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**...March 1-4, 2009, Four Seasons, Las Vegas, NV**

*A Global Gathering for Senior Life Insurance and Reinsurance Executives*

**ReFocus 2009**

**March 1-4, 2009**

**Las Vegas, NV**

**Weathering the Perfect Storm**

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A Global Gathering of Senior Life Insurance and Reinsurance Executives

# Weathering the Perfect Storm



Doug French  
March 3, 2009



## Opening Remarks



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## Industry Transformation

- Conservative companies will gain market share
- Pricing will strengthen/products will be de-risked
- The retirement market will continue to be a focus
- Distribution channels will demand greater transparency
- Reinsurers are back in vogue

The investment banking sector will undergo complete restructuring and will de-emphasize insurance company/product arbitrage

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## The Risk Agenda

- The market is asking for simplicity (product) and security (solvency)
- A new capital adequacy ideology will emerge
- Reduced reliance on overly complex models; increased use of stress tests and exploration of extreme events
- ALM mismatch positions will be reduced
- Enhanced governance, reporting and transparency will be needed to play

An independent, influential CRO position may emerge to control the risk profile

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## Capital Markets

- A new investment bank business model will emerge
- Life settlement products face uncertainty regarding the street's ability to find buyers
- Traditional capital sources gain favor
- Securitization markets will be dead in the short-term

Certain investment banks will investigate the convergence of investment and traditional banking within insurance thinking they can better match the needs of buyers

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## Regulatory and Rating Agency Environment

- Regulators' and rating agencies' focus on risk will rise
- Companies will need to be more creative in their capital management practices as local regulators will be more focused on capital fungibility
- Conventional wisdom today is that congress will move quickly to create a strong, comprehensive financial regulatory structure
- Structural issues for regulatory reform need to be worked out

Is financial regulatory reform more important than other priorities?

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## Growth

- Retirement income is the opportunity of today
- Emerging markets will continue to be a focus for the larger players
- Pensions buy out products; defined contribution programs; reverse mortgages; inflation-linked benefits are on the strategic drawing board

Short term the industry will struggle with "share of wallet"

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## Industry Consolidation

- Increased consolidation – the big get bigger
- Equity financing will make funding acquisition targets challenging, but not impossible
- Breaking companies into smaller divestiture pieces likely

Break-through strategies are a real possibility

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