

CONFERENCE HIGHLIGHTS

2005 FALL CONFERENCE—SEPTEMBER 11-13, 2006

Although the disastrous impact of Hurricane Katrina, not to mention the anniversary of the terrorist attacks 4 years ago, weighed heavily on the minds of the attendees, the Fall Conference nevertheless provided an enjoyable and informative respite for the IRU faithful at the Ocean Place Resort in Long Branch, New Jersey.

Once again, our Executive Director, Mary K. Clancy, and her able assistant, Amy Metaxas, provided an excellent venue for the Fall retreat. For their part, Axiom's Jay Johnson and Matt Rose deserve great credit for assembling a truly excellent array of speaking talent which provided the audience with a wealth of information on issues of critical and topical importance. As Jay was overcome with a case of "shyness," the program's moderating responsibility fell to his colleague, Mr. Rose, who handled that assignment in a smoothly efficient fashion.

During his welcoming commentary, IRU President, Tony Joseph, touched on such important themes as the Association's emphasis on the intern program, the IRU's link to the Bermuda College of Insurance (developed by Mary K.), and the IRU's need for continued and expanded membership support for the various IRU committees, as well as ideas for speakers and topics of interest for future conferences.

In her e-mail of September 18, Mary K. included links to the various presentations delivered during the conference, so I will not delve into those details at any great length except to touch on the highlights of those very informative sessions, as follows.

During his extremely interesting talk, Rade Muselin of the Florida Farm Bureau Insurance Companies, went well beyond his initially prepared focus on the **Florida Cat Market** to encompass the effects of "Katrina" within the scope of his general concern about the respective abilities of the private and public sectors to cope with national catastrophes.

During his presentation, Mr. Muselin reviewed the actions taken in Florida which enabled the state's insurance industry to withstand the effects of last year's hurricanes. At the same time, he expressed serious reservations as to whether private options are truly viable to cope with the economic impact arising from the enormous magnitude of national disasters of both the natural and man-made variety.

The second very informative topic dealing with **the future of finite reinsurance and related implications for regulators and practitioners** was effectively addressed by Bernard Ganley and Joseph Fritch of the New York Insurance Department. In stressing that "not all finite is bad," Messrs. Ganley and Fritch emphasized the need for transparency related to such transactions, with a paramount focus on the economic reality and intent of those arrangements.

According to the speakers, the most questionable aspect of finite transactions are those arrangements whose apparent and sole reason for being is to effect a discounting of loss reserves not otherwise permitted by regulatory standards. It is quite clear that the regulators are seeking better guidance and controls in order to verify that finite accounting standards properly convey and reflect the economics of those transactions.

The third presentation was an informative panel discussion dealing with **issues pertaining to the World Trade Center disaster, including prospects for the renewal of TRIA, and coverage for terrorism exposures**. Based on comments offered by panelists Ernst Csizsar (Property Casualty Insurers Assoc. of America), Gregory Serio (former Superintendent of the NY Ins. Department) and Richard Thomas (AIG), very real questions abound as to whether the private sector has an appetite for terrorism risk, especially of the nuclear, biological and chemical variety, and if so, to what extent.

Although models are useful tools to gain an understanding of a terrorism event, they cannot predict a frequency of such events to any reliable degree. The panel also felt that although the need for a federal role is critical, the dimensions of such contribution are still subject to much debate. One concern was that if the industry's mandatory retention was set too high before attachment of a federal response, many smaller insurance entities would be taken out of the game.

During his discussion of **where this insurance cycle might be heading**, Dr. Sean Mooney commented that the cycle normally runs counter to the economy at large which has been reflected by the soft market, at least pre-Katrina. Dr. Mooney also opined that Katrina might actually have a positive impact on the economy. Nevertheless, he cautioned that the industry could be in for difficult times in coping with such Katrina issues as the impact of valued policy laws, the Louisiana court system, and how the horrendous flood losses would be handled under BOP vs. HPR coverage provisions.

With more specific regard to state of the Reinsurance sector, Dr. Mooney commented that the industry's surplus is in the area of \$375 billion, and notes that the influence of hedge fund activity is increasing, including an evolution of new instruments in that area. Pre-Katrina at least, the recovery of that sector was still not up to the levels of the P&C industry at large nor the Fortune 500 index, and that there was actually less reinsurance sold in 2004 than in the year before.

As for the 2006 renewals, the market will be influenced in very large part by the "shock value" of Katrina.

For the closing segment, the IRU attendees were treated to a fascinating computerized presentation by Aleksey Popelyukhin of 2 Wings Risk Services who deferred to Merlin, the Magician, to address **the cutting edge of Dynamic Financial Analysis** and its application to the insurance industry. Additionally, Dr. Popelyukhin touched on the application of "game technology" which is being used with increasing frequency to enhance DFA applications via simulation techniques.

During the business portion of the conference, President Joseph thanked the membership for supporting the continued success of the Intern Program. Tony also welcomed Aspen Re, Argonaut, and Protective as new members of the IRU, and urged an expanded effort to increase the roster of member companies with new blood.

Tony also announced selections of the Nominating Committee for Board members to serve two-year terms. Those nominees were Bob Baldrey, Transatlantic Re; Jessica Bongiorno, Endurance Re; Bill MacLachlan, Chubb Re; Virgil Maxwell, American Agricultural; Doug Nuehring, EMC Re; Roderick Thaler, Willis Re; Judy Vogel, Arch Re who were all elected by unanimous vote.

Last, but certainly not least, Tony emphasized the terrific venue and program for the Spring 2006 Conference which will be held in Bermuda at the Wyndham Bermuda Resort and Spa from April 2-4. **Check the website and make your reservations early!**

Paul Walther, Editor

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