

## **GROWING TOGETHER – BROKERS, INSURERS, REGULATORS**

Mr President, My Lord Mayor, My Lords, Sheriff, Alderman, Ladies and Gentlemen,

I have the honour and the pleasure of addressing you during truly extraordinary times. We have gone through the biggest economic and financial crisis in living memory.

Experience in past crises has shown that the insurance sector always feels a recession with a certain delay. The real challenges for us therefore lie in the years ahead.

One of these challenges will be how to grow. I do believe that growth in our industry is still possible – despite and not least because of the crisis. It is possible if insurers, reinsurers and brokers put their vast experience and knowledge to work. I would like to highlight two areas in which the excellence in our industry can achieve growth.

The first area for our industry to achieve growth through expertise is directly linked to the crisis. Over the past 18 months people have realised that globalisation harbours risks which they had never thought of. How can American mortgage lenders be responsible for the closing of a shop on a UK high street?

Risk awareness is increasing. At the same time, risks have become more complex in an ever more connected world. Where it used to be enough for a corporate insurance buyer to purchase straight-forward business interruption cover, there is now a corporate risk manager who has to consider many more risks.

This combination of increased risk awareness and an ever-increasing complexity of risks is the field in which insurers, reinsurers and brokers can grow.

All of us in this room are experts in understanding risk. Our clients benefit from different viewpoints to help them make informed risk management decisions. Brokers and insurers engage in what I would like to call a “competition of ideas”.

Clients will regard the broker's recommendations as independent advice. They will take insurers' and reinsurers' recommendations as advice from people with “skin in the game” – people who know what it means to carry and manage risk.

In the end this competition culminates in cooperation. Our clients – and I would like to stress that brokers and insurers serve one and the same client – rightly expect both from us: competition in ideas and viewpoints and cooperation in achieving a solution.

New scenarios are keeping risk managers awake at night: the dangers of reputational risk, various operational risks, the threat of pandemics, emerging risks connected to the rise of new technologies such as nanotechnology, gene technology or digital risks. In all of them, we can turn our knowledge into value by understanding our clients' needs and by addressing an insurable interest.

Regulators play an important role in this growth scenario, too. Our industry ventures into new products and enters uncharted territory. It is vital that the public and our customers never lose their confidence in the integrity and the ability of the insurance industry as a whole. Regulators assist us by instilling discipline into our industry. Appropriate supervision will give clients confidence in new products, from which we will benefit.

The regulators on the other hand have come to appreciate generally how well our industry has steered through the recent economic turmoil. Adjustments like those envisaged for the banking industry are thus not necessarily required for the insurance industry. I therefore renew my appeal to lawmakers to acknowledge that insurance and banking should by no means be tarred with the same brush. They need different regulatory approaches.

Many activities which underpin the economy would not take place without insurance. The insurance industry is therefore also of paramount importance in supporting and enabling an economic recovery in these difficult times.

The second area where we can employ our expertise to achieve growth encompasses some of the great challenges affecting all of us, economically and as a society.

Most notably I am talking about climate change. I personally was taken aback by the disappointing outcome of the Copenhagen conference. I believe so were you.

Since then the Geneva Association has reached out to global leaders and policymakers to encourage them to make use of the insurance industry's expertise in dealing with climate change. I have appealed to industry in general to now take their own initiatives to help reduce climate change's consequences.

Munich Re's contribution to this is the Desertec project, which we initiated and where we act as the driving force. Desertec aims at developing and implementing solar power technology in the North African deserts to generate carbon-neutral energy. And only recently nine Northern European countries, including the United Kingdom and Germany, announced a cooperation to establish a pan-European network of renewable energy sources.

Other such challenges which our societies are faced with include demographic change, the dangers of terrorism and piracy, or sustainability in the use of resources, to name but a few.

Our industry's commitment ranges from involvement in government-run pools and initiatives, right through to the provision of know-how to state organisations. A notable example is also the agreement in the UK between the insurance industry and government in respect of continued commitment to flood cover in return for continued investment in flood defences.

Ladies and gentlemen, all these activities of the insurance industry contain strong elements of good corporate citizenship. They are not entirely altruistic, however. A greater number of extreme weather events as a consequence of climate change have irrevocable effects on the concept of insurability, and therefore on our very business model.

But we not only have a lot at stake; we also have a lot to offer. This is where our opportunities lie.

Being driving forces in tackling these big challenges makes us valuable partners of industry. Contributing our expertise makes us trusted advisors. And by having our “skin in the game” we generally possess a very high degree of credibility.

The challenges are great, ladies and gentlemen, but so are the opportunities for growth – for brokers, insurers and reinsurers.

Ladies and Gentlemen, will you please be upstanding while I propose a toast to the Insurance Institute of London!