regulator isn't just being an armchair quarterback, it is starting to tell us what we can and can't do as a matter of public policy, and they are legislating public policy through how we run our business. So I think we need to be very careful of what we

"I think there is a whole graveyard of people who march into territories they know nothing about"

Alastair Speare-Cole

want because I am not sure what we are going to get. But I think that the Federal regulator is a great idea, it is the execution that we ought all to be focused on.

AS – Will easier access to the US markets increase or decrease competition in those markets?

MB – I really don't think it will

change the competition, we have got plenty of competitors today, anybody who really wants to get into a territory ultimately does; it is just bureaucratic and time consuming.

HK – But presumably it will facilitate new entrants to the market place if they have only got to go to one regulator to get licensed, to get everything set up. That has got to increase ease of access. I mean everybody always talks about Bermuda from a tax perspective, but actually one of the reasons why people set up in Bermuda is because you deal with one regulator, you can do it quickly, and if you can do that in the US you have removed a lot of the obstacles to deploying capital quickly. And I would suggest it would stimulate competition.

AS – And if intelligent competition was the absolute norm in this industry, I defend your position, but I think there is a whole graveyard of people who march into territories they know nothing about.

CW – But we would have to divorce self interest from what is right. From a free trade standpoint, that should really be the way it goes. But we are all self-interested here, and so I think it would in the short term lead to a bit of a bloodbath.

MG – I suppose this brings us on to another subject – distribution model and direct channel versus broker channel. We do talk about it an awful lot but the sands have shifted a lot this year. In terms of large global reinsurers perhaps closing down some of their global network, I was wondering if brokers around the table thought that was a good opportunity for them to increase market share at the expense of direct writing. If, for example, Swiss Re is going to close some of their local offices and come to a more hub like method of underwriting and not be able to service things locally, then presumably they are going to have to use brokers more.

AS – You can take this debate at a macro level or a micro level, different classes and sectors have different dynamics. But I think so long as the broking community offers a better value proposition to the client then worldwide we will increase our share market share. And that is what we aim to do. I am sure that those clients who enjoy close direct relationships, and particularly the reinsurers who have had those in the past, will sustain those until such time as the broker offers a better proposition. And so our aim is to slowly eat into the market share that the directs hold by providing a better proposition for the policyholder.

TH – Swiss Re uses the broker channel as well as the direct channel. And I think an important question is how expensive the whole process is.

AS – The issue for Swiss Re or Munich Re, who have traditionally provided a lot of services to their clients in their home market, is whether that expense is something they want to continue with if the brokers are providing those services. And it is a perennial debate, I am sure it will go on as long as there is a direct channel to some of your markets.

MG – Certainly looking round the table, in the last 10 years I think of the amount of investment that the top three reinsurance brokers are making in analytics. Aon Benfield were talking about \$100mn and I was talking to one of my former colleagues and he said: “You wouldn’t recognise what our office looks like now, we have got six of these analytical guys. They do all of this stuff and I don’t necessarily know what it is but my clients absolutely love it.” But that is amazing because certainly 10 years ago, there were zero people in analytical positions.

GP – Well it gets back to transparency as well, there is a lot more desirability for transparency in the reinsurance transaction. And so much of that has had to come through the process, whether it is broker or direct.

CW – But to talk in isolation about broker versus direct and to ignore territory is probably not completely appropriate, because you can have both channels open in a given territory, and you will see the business. But if you are, say, in the broker market in London, if you are not operating in that territory, most of the local business will get swallowed up. So being a broker market is not miracle grow. You have still got to be there on the ground where the clients are.

HK – Even the Lloyd’s underwriters have worked that one out now.

TH – Reinsurers are focused on getting business but of course we cannot rely on the information of brokers when we write business. We do the underwriting ourselves, because in the end, that is critical for our earnings. Basically, we have to decide on the rates. I think this is something that also clients value – the fact that we maintain a rigorous approach to what we write and don’t write. At least that’s how we do things at Swiss Re, and I believe this is highly valued. The whole question of course is how expensive the broker system is as a whole. For instance if there is a margin of let’s say 10 percent on an item of business which then has to be spent on the cost of the broker, as well as covering the costs of the reinsurer to underwrite the risk and complying with the regulatory requirements – when you look at the final equation, will there be enough money left for serving the shareholder capital which eventually has to carry the risk? This is definitely a problem and the system will have to find a way to resolve this efficiently.

IB – I think that the direct reinsurer role is under pressure in an unprecedented way for several reasons. Number one is the recent reminder of the benefits of the subscription market; recent events are testament to the ‘not all your eggs in one basket’ adage. A broker helps a client spread this risk across markets. Number two: economies of scale; you now have a handful of very large brokers that have cut costs and could choose to reinvest savings in skills that can truly compete with the likes of Swiss Re and Munich Re; it is a more level playing field than before. Finally, with scale comes capping out – publicly listed brokers have a growth imperative: grow and be seen to grow. You can’t grow market share if you already

dominate the existing market – the best you can do is tread water. The only way you are going to grow is either M&A infill or eat into another channel; in Continental Europe, this means attacking the direct reinsurers.

MG – Obviously, last year we were all talking about the Aon Benfield merger. Do you think there is space for a fourth player to re-emerge, is there the desire for that?

CW – Barriers to entry in that world are definitely bigger than they were. If you have got clients who value analytical services, you have got to have scale and you have got to have serious venture capital money. Otherwise, you are just an order taker, a placing broker, and that doesn’t seem to be the model. I think there is still a role for companies like that, for clients who want to do their own analytical work and not pay the extra freight.

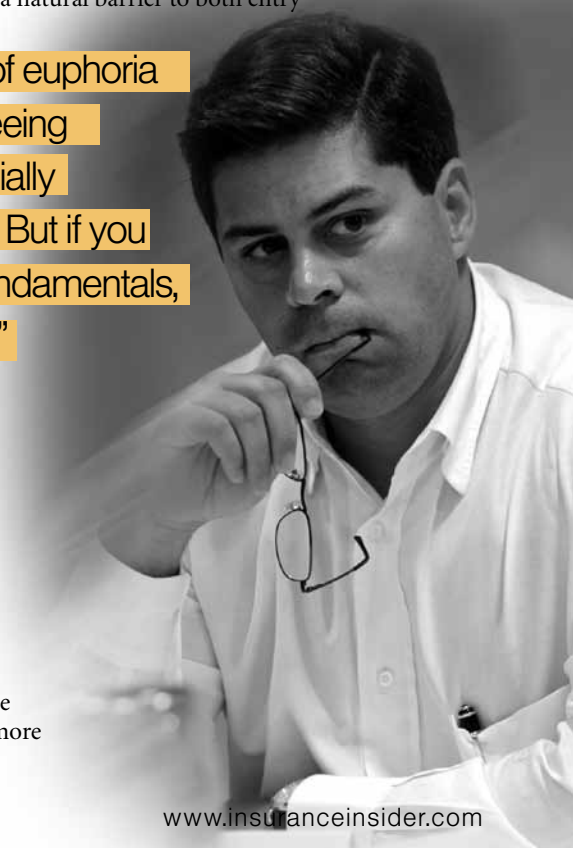
MG – Are you happy with three rather than four? It does still seem that they compete with each other very effectively.

GP – I think there is more of a limitation to further consolidation among the big three. It would be very challenging for any new start-up brokers to reach that scale and offer similar services these days. That is not to say that there is not a lot of expertise that can be really brought to play in certain segments of the business, especially in lines broking. And I think the specialty value added to the client can be in that servicing, where the analytical piece perhaps is outsourced to someone else to do. But I think at the end of the day, if you are talking broadly about the large property cat market and others, it is very difficult to get up to scale to compete with that, so there is a natural barrier to both entry

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Tony Ursano

and to further consolidation among the big three. More recently, we have seen that Towers Perrin and Watson Wyatt are going to combine. And I think you will see more of that happening, whereas the consultative services side of the business, rather than the intermediary side, will show more consolidation.



IB – Look at another industry – say the accounting profession, the actuarial profession, the broker profession – you get a handful of very big global players and then a much larger number of small niche specialists.

CW – Yes, and the suite of services that the bigger guys provide grows. You can see it with the investment banking that they are all getting into now. And they want to be able to compete with the Goldmans of the world on issuance. Before they were more investment banking advisory, less about the actual capital market transaction, and now they want to provide capital markets transactional services. I mean Aon has made a huge investment in this area.

AS – I think that Greg Case had a very clear vision when he joined us from McKinseys in that he thought that risk, in its broader sense, is a land of huge opportunity because it wasn't being serviced in the way it should be. And that the world is getting riskier and therefore in every aspect of risk there was something that wasn't being done as well as it probably should be. So long as that vision is unfulfilled, I think that you will see us driving, as will the other brokers, into more and more consultancy, using the data we have to provide better information to our clients, better understanding of the world in terms of risk. And I think a long way down the line, eventually some of these things top out. Fifteen to 20 years down the line, maybe a lot of the analytics that we do will be very freely available and intellectual capital will not be locked up in the three broking houses.

MG – What about being a reinsurer? Obviously the other merger just closing, before we arrived is IPC-Validus

“When you look to the banks and insurers who did have problems, it was always in the exotic instruments area of the market”

David Grantham

and we have got this Paris Re PartnerRe deal on the cards. Do you think, perhaps in '93 there was a \$250mn club to start up a reinsurer, in '01 it was \$500mn and in '05 it was more like \$1bn. Would it now be a \$3bn club? Is that something that you are aspiring to?

MW – Well I will give you my two cents as more of a buyer than a seller. As direct underwriters continue to grow in size and in scale, and they continue to rely upon reinsurance companies

as sources of capital or to smooth volatility, I think that counterparty credit is probably at the top of the list. Knowing that your reinsurance trading partners are a little larger than you is helpful because presumably they bring more to the table than just their capital and their rating. So yes, I think as we all get bigger, I think if our reinsurance trading partners are a bit bigger that is helpful to us.

TU – I think it is tough to generalise. And while there are a lot of factors that would indicate that size may matter, and may be helpful, there is a lot to be said for small, nimble organisations that are very, very good at what they do and have terrific underwriters that produce better results year in year out. Having said that, I do think that it is weighing on boards and management because the rating agency pressure is real and investors are thinking a lot about it.

MB – Certainly the popular conversational fodder is larger is better and with the disruptions last year, it is easy to understand that. I think the reality is that submission volumes are up significantly for most people. So I think the real test is whether you can write sufficient volumes of business to support your capital base and whether you are small or large, ultimately you will be measured on your financial results. And part of it depends on where you play too. If you are writing more commodities lines and larger individual lines, clearly you need more capital.

MG – Is there anything that you would like to change about the market over say the next 12 months and what would it be?

MB – Higher prices and fewer competitors I think.

TU – I think the market is irrational, cyclical and not focused on relative returns to its shareholders versus other industries. And I think a greater focus on not collusion but certainly greater focus on driving shareholder returns and driving pricing is what the market needs.

AS – There are various areas of our business where we would very much like to see the insurance market return to a harder rating discipline, because it would have knock on effects throughout the entire system for reinsurers and us.

CW – I would like to see government get out of the insurance business. So you look at the state of Florida, they are the biggest carrier in the state, you have got all these different wind pools. It is a subsidy for people who live on the beach. And it is lousy public policy and it distorts what would otherwise be a normal market.

TH – I think we should be using the crisis as a platform for improving regulation and accounting, and maybe also educating the rating agencies a bit on what makes sense for their reinsurance assessments.

MG – I just want to thank you all, you have made my job so easy. Thank you very much!

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