



KAREL'S CLUB | EXECUTIVE INSURANCE FORUM

Reinsurance and Alternative Forms of Risk Transfer

30 – 31 OCTOBER 2014 · FRANKFURT · GERMANY





PROF. KAREL VAN HULLE

ABOUT KAREL'S CLUB

Trilogue between insurance executives, regulators and academia

The insurance industry lives in a time of change. Although its business model is often misunderstood, its importance is increasingly recognised. More regulation can be expected. That regulation will have a profound impact on the way insurance business is carried out. It is important to think about the possible impact of that new insurance regulation before its introduction as well as once it has entered into effect.

Karel's Club offers the possibility to discuss new developments in insurance regulation as well as new trends in insurance in an informal setting, between senior management from the insurance industry, stimulated by reflections from academia and from representatives of the regulatory community.

The objective is to enable thought provoking discussions on matters of concern to the participants under Chatham rules. The discussions should help to shape strategic thinking about the likely way in which insurance will develop in the coming years as well as on how regulation might influence this development. Proper attention will be paid to the European and international regulatory agenda.

Karel's Club seeks to provide space for Executives, who are concerned about the future and want to prepare themselves for the challenges ahead through active discussion, sharing experience with colleagues and regulators in a neutral university environment. The modern Campus Westend of Goethe University in Frankfurt, where ICIR and the House of Finance is located, provides a uniquely rich and productive learning environment, an atmosphere of complete intellectual freedom.

The forum discusses one or more Insurance issues, providing a better understanding of the interaction between these issues and Insurance regulation. The meetings organised by the Club are meant to be both informative and directly relevant for the participants. Participants are expected to engage themselves in the debate.

CHAIR

Karel's Club is chaired by Prof. Karel van Hulle, Professor at the KU Leuven and at the Goethe University in Frankfurt, former Head of Insurance and Pensions at the European Commission and Executive Board Member of the International Centre for Insurance Regulation (ICIR).

TARGET GROUP

This forum is addressed to senior management from the insurance industry, i.e. board members, chief risk officers, chief financial officers, actuaries, accountants, regulators, supervisors and policymakers. Although the discussions will take account of European developments in the context of Solvency II, the focus of the meeting will be broader and attention will also be paid to developments in other parts of the world.



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INTRO

When it can be said that insurance is the great unknown, this is even more so for reinsurance. Even before the last financial crisis started, questions were raised about the role of the reinsurance industry and to what extent that industry should be subject to more stringent regulation. The conclusion was that there was no immediate need for a regulatory intervention, although it was generally recognised that reinsurers play a vital role and that reinsurance has become a truly global industry.

After the financial crisis, the question was raised whether reinsurers were systemically relevant. Views on that issue differ and the Financial Stability Board has so far refrained from identifying a list of global systematically important reinsurers (G-SIR's).

Meanwhile, the role of reinsurance is evolving. This is influenced by a number of factors, such as the low interest rate environment, the increase of man-made and natural catastrophes, the search for new insurance opportunities, the introduction of new solvency capital

standards for insurance and reinsurance, the potential revival of capital markets as a result of the wish of governments to stimulate long term investments and the natural search for further diversification and for alternative forms of risk transfer.

Insurance regulation rarely deals specifically with the distinct features of reinsurance. One of the reasons is no doubt that reinsurance is by definition business to business and that it is presumed that insurers will know how to deal with reinsurers. This is also the case in the context of Solvency II, where the principle of proportionality is the magic tool that should help regulators and supervisors to deal with the specificities of the reinsurance industry. On the other hand, it is often unclear who should supervise the activities of a reinsurer as physical presence in a given country is not really necessary. Regulators therefore often impose collateral as a requirement so as to ensure that compensation will take place should a problem occur, as the reinsurer may well have no real presence in the country concerned. It is obvious that collateral requirements are costly and that individual policyholders ultimately bear the cost of a lack of agreement between regulators about who should ultimately supervise the activities of a reinsurer.

DISCUSSION

- We need to incentivize people to do what products do we need to achieve
- Especially in emerging markets we should deviate from the customer outcome to check if we are doing the right thing
- Transparent companies will win, so the industry needs to make changes
- People with more financial literacy save more → we need to give advice to people
- Supervisors are starting to forbid certain products and thus make the industry more transparent
- We need more financial engineering in insurance
- People need insurance products, but the industry might need to stratify them to different socio-economic target customer groups

ICIR

International Center for
Insurance Regulation

The third meeting of the Karel's Club will look at developments in reinsurance in general and at the role of the reinsurance industry in the development of alternative forms of risk transfer, benefiting from the input of a number of key experts in the field. The discussion will focus on issues such as:

- What are the likely regulatory changes in the near future? How will they affect the reinsurance industry? How should we deal with collateral requirements? Will the market fundamentally change if the collateral requirement is removed?
- Will the reinsurance industry become more attractive as an investment opportunity because of the low interest rate environment?
- How will insurers deal with reinsurance as part of their risk mitigating strategy? Is Solvency II introducing a golden opportunity for reinsurance?
- How will the reinsurance industry deal with what is usually referred to as uninsurable risks, such as cyber risks? Will reinsurers become more aggressive in taking up insurance risk?
- Will there be a European capital market union where insurance-linked securities will become a more attractive investment opportunity?
- What is the role of hedge funds in providing capital to the reinsurance industry?
- Will we see a rebirth of finite reinsurance?



LEADING QUESTIONS

REGULATORY CHALLENGES

- How should reinsurers be supervised? Can mutual recognition work? What is the potential of an equivalence agreement between the EU and third countries? Will it eventually lead to the abolition of reinsurance collateral?
- Are there aspects relating to reinsurance that require specific regulation different from insurance regulation?
- Who should supervise a reinsurance undertaking that has issued insurance-linked securities?
- Should there be specific rules on risk transfer between an insurer and a reinsurer? Who should develop those rules?
- Should operational risk in reinsurance be looked at in the same way as operational risk in insurance?
- Can reinsurers really be supervised by a national supervisor?
- How should regulators be dealing with fronting by reinsurers?
- Are reinsurers systemically relevant?

STRATEGIC QUESTIONS

- Will the reinsurance industry attract more capital because of the low interest rate environment? If so, what will the reinsurance industry do with the extra amount of capital?
- Has the reinsurance industry a strategy on how to deal with uninsured risks? Are there any recent developments in this area? How does the reinsurance industry intend to deal with the large amount of uninsured damage in the context of man-made or natural catastrophes? Are NatCat bonds the solution? Are there any alternatives?
- Should reinsurers remain reinsurers or should they expand their activities to include direct insurance as well?
- Is it likely that insurers will change their risk transfer strategy in the context of Solvency II?
- Who is taking the lead in the development of alternative risk transfer strategies?
- What is the role of insurance intermediaries in the development of new reinsurance products?

POSSIBLE SOLUTIONS

- Develop more specific reinsurance regulation
- Define more clearly the difference between securitisation of credit risk and securitisation of insurance risk
- Work towards a global supervision of reinsurers
- Make equivalence agreements between the EU and third countries dependent on an abolition of reinsurance collateral
- Promote the insurance of uninsured risks through lower capital requirements
- Promote the issue of insurance-linked securities
- Increase the transparency of reinsurance arrangements particularly in the case of fronting

PROGRAMME

THURSDAY, 30 OCTOBER 2014

- 18.00 – 18.15 **Executive Insurance Forum Opening**
Prof. Karel Van Hulle, *ICIR Goethe University (Frankfurt)*
- 18.15 – 18.45 **New developments in reinsurance**
Prof. Stefan Materne, *FCII, Chair Research Centre for Reinsurance, Cologne University of Applied Sciences (Cologne)*
- 18.45 – 19.15 **A supervisory view on reinsurance and alternative forms of risk transfer**
Annick Felten, *Commissariat aux assurances (Luxembourg)*
- 19.15 – 19.45 **The emergence of alternative capital: trends and implications**
Martin Bisping, *Managing Director, Products Underwriting Centre, Swiss Re Ltd (Zurich)*
- 19.45 – 20.30 **Debate and Discussion**
- 20.30 **Dinner**

FRIDAY, 31 OCTOBER 2014

- 09.00 – 09.15 **Introduction**
Prof. Karel Van Hulle, *ICIR Goethe University (Frankfurt)*
- 09.10 – 09.45 **Views of a reinsurer**
Denis Kessler, *Président Directeur Général, SCOR SE (Paris)*
- 09.45 – 10.15 **Views of an insurer**
Raj Singh, *Group Chief Risk Officer, Standard Life plc (Edinburgh)*
- 10.30 – 11.15 **Debate and Discussion**
- 11.15 – 11.45 **Alternative forms of risk transfer from the perspective of a hedge fund**
Christoph Bürer, *CEO, Twelve Capital AG (Zurich)*
- 11.45 – 12.15 **Reinsurance as a financial solution**
Stefan Reulein, *Head of Financial Solutions, Munich Re (Munich)*
- 12.15 – 12.45 **Operational risk in reinsurance**
Eberhard Müller, *Managing Director, Chief Risk Officer, Hannover Re (Hannover)*
- 12.45 – 14.30 **Debate and Discussion**
- 14.30 **Lunch**
- 15.30 **End of Forum**

FORUM FEE: **First time attendance: 2.850 EURO (INCL. VAT)**
Returning participants: 2.000 EURO (INCL. VAT)
The forum fee includes refreshments and meals

REGISTRATION: karelsclub@finance.uni-frankfurt.de

Karel's Club is based on the cooperation of two HoF institutions of Goethe University: The International Center for Insurance Regulation (ICIR) and Goethe Business School (GBS).



ABOUT ICIR

The International Center for Insurance Regulation (ICIR) took up its work at Goethe University in Frankfurt on October 1, 2010. It is the first scientific institution worldwide which is focused on the regulation of insurance companies. By fostering high-quality international, independent research on insurance regulation and market solutions to regulatory questions, the ICIR aims at attaining a leading position in its area of research.

The ICIR concentrates facts and newest insights in the area of insurance regulation and further develops them by means of independent research. According to the House of Finance philosophy, research is based on an interdisciplinary exchange of the economic and the legal point of view.

A major aim of the ICIR is to publish research findings in internationally acknowledged academic journals. It co-organizes conferences and seeks an active dialog with top scientists from all over the world. A planned fellowship program facilitates network-building with internationally renowned scholars.

The ICIR benefits from the proximity of important international institutions located in Frankfurt, such as the European Insurance and Occupational Pensions Authority (EIOPA), the European Central Bank (ECB), and the European Systemic Risk Board (ESRB). Because of its scientific independence, the ICIR provides an ideal platform for regulatory authorities, policymakers, and the insurance industry to exchange ideas and seek answers to regulatory issues.

► www.icir.de

ABOUT GOETHE BUSINESS SCHOOL

Sited in the heart of one of the world's leading financial centers, Goethe Business School (GBS) is the center for high-quality management education at Goethe University in Frankfurt – in close cooperation with the faculty of economics and business administration. GBS is set up as an independent, non-profit organization under private law, held by Goethe University Frankfurt.

GBS offers degree programs for individuals and executive education programs for organizations. The part-time Master in Finance is a unique finance degree program designed for young professionals who wish to continue with their careers while pursuing a master's degree. With our executive education programs we offer customized solutions to organizations meeting the learning and development needs for their management levels.

With our flexible program portfolio we cover all topics around finance, management and leadership.

GBS' unique teaching philosophy combines leading research and teaching, outstanding study resources, active networking and hands-on learning. This holistic approach enables develop professional and personal skills in an environment that is at once challenging and supportive. All programs are designed to meet the highest academic quality standards and taught by experienced faculty members from academia and business following an interdisciplinary approach.

► www.goethe-business-school.de



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REINSURANCE AND ALTERNATIVE FORMS OF RISK TRANSFER

30 – 31 OCTOBER 2014

VENUE

Goethe University
Campus Westend
House of Finance
Grüneburgplatz 1
60323 Frankfurt
Germany

FORUM FEE

First time attendance: 2.850 Euro (incl. VAT)
Returning participants: 2.000 Euro (incl. VAT)
The forum fee includes refreshments and meals

REGISTRATION

To register please use the following e-mail:
karelsclub@finance.uni-frankfurt.de

Registration, payment and organization of Karel's Club
will be handled by Goethe Business School.

ACCOMMODATION

A block reservation has been made at the Hilton Hotel
in Frankfurt. The rates include breakfast and taxes.
To make a reservation, please refer to "Karel's Club"
block booking.

Please note that participants are individually responsible
for paying for their accommodation and any additional
expenses.

Room rates:

King Hilton Guest Room: 169 Euro or
King Hilton Executive Room: 229 Euro

Hilton Frankfurt Hotel
Hochstrasse 3
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E: reservationteam.frankfurt@hilton.com
(please book until Oct 10, 2014)

CONTACT

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