

Reinsurers look to future at glitzy annual gathering

MAIRI MALLON, Monte Carlo,
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While sipping champagne and eating caviar-topped canapés overlooking the bay in Monte Carlo, executives are this week deciding how much insurance premiums around the world will go up next year.

The great and the good of the reinsurance industry is gathered in the capital of Monaco to thrash out the cost of reinsurance, the insurance that insurance companies take out, for the coming year. And the prices they decide at Les Rendez-Vous de Septembre convention will in turn affect how much insurance firms in Europe, Asia and the US charge when home and car policies are up for renewal in 2007.

And the news is good. Rates for reinsurance seem to be holding firm and many believe they may even come down next year.

"While prices remain stable, expectations are that with record first-half profits coupled with a reduced hurricane forecast, rates will soon come under pressure to soften," said Helen Yates, editor of Global Reinsurance, one of the industry's leading publications.

This year is the 50th anniversary of the meeting and has attracted 2500 delegates to this glittering five-day event.

While insurance is not often seen as a glamorous, this event is a no-holds-barred luxury affair where executives converge on the sun-soaked principality.

The paparazzi lined the streets of Monte Carlo on Monday night as Prince Albert of Monaco opened a gala event for the Rendez-Vous at the Grimaldi Forum.

Executives were treated to a New York, New York-themed night, complete with Harley-Davidson bikers to drive executives and their partners around the winding streets.

But during the day, executives are busy meeting in the crowded pavement cafes in the shadow of the famous Casino, scribbling notes, writing numbers down on papers and pushing them across the table to each other in a bid to work out deals for reinsurance cover.

Meetings last just half an hour and then the execs, dressed in pastel-shirts, chinos and loafers, stand up, shake hands and move on the next meeting a few tables away.

"It is the only place where you can see everyone in the industry in three days," said Joe Plumeri, broker Willis Group Holdings chairman and chief executive officer. "You can have back-to-back meetings and get everyone in one place."

"I have been coming every year for 34 years," said Robin Spencer Arscott, industry veteran and president of Cyrus Re, a newly-formed company. "The only year I missed was when I had to have heart surgery. It is the best event for networking. Deals are worked out here and that is why we are here."

And the word on the street emerged that prices will remain stable – at least for this year.

The world's biggest reinsurer, Swiss Reinsurance, said it expects prices for reinsurance cover to stay "at around" the current level.

"Reinsurance pricing levels remain firm," said Michel Lies, head of client markets at Swiss Re and one of its top executives.

Inge Beale, chief executive of Converium, a small European reinsurer based in Zurich, said: "We are really forecasting that things will be stable in Europe. We saw some increases last renewal if there had been bad experience, in certain lines of business, you have just got to look at UK motor, prices are rising there because of the experience there."

And James Veghte, chief executive officer of XL Reinsurance America, said that conditions were stable, but there was worry that prices in directors' and officers' liability – the insurance taken out by companies to insure their executives against the cost of being sued – was going down. He said they may exit this specialist market if prices continued to fall.

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Also at the conference was a large contingent from Lloyd's of London, the world's oldest insurance market. The organisation has been struggling with new technology and earlier this year was faced with further embarrassment when it had to give up on a £75m electronic trading system called Kinnect.

Brokers, who arrange deals between insurers and reinsurers and clients and insurers, have always been reluctant to standardise their contract wordings or use new technology.

Lloyd's shiny hi-tech building in the City of London is filled with people carrying huge bundles of papers from one office to another as little is transacted electronically.

However, at this year's Rendez-Vous a company called RI3K launched what it called a "new easy-to-use trading system" which had the backing of broking giant Aon Corporation, who will now use the platform.

"This is a completely new animal," said RI3K's chief executive Alex Letts. "It is intuitive and is much easier to use (than previous models). It will allow users to handle all types and classes of insurance and reinsurance."

Also at the meeting the agencies which give the reinsurers a rating warned that falling policy prices may become a big challenge in the years ahead, as reinsurers are competing for market share.

The 2005 hurricane season, which included Hurricane Katrina, cost the industry \$65bn. The losses have pushed prices for US coastal, marine and energy insurance and reinsurance sky-high.

A host of new reinsurance companies have popped up to take advantage of a shortage of reinsurance and high prices.

As a result of the same natural catastrophes, the price of retrocessional insurance – the insurance the reinsurance companies take out – has gone through the roof.

At Monte Carlo, ratings agency Standard & Poor's said the unprecedented losses and lessons from the 2005 hurricane season have thrown the market off-balance.

"The lack of retrocessional protection has materially hampered the reinsurer's capacity to underwrite primary insurance companies," said credit analyst Steven Ader. "This, in turn, has significantly hampered the underwriting capacity of the primary insurer."

He said Standard & Poor's was aware of many examples in which primary insurance companies have suspended the underwriting of catastrophe-exposed risks because of the unavailability of reinsurance.

The event will end today with a champagne cocktail party in the Hanging Gardens, hosted by a group of Bermuda-based reinsurers.

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