



The Actuarial Profession

making financial sense of the future

GIRO Conference 2009

Managing business in a Capital Constrained era

Bryan Joseph

■ Eye of the storm

- Commercial property
- Banking
- Housing
- Retail
- **Mono-line insurance**

■ In the storm

- Automotive
- Chemicals
- Construction / building supplies
- Entertainment and Media
- Hospitality and Leisure
- Transport and logistics
- **D&O and E&O insurance**

■ Edge of the storm

- Business services
- **Insurance**
- Manufacturing
- Mining and metals
- Oil and Gas services

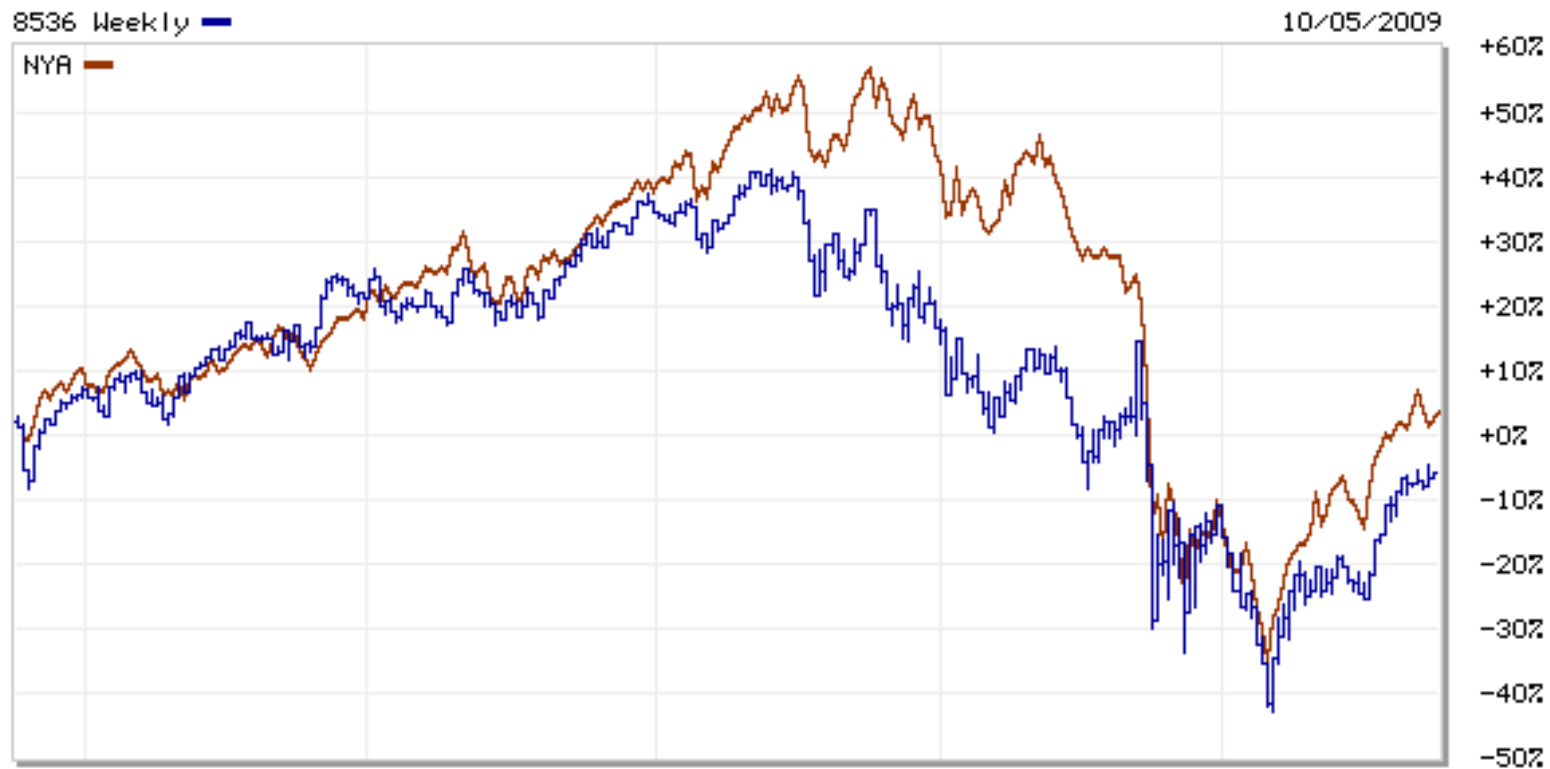
Path of the storm?

- Aerospace and defence
- Pharmaceuticals
- Utilities

Pre-Credit Crunch World

	Equity	Debt	Reinsurance
Availability	High	High	High
Cost	20%	10-20%	5-20%
Term		≤10 years	Annual renewable
Alignment of interest	High	Low	High

General Insurance Industry has performed poorly



Sovereign health

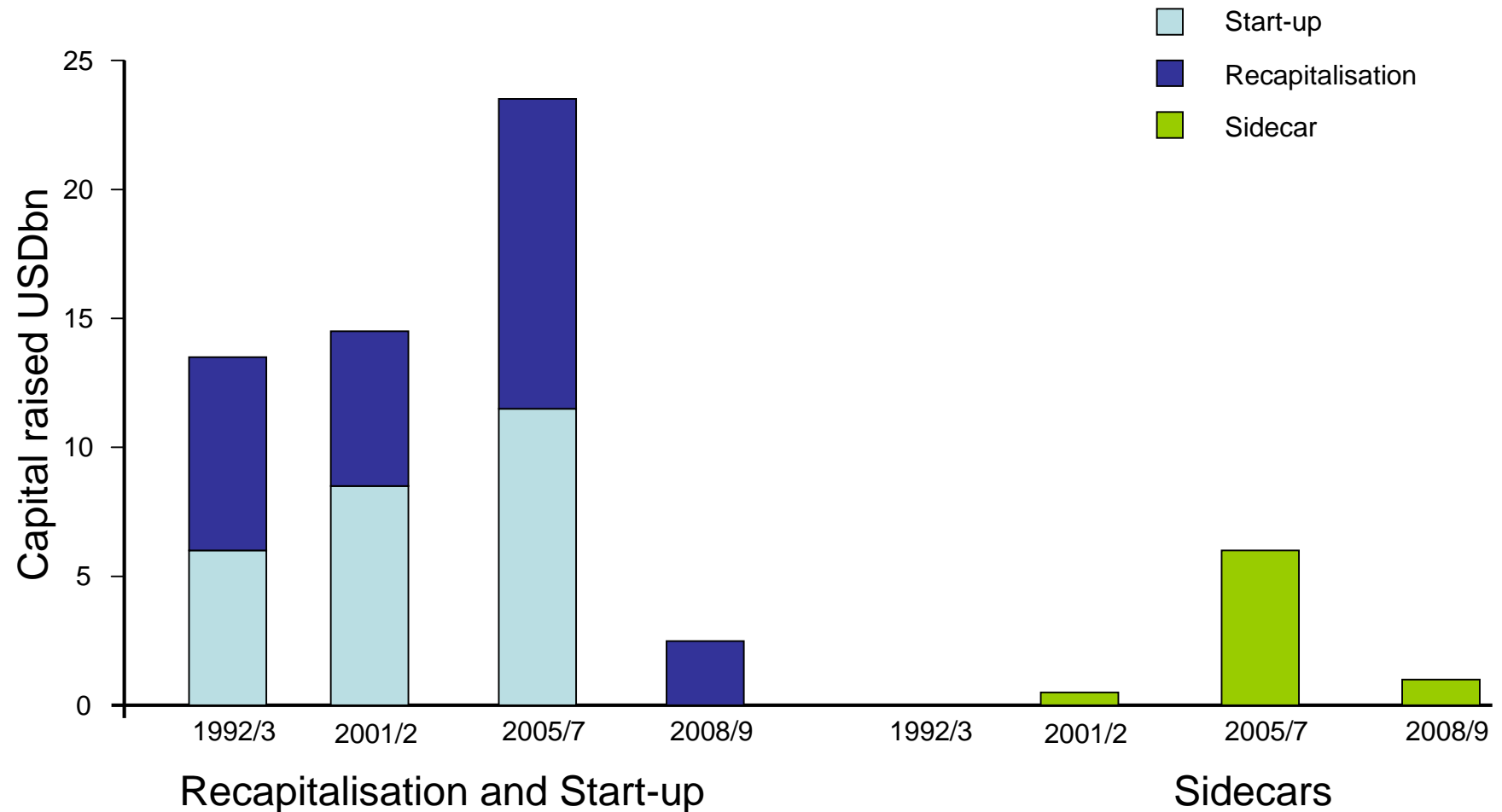
CDR Government Risk index*, basis points



Source: Credit
Derivatives Research

*Index of sovereign CDS spreads
in Britain, France, Germany,
Italy, Japan, Spain and US

Post event capital raising



Source: AON Benfield Research

Post Credit Crunch World

	Equity	Debt	Reinsurance
Availability	Low	Low	Cyclically high
Cost	20-30%	>10%	5-20%
Term	Early sale/ exit	< 5 years	Annual renewable

Capital less available and more expensive

Regulatory pressure

Solvency I •Percentage of premiums and claims

Solvency II •Risk dependent framework

- QIS4 results say that industry has enough capital, but not in the right places.
- Alignment with IFRS for Phase 2
- CEIOPS CP's suggesting some capital increase over QIS4 likely.

Reinsurance

- Capital replenished by asset revaluation
- Absence of large loss
- Soft market conditions continuing.

Liquidity

- Governed by ability to raise capital in short term
- Need to model liquidity position
- Must subject liquidity stress scenario tests
- Asset position now very important
 - Currency
 - Spreads
 - Asset quality

Questions?

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