

Japan, Australia, New Zealand – Implications for the insurance market. Time to change the way we look at risks?

Those participating in the panel discussion were:

Grahame Chilton, Chairman of Aon Benfield and Vice-Chairman of Aon Group

Peter den Dekker, Corporate Insurance Risk Manager at Stork in the Netherlands and President of FERMA, the Federation of European Risk Management Associations

Torsten Jeworrek, member of Munich Re's Board of Management and Chairman of the Reinsurance Committee

Mike McGavick, CEO of XL Group plc

Hemant Shah, CEO, President and co-founder of Risk Management Solutions

The panel discussion was moderated by **Adrian Ladbury**, Editor of "Commercial Risk Europe".

This year's panel discussion focused on the implications of recent nat cat events for the insurance and reinsurance market. In a lively debate, the panellists discussed how these events changed the approach towards risk assessment and what influence they will have on pricing during the renewal as of 1 January 2012.

The panellists agreed that the benefit of insurance and reinsurance becomes obvious only after severe loss events, when it supports the reconstruction of destroyed areas. It was noted that, bearing in mind the real-life tragedies involved, the main incentive will always be to rebuild people's lives; therefore the aim of quick rebuilding must remain at the forefront in the insurance industry.

The gap between economic losses and insured losses regularly shows that there is still room where (re)insurance coverage is needed. It became clear that in order to provide customers, especially large corporates, with new solutions, insurers and reinsurers have to consistently implement ways of precisely understanding the issues and problems of the underlying businesses. During the discussion, divergent standpoints were discussed concerning whether insureds are able and willing to provide insurers with the information needed to make a proper risk assessment and to accept an adequate price for coverage. It was stated that end-customers looked not only at prices but rather at solutions.

The panellists also discussed what function models have in the assessment of nat cat risks. It was agreed that a model can only ever be as good as the knowledge and data entered into it and as effective as the way it is used. Hence, the know-how and the educated view of the underwriter are indispensable. Models have to be constantly improved and updated, and this requires the best information and data available.

In terms of the implications of recent nat cat events, namely Japan, it was unanimously agreed among the panellists that a greater exchange of knowledge has to take place between industries in order to ensure better coverage of cumulative risks in the future. In particular, contingent business interruption (CBI) risks can only be calculated with great difficulty. Supply chains will have to become much more transparent so that all those involved know what is insured and what will be paid for. Japan has made this pressing need for more transparency abundantly clear.

A surprise guest was interviewed: **Gerry Brownlee**, Minister for Canterbury Earthquake Recovery. During this ten-minute exchange he expressed the view that the industry should now be careful not to overreact in terms of analysis and resulting prices, because prices could consequently soar and people would no longer be able to afford insurance. Instead, the insurance industry should remain a steady and reliable earthquake-coverage partner for New Zealand as a whole.

Generally, the panellists agreed that there was a growing need for greater communication and knowledge-sharing, so that insurance solutions for the future would be found through cooperation.