

CONFERENCE HIGHLIGHTS

2007 SPRING CONFERENCE—APRIL 15-17, 2007

With the euphoria of a benign catastrophe year still lingering, the IRU family gathered for their annual Spring Conference from April 15-17 at the beautiful Renaissance Vinoy Hotel in St. Petersburg, Florida.

Despite the terrific venue and great presentations celebrating the IRU's 40th anniversary, the meeting was tinged with sadness that Mary K. Clancy could not be with us. Mary Kay, the IRU's former Executive Director who passed away last October, was instrumental in helping the IRU achieve great success during her tenure.

During his opening remarks, President Tony Joseph, dedicated the Spring Conference to Mary Kay's memory, and commended the IRU's new Executive Director, Amy Barra, and her assistant, Andrea, for carrying on the tradition of excellence established by Mary Kay in arranging the IRU meetings.

On the occasion of the IRU's 40th anniversary, Tony welcomed former Presidents, John Reinman, Bob Evans, Dave Gustafson, Scott Norris, Locke Burt, and Gordon Olver who, along with the IRU's first intern, Ken McNulty, made the conference even more meaningful.

Tony also passed along special and very sincere recognition and thanks to the 14 sponsors who contributed almost \$40,000 to help fund the cost of the meeting.

Filling in as Program Moderator, John Reinman commented on this critical time to manage the "cycle" and introduced the following speakers and presentations:

Identifying the Critical Success Factors for Underwriting in 2007 and Beyond

Gary Kaplan, Chief U/W Officer and Head of the Technical Center Strategic Service Unit for Zurich North America's Commercial Business Division, gave a very comprehensive and informative presentation which focused on the adherence to the 5 core principles for successful underwriting, both now and into the future; namely,

- Understand your market
- Develop the strategy
- Build the platform
- Drive transactional discipline
- Measure performance.

In summary, Mr. Kaplan emphasized the need for execution rigor to translate theory into practice.

Claim Issues Post Katrina: Asbestos & Other Latent Exposures

Carol Ann O'Dea, Senior Vice President and Claims Manager for Partner Re US, offered very telling remarks which suggest that the application of the "law of large numbers" is not always the most reliable method of assuring the viability of the insurance industry. Complicating a company's forecasting ability are such factors as

- Numerous coverage issues
- Unique Loss Scenarios
- Complex claims
- Contract issues
- Complex valuations
- Extended litigation



Renaissance Vinoy Resort & Golf Club
St. Petersburg, Florida

- Contribution and allocation issues

Quite clearly, the aforementioned factors were and continue to be problematic in dealing with such catastrophe occurrences as 9/11 and the hurricanes of 2004 and 2005.

Panel Discussion: Top Priorities for the Worldwide Re/Insurance Industry

As always, the panel discussion of industry experts is a highlight of each conference, and this year's panel presentations, contributed by Axiom Re's Mike Hayes, Travelers' Scott Belden, Holborn's John Gilbert, Transatlantic Re's Michael Sapner, Aon Re's Rod Thaler, Lloyd's Rolf Tolle, and XL Re's Jamie Veghnte were no exception.

Among the topics generating much animated discussion were:

- Security issues related to legacy exposures and "cleaning up the past."
- The need to "know thy client better."
- Ceding company retentions: "are they our biggest competitor?"
- The imperative to be a truly global company, or the need for a global focus.
- Cycle management as the industry's greatest challenge

As the saying goes, you really had to be there (during the discussion program) to truly appreciate the commentary offered by these experienced and expert practitioners.

Hurricane Hazards in the United States: Concerns for the Insurance Industry

Although many in the audience have undoubtedly heard presentations on this topic by other speakers in other venues, I sincerely doubt that many of us have ever heard such an animated and fascinating presentation as delivered by Dr. Nicholas Coch who is a Professor of Geology in the School of Earth and Environmental Sciences at Queens College.

During the course of his remarks, Professor Coch discussed the marked differences among northern hurricanes, classic hurricanes, and gulf hurricanes, including the flawed focus on the frequency rather than the consequences of these storms. He also emphasized the need for more "strategic" than "tactical" thinking, and the need for more attention by pragmatic scientists than modelers. Above all, it is of most importance to keep an eye on the location of the Bermuda "high" as the key indicator of likely activity during the storm season.

Financial Outlook: Winning and Losing Propositions

As with the aforementioned panel discussion, the audience always looks forward to the financial community's report card as to how the reinsurance industry is doing, and this year, that presentation was effectively delivered by Matthew Heimermann of JP Morgan Securities.

Among the points made by Mr. Heimermann:

- Margins are good based on lower payouts related to the past
- Cash flow underwriting is not viable
- Cost of capital is rising
- Challenge for reinsurers is to find new customers
- Non-diverse company needs to be "best in class"
- Diverse company needs to be generally good in each area
- We're at the "sweet spot" of the cycle and it's hard to differentiate performance.
- Being risk averse is a bad sign
- Sidecars are likely to decrease, but can be healthy and helpful to users
- Need to charge a premium for high industry rating

All in all, "the fundamentals are good."

Changes to the Florida Catastrophe Fund – January 2007

Former IRU President, Locke Burt, who is President and Director of the Ormond Re Group, Royal Palm Insurance Company, and Security First Insurance Company provided the audience with an excellent review of the legislative changes impacting the Florida insurance market.

Overall, Florida continues to be in somewhat of a crisis mode as evidenced by the legislature's attempts to provide its consumers with insurance capacity at reasonable prices. Pending further developments which may be enacted by the current legislative session, the state will continue to heavily rely on coverage provided by Florida's market of last resort, the Citizens Property Insurance Company, as well as the newly expanded reinsurance capacity provided by Florida's Hurricane Catastrophe Fund.

Last but not Least Department

Aside from the academic value of the conference, it is important to note that, during Monday's dinner gala:

The Roy G. Nelson Award for outstanding services was presented to Dorinco's Michele Mahoney, and

The George D. Young Award for professional excellence, and service to the IRU awarded jointly to:

- Farmers Mutual Hail Insurance Company
- EMC Reinsurance Company
- Signet Star Re

Sincerest congratulations to all!

Finally, special kudos go out to Mark Hinkley, Kevin Shea, and Andrea Barra who regaled the assembled multitude with rousing reinsurance lyrics set to the songs most dear to many of us during the earlier days of the IRU.

In closing out this recap, the terrific educational and networking value of the conference was once again very much in evidence, and befitting a 40th anniversary celebration.

Hopefully, those who missed the Spring meeting will be able to attend the Fall Conference scheduled for September 9-11 at the Turning Stone Resort in Verona, New York. See you there!

Paul Walther, Editor
Journal of Reinsurance