

CONFERENCE HIGHLIGHTS

2006 FALL CONFERENCE—SEPTEMBER 10-12, 2006

Once again, the IRU faithful were treated to a great venue and program to stimulate body and mind in preparing for the renewal season which lies ahead. Fortunately, this Fall's conference was absent the cloud of catastrophe claims experienced during the last two years, and the attendees were therefore able to enjoy the ambience and camaraderie which prevailed at the Sagamore Resort.

During the opening dinner, an industry legend, Paul Ingrey of the Arch Capital Group, reminisced with the older members of the IRU by recounting his unique History of the World – Part 3; namely, the evolution of the reinsurance world since the Hurricane Betsy days some 40 years ago. The advent of computers and importance of actuaries were among the highlighted developments, with a current emphasis on the need for management to control the destiny of their companies and to readjust strategic considerations as necessary to cope with changing times.

In his opening remarks the following morning, President Tony Joseph noted the ominous date of September 11, and called for a moment of silence in memory of that tragic day 5 years ago.

On a more upbeat note, Tony, welcomed new members and noted that, despite the impact of market consolidation, the IRU's membership list has enjoyed a net increase during the past year. He went on to encourage attendance at the upcoming Claim Meeting, as well as next year's 40th anniversary celebration.

As the IRU's hardworking program moderator, Matt Rose then took charge of the meeting and introduced the following initial segments as falling within the category of the "Organics of Business," the more exacting details of which can be found on the IRU website: www.irua.com.

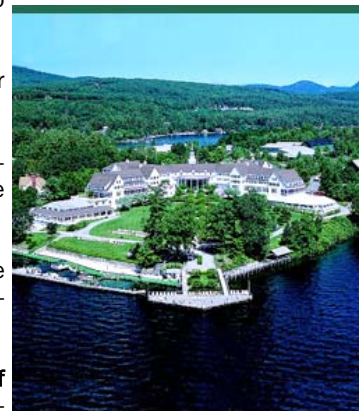
Starting off was Guy Carpenter's Donald Mango who discussed **the state of the Art and the Science of "Actuarial Science."** During his presentation, Mr. Mango emphasized the importance of Enterprise Risk Management considerations, including the impending merger of insurance and banking considerations into a broader umbrella of "financial regulation" currently evident in Europe and Australia.

Of intriguing interest were Mr. Mango's observations that existing approaches to reserving tend to be rather simple and actually perform rather poorly, and he went on to suggest that the actuarial profession is actually going through a "reputational crisis." The IRU's Tony Joseph also chimed in with a popular definition of IBNR as "Interesting But Not Realistic."

Up next was Jamie Bisker's very interesting and intriguing commentary on **The Viability of "Service Oriented Architectures" (SOA) for the Re/Insurance Industry.** During the course of his presentation, Mr. Bisker offered the view that it is not merely sufficient for management to optimize a "business as usual approach," but rather a need to "start innovating." He went on to emphasize the need for flexibility, and that that efficiency and growth is no longer a matter of "tweaking" legacy systems. Incidentally, Mr. Bisker has indicated his willingness to contribute an article to the Journal which will detail the conceptual aspects of SOA.

Once again, the audience was treated to a panel discussion which is always a highlight of IRU conference meetings. Matt Rose moderated this Fall's panel which included Charles Dangelo (AIG), Robert Fletcher (Intellectual Property Insurance Services Corp.) and Kevin Walsh (Lord Bissell & Brook LLP) who opined on the **Emerging Exposures of Avian Flu, Nanotechnology, and Unfunded Pension Liabilities.** In summary, panel's basic message was that, despite the current absence of significant fallout from such exposures, the need for immediate attention and research in these areas is to be ignored at the industry's peril.

Tuesday's session began with the **IRU's membership/business meeting** chaired by President, Tony Joseph, who was quite bullish in his remarks. After approving the meetings of the last meeting, the membership was pleased by Tony's observation that the "financials are on target" and that the association is "alive and doing well." The meeting concluded by announcement and confirmation of the following members as officers and directors for the coming year:



The Sagamore
Bolton Landing, New York

Officers: President - Tony Joseph; Vice President – Frank Bigley; Treasurer – Jim Brost

Directors: Jay Johnson, Wendy Baker, Kevin Shea, Jeremy Wallis, Robin Kelly, Derek Gullage, Gordon Olver, John Reinman, Sean Ryan, and Stephen Fallon

Opening Tuesday's educational program, which Matt labeled the "State of the Market" segment, was Kent Chaplin, Head of Claims for Lloyd's Franchise Performance Directorate, who discussed **Emerging Claims Issues, including the legacy from KRW (Katrina, Rita & Wilma)** as they relate to the evolution of the Lloyd's market. During the course of his presentation, Mr. Chaplin referenced the increasing efficiency and transparency of Lloyd's, including new and upgraded systems and procedures to cope with future catastrophes such as eliminating the "leader only" process of agreeing claims. Of particular significance has been Lloyd's ability to weather the storms of 2005 which impacted Lloyd's by almost \$5.7 billion, but with little consequence to the Central Fund.

Mr. Chaplin also announced that almost simultaneously with his presence at the Sagamore, Lloyd's was going "live" in the electronic handling of certain claims in that community.

Dr. Paul Mlakar of the US Army Corps of Engineers then offered his very interesting commentary on **Changes in the Federal Role in Risk Management** which focused on the Corps' approach to issues emanating from Hurricane Katrina. Although the federal government and the Corps cannot eliminate residual risk, there is more focus on design to avoid failure of both the perceived and unperceived variety. Additionally, there is an important need to reduce the levels of bureaucracy which impede the risk management process. Additionally, there is a critical need to emphasize "resiliency" in the design and construction process.

In concluding the program, Steven Ader of Standard & Poors reviewed S&P's **financial outlook and the forecast for 2007**. Mr. Ader began his remarks by commenting that the outlook for the reinsurance market is stable for 2007, but undergoing change. On the positive side of the ledger are the industry's profitability and strong pricing policies. On the negative side are the industry's history of poor performance, pricing challenges with respect to catastrophe coverages, low barriers to entry, and the over reliance on capital markets for support.

Mr. Ader also referenced a number of challenges being faced by the "Class of '06" reinsurers; namely, the lack of a clear competitive advantage, commoditization of product, and the fact that the business continues to retain its cyclical nature.

In closing the meeting, Tony profusely thanked the following sponsors which supported the meeting; namely, Arch Re, Harbor Point, Axis, Endurance, Lloyd's, and Transatlantic Re. Additional and grateful appreciation was also extended to Executive Director, Mary K. Clancy, and to Matt Rose for their respective efforts in achieving yet another excellent conference.

The Spring 2007 Conference, including celebration of the IRU's 40th anniversary, will be held April 15-17 at the [Renaissance Vinoy Resort](#) and Golf Club in St. Petersburg, Florida.

Paul Walther, Editor
Journal of Reinsurance