



SOCIETY OF ACTUARIES

Article from:

# Reinsurance News

March 2014 – Issue 78

# Interview with Michael DeKoning, CEO of Munich American Reassurance Company

By Reinsurance News



*Michael DeKoning, FSA, MAAA, FCIA, is president and CEO of Munich American Reinsurance Company in Atlanta, Georgia. Michael can be reached at [mdekoning@munichre.com](mailto:mdekoning@munichre.com).*

**Mr. DeKoning, thank you for taking time to speak with us. Could you begin by telling us some of your personal history and about your role at Munich American Reassurance Company (“Munich Re”)?**

I joined Munich Re in 2008, after 20 years at a large international Insurance Company based in their head office in Canada. I was born and raised in Toronto of immigrant parents in a middle-class neighborhood in North Toronto. My father was in the insurance business for most of his career in sales and sales management so when I was thinking about what to study in University, he suggested Actuarial Science. Like most people, I didn’t know what it was, but being good at math, the more I looked into it, the more interested I became. For most of my career, I have been interested in running a business and using my technical and risk management skills to grow a business. I was given this opportunity, in increasingly larger businesses, prior to joining Munich Re, but these were always as part of divisions within a head office environment. The real opportunity to run a business came when I joined Munich Re as the president & CEO of its Life Reinsurance business in the United States. Our company has a very broad and diverse market position, with leading positions in Individual Life and Individual Disability as well as the Group business (both Life and LTD). I am thoroughly enjoying the opportunity to lead a great group of people from various backgrounds (actuarial, underwriting, claims, IT, operations, etc.) in growing our business. As the CEO of a subsidiary with a parent company based somewhere else, I also have learned a very different perspective and appreciation of the “home office” versus “foreign office” dynamic that I had during the first 20 years of my career.

**What led you to the reinsurance industry and to your current position at Munich Re?**

As an actuarial student, I had the opportunity to rotate through various pricing, valuation and reporting roles in various businesses, from a direct marketing insurance business, to an Individual Life business, a Group Annuity business as well as a retrocession business. In the latter business, what I really liked was that it was

a B-to-B business, with a lot of client interaction who were all insurance company professionals. I also got to see how all of the aspects of the business interact with each other (underwriting, pricing, admin, claims, financial reporting)—this was much harder to see in bigger, more segmented businesses. I also loved the challenge and reward of getting to understand the challenges faced by clients and working with them and for them to develop solutions to those problems, while bringing in business (and income) to your company. Having spent most of the last 20 years in various aspects of the Reinsurance market, needless to say, I am hooked!

**Were there any special mentors in your past who played an important role in your career growth?**

It is very hard to single out one or two. I have always tried to learn from people I admire and emulate the traits that I thought fit well with what I wanted to do, in the way that I wanted to do it. One of the people I really respected relatively early in my career had a very healthy work/family balance. It’s not that he didn’t work long hours, it’s just that he made sure he was home at a reasonable time to have dinner with his family, participate in his kids’ activities, etc. This was something that I admired, and tried to incorporate into my life (it has become harder and harder as my jobs have changed!). I have also worked for a couple of people who had great people leadership skills, engendering loyalty and high performance because people wanted to “walk through fire” for them because their people respected them so much both as a person and a leader. I have also learned a lot from a few people on how to craft messages and communicate effectively to various audiences (from staff, to executive management, board members, clients, etc). So my style has been to try to find a specific skill or trait that I admire in a person, and try to incorporate that as opposed to having one or two specific people who acted as mentors.

**In recent years, there has been several notable mergers and acquisitions within the U.S. life reinsurance industry. What impact do these consolidations have for your company?**

There has certainly been a contraction in the life reinsurance market with the spate of mergers and acquisitions over the past five years, which has changed the landscape of the life reinsurance market in the United States. For Munich Re, our focus remains on building and maintaining relationships with our client companies in the individual and group life and disability markets. Yet, with a more concentrated competitive market, we have to ensure that we are offering the products and services to our clients that will help them grow and develop. We treat our relationships as partnerships and take a vested interest in their success. With less choice, it's even more important to be in tune with our customers to make sure they are getting what they need from us.

**Munich Re has predominantly grown organically. How does M&A fit in your corporate strategy? Do you foresee your company participating in future acquisitions?**

We have always kept an open mind on potential mergers or acquisitions, but not at the cost of our operating model or client companies and it has to be at the right price. We also believe that any acquisition needs to be done for the right reason. We believe access to markets you don't have access to, access to specific skills or tools that you do not have or scale are the main reasons why we would undertake an acquisition—but it always must be attractive from an economic point of view. Finally, any merger or acquisition would need to allow us to manage our business and client relationships in the same fashion that has made us successful. Our corporate strategy continues to focus on growing our existing base of clients through a strengthened partnership and developing customized solutions to meet their needs.

**Despite a shrinking U.S. life reinsurance market, Munich Re has experienced positive growth in market share. What strategic choices have you made to produce and sustain these results?**

Market share growth has not been our focus, our focus

has been on individual client relationships and writing profitable business. We have been increasingly successful over the last few years by listening to what our clients want and need out of their reinsurer relationship, developing products and services that meets those needs, and then delivering. All of this has to be done in a manner that is beneficial for both parties and preserves our overall financial strength—a good reinsurer partner must be there for the long haul.

**Can you foresee when the U.S. life reinsurance market will begin to grow again? What can the industry do to reverse the decade-long decline?**

This is a difficult challenge for the entire market. Historically, growth has occurred when the market delivers products and services that the direct market cannot or chooses not to deliver. If the industry is going to reverse the trend of market decline, we must provide products and services that can deliver growth to our clients, or create value through enhanced capital management. One area that we believe reinsurers can help direct writers grow their business is in the middle market. With reinsurer support, direct writers may be able to grow their business in this market, and, in turn, this will result in growth in the reinsurance market.

**Munich Re is known for being a leader in individual disability income reinsurance. Could you explain how this product line works? How important is this product line in your overall growth strategy?**

Disability income insurance is meant to provide income protection for an individual in the event that an accident or injury causes them to be unable to earn an income. Many individuals who have this coverage get it through group coverage with their employer. However, Individual Disability Income (IDI) is offered to individuals who cannot meet their income replacement needs through employer-provided group coverage or are self employed or small businesses.

While our disability business is not our largest line of business, the market potential and business perfor-

CONTINUED ON PAGE 12

**““WHILE OUR DISABILITY BUSINESS IS NOT OUR LARGEST LINE OF BUSINESS, THE MARKET POTENTIAL AND BUSINESS PERFORMANCE MAKE IT AN INTEGRAL PART OF OUR OVERALL STRATEGY.””**

mance make it an integral part of our overall strategy. However, a more important part of the strategy is making sure that we have the proper controls in place to manage the risks associated with this business to avoid the same issues that caused significant losses in the IDI market 20 years ago. Here, we work with our clients to ensure underwriting, pricing and claims discipline to ensure that business continues to perform well.

**What is Munich Re’s view on financial solutions or “Fin Re”?**

For Munich Re, Fin Re must satisfy two key objectives. First, any Fin Re product that we offer must deliver value creation to our clients. This can be through enhanced capital management or reduced risk. Second, it must meet our own internal view of a risk and reward trade-off. When we find opportunities that meet these two objectives, we are very supportive of Fin Re. Munich Re has a very successful track record globally in what is called “financially motivated” reinsurance. This takes many shapes and forms, but all of them have a strong client capital management motivation behind them.

Munich Re is experiencing success with its partnership with the Allfinanz automated underwriting system developed by Munich Re Automation Solutions. How would you differentiate the Allfinanz solution from similar systems offered by your competitors?

We believe our business model is unique in that Munich Re Automation Solutions, while owned by Munich Re, continues to be run as a standalone IT company. This allows us to bring the best of both worlds to our clients. We not only offer top-notch technology through the Allfinanz suite of products, but MARC also applies intimate reinsurance expertise in order to support our clients from both a process and a risk management perspective. Having a software company and a reinsurance company under the strength of the Munich Re umbrella brings a total solution to our clients. ■