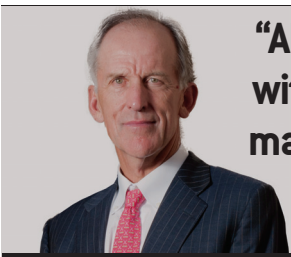




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DAY ONE



"All the other companies I have been involved with have started something in London with a marketing or rep office, and it is a good way to start if you can find the right person"

John Berger, Third Point Re

MONTE CARLO 2012 FROM GLOBAL REINSURANCE MAGAZINE

RENDEZ-VOUS

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THEY SAID ...

'The reinsurance proposition has changed'

David Priebe, Guy Carpenter

'Insurance cat cover in China is now half a billion dollars. Four years ago it was 60% of that'

Dominic Christian, Aon Benfield

Flagstone boss is to retire after Validus

BY ALEX WRIGHT
alex.wright@globalreinsurance.com

Flagstone Re chief executive David Brown told *Global Reinsurance* he intends to retire once the takeover of Validus Holdings has been completed.


Validus announced an agreement on 30 August to acquire Flagstone for \$623m, with the deal expected to go through in the fourth quarter of this year.

Questions have also been raised about the future of employees at Flagstone, with the reinsurer employing 200 staff, including 90 in its back office operation in Halifax, Nova Scotia. Validus also has an office in Waterloo, Ontario, which does many of the same functions, including computer modelling and technical support.




Brown: "We are going through the integration work now, working out what goes where"

Asked whether staff would be affected by the merger, Brown said: "It is too soon to tell. We are going through the integration work now, working out what goes where and how to optimise everything." He said he was restricted




OUT AND ABOUT



Guess who we spotted at Cafe de Paris?

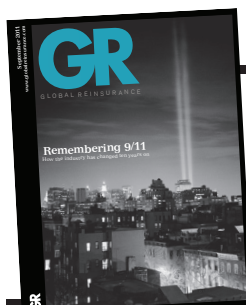


Looks like a rather heated discussion



TONIGHT

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BEN



LAUREN



ALEX



ANTHONY

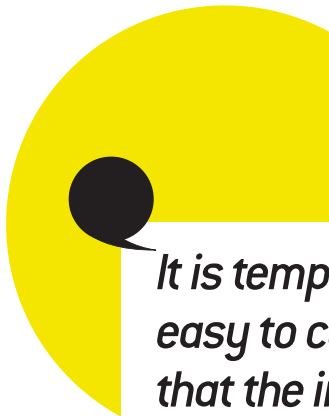
Qatar Doha, the Arab capital of culture: awarded in 2010

Emerging market returns with developed market risks.



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INSIDE



It is tempting and easy to complain that the insurance and reinsurance industry continues to face serious headwinds.

Alex Moczarski, President and chief executive, Guy Carpenter

GUY CARPENTER
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Don't miss the regatta at 16:00

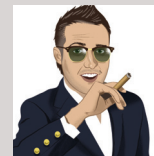
Cat modellers respond to calls for data clarity
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China's cat re to hit Japan's level by 2020, says Aon Benfield boss
PAGE 5

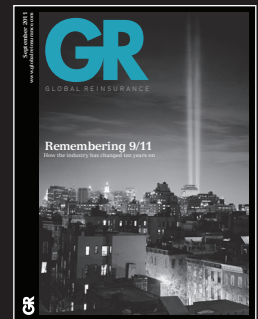


Who has Monty spotted up to no good at this year's Rendez-Vous?
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GLOBAL REINSURANCE MAGAZINE is published 10 times a year by Newsquest Specialist Media Ltd 30 Cannon Street, London, EC4M 6YJ, UK
Tel +44 (0)20 7618 3456
Fax +44 (0)20 7618 3457
www.globalreinsurance.com

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MONTE CARLO

- 1 Casino de Monte Carlo
- 2 Hotel Hermitage
- 3 Hotel de Paris
- 4 Fairmont Monte-Carlo
- 5 Hotel Metropole Monte-Carlo
- 6 Port Palace Hotel
- 7 Eglise Sainte Devote
- 8 Gare de Monaco



Qatar
US\$16.7 trillion of estimated hydrocarbon wealth.

Emerging market returns with developed market risks.



Brown to retire after Validus

continued from page one

from saying anything further until the US Securities & Exchange Commission filing process was complete.

But in a conference call earlier, he said: "We looked long and hard at our strategic options and we feel this was a fair deal for our shareholders."

Brown said of his retirement plans: "I am looking forward to it. Hopefully I will just do some travelling and a bit more sailing and some flying."

Brown co-founded Flagstone with former chairman Mark Byrne seven years ago in the 'Class of 2005' (re)insurers in the wake of hurricanes Katrina, Rita and Wilma.

The Luxembourg-based reinsurer, which has operations in Switzerland, Bermuda, Halifax and New York, enjoyed considerable success in its first years of business, but suffered a net loss of \$326m last year as a result of big catastrophe losses from the earthquake and tsunami in Japan and the New Zealand earthquake.

This year Flagstone sold its Lloyd's unit to ANV Holdings, as well as its stake in Cayman-based insurer Island Heritage.

London expansion in Third Re's sights

► Start-up aiming for November opening

► Marketing office will not underwrite

BY BEN DYSON
ben.dyson@globalreinsurance.com

Third Point Re is hoping that its new London representative office will eventually become much more, says chief executive John Berger.

The Bermuda-based start-up reinsurer revealed plans earlier this month to open a representative office in London. The new office, which will have a marketing function and will not be able to underwrite business, will be run by former Allied World international treaty reinsurance head Clare Himmer.

Berger wants to open the new office in November, subject to regulatory approval.

The new office will initially be staffed by Himmer, but Berger hoping it will expand. "We'll see how the market develops and what opportunities there are," he says.

He points out that previous reinsurers he has run, such as F&G Re and Harbor Point, have followed a similar path of opening a London representative office and building it up. F&G Re, for example, bought a managing agency. Harbor Point hired



Berger: "It's a good way to start if you can find the right person"

Trevor Carvey to set up its London representative office, which is now the UK branch of Alterra Europe, after the 2010 merger of Harbor Point with Max Capital to form Alterra. Carvey is reinsurance chief underwriting officer of Alterra Europe.

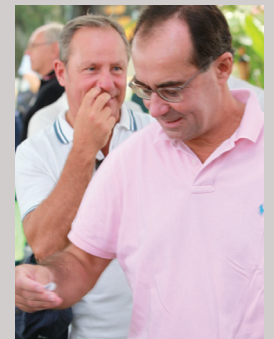
Berger said: "All the other companies I have been involved with have started something in London with a marketing or rep office and it is a good way to start if you can find the right person."

He added: "London, if not the best, is clearly one of the top two (re)insurance markets in the world so having a presence there is a good idea."

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Aon Benfield once again has a fleet of cars parked outside the casino



Preparations begin for Rendez-Vous' annual regatta



Reinsurance troops heading into battle in full chino regalia



MATCH OF THE DAY Supercars vs reinsurers

Reinsurers arriving at Rendez-Vous 2012 were left fuming yesterday after 50 supercars paraded around Monaco's F1 circuit in tandem. The testosterone-fuelled boy racers honked horns and revved their engines as they delighted in holding up local traffic.

Reinsurers, on the other hand, were not so impressed as they raced to get to get registered before visiting their favourite local haunts. Dinners were put on hold and drinks (and tempers) boiled over in the heat. Meanwhile, tissues were seen being flung out of helicopters flying overhead as those coming directly from Nice airport empathised with their gridlocked colleagues stuck in mile-long taxi queues.

SUPERCARS 1, REINSURERS 0



STATS CORNER

**\$500m-
\$1.5bn**
DAMAGE

Estimated onshore property damage bill for insured losses caused by Hurricane Isaac

\$12bn
INSURED

The global natural catastrophe bill for the first half of 2012 was about \$26bn, of which \$12bn was insured

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NATURAL CATASTROPHE



Japan's tsunami: reinsurers are starting to use risk modelling more intelligently

Cat modellers respond to call for data clarity

- ▶ RMS and AIR in deal to share model data
- ▶ Move a step towards multi-model approach

The (re)insurance industry's growing reliance on catastrophe risk models may be seen as a negative move by some.

But there are signs the industry is now using models more intelligently, and the companies producing them are responding to the market's demands for greater clarity on models' workings.

At last year's Monte Carlo Rendez-Vous, there were calls from several quarters, including reinsurance broker Guy Carpenter, for buyers and reinsurers to use multiple models rather than relying on any single vendor's product, and for vendors to make the assumptions used in the

models clearer so users could adapt the output better to their own opinions on risk.

The comments were broadly welcomed by risk modellers, and they have responded with action. For example, Risk Management Solutions (RMS) and AIR Worldwide, two of the three main catastrophe risk modellers, struck an agreement in April to share data, making a multi-model approach more achievable.

More recently, the latest iteration of RMS's European windstorm model, released in July, effectively allows users to see the range of uncertainty inherent in the modelled output based on

the amount of data the output was generated from.

Aon Benfield's head of international analytics John Moore said RMS's change was a good step forward. "It fits very well with the theme of greater openness and transparency as we move forward with heavier model use in the insurance and reinsurance markets," he said.

He added that RMS is not alone in responding to clients 'calls for greater flexibility in models' output.

Moore said: "Modelling companies are saying: 'If you are experienced and your evidence is different to what we are showing, then change it'. You would never have heard, seen or talked about that even two or three years ago."

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MARKET VIEW FROM QFCA

BY AKSHAY RANDEVA, DIRECTOR, STRATEGIC DEVELOPMENT, QATAR FINANCIAL CENTRE AUTHORITY

Setting up in the Middle East – the promise of Qatar

The Qatar Financial Centre (QFC) Authority is committed to positioning Qatar as a major financial services hub for reinsurance, captive insurance and asset management. As a testament to the success of this strategy, some of the world's leading (re)insurance companies, including MetLife Alico, AXA, Allianz, Mitsui Sumitomo and Zurich Insurance Group, have already established a presence in Qatar to exploit local and regional growth opportunities.

The QFC offers distinct advantages over other locations: It provides an onshore operating environment where foreign insurers and reinsurers have full access to the rapidly growing domestic market.

Current premium volume of about \$1.1bn is projected to double over the next four to five years, driven not only by huge infrastructure and construction projects, but also by personal lines, which are boosted by compulsory insurance requirements and a growing awareness. More than 50% of this business is ceded to reinsurers – one of the world's highest cession rates.

Further, companies operating within the QFC can be 100% foreign-owned, while there is a strong legal and regulatory framework based on international best practice. There are no restrictions on foreign currency transactions and profit remittances. And QFC initiatives augment Qatar's financial infrastructure and make it an ideal springboard into the wider region – for example, the Qatar Finance and Business Academy and Qatarlyst, an e-trading platform.

Qatar
The Middle East's centre of sporting events.

Emerging market returns with developed market risks.



'If investors will buy cat bonds, why not stocks?'

The companies waiting on the sidelines to list on the stock market should follow Talanx's example and get on with it.

The German holding company released that it is aiming for an autumn flotation. It will join UK personal lines insurer Direct Line Group, which aims to make its stock market debut before 2012 is out.

Nervousness about flotation is understandable.



BEN DYSON

The equity market has been generally depressed. Initial public offerings (IPOs) in other sectors, most notably Facebook, failed to impress investors. And in general, listed (re)insurers' stock valuations are below their net tangible assets.

However there is a sense that if a company has a good story to tell about its prospects, investors will be there.

Facebook's problem was that it was unclear how it

would make enough money to justify its valuation.

The reinsurance industry doesn't have this issue. It is profitable and has proven extremely resilient to shocks. It has weathered the economic downturn crisis well both financially and reputationally, and barely flinched at last year's natural catastrophes.

While demand may fluctuate at the margins, there is a hard core of

demand that does not go away.

With a lack of other places to put their money, investors are turning to the industry in droves. If capital market investors are willing to buy catastrophe bonds, capitalise sidecars, then why not stocks?

If the Talanx and Direct Line flotations succeed, they could encourage more firms to come to market.

ben.dyson@globalreinsurance.com

China's reinsurance market set to soar

► Catastrophe reinsurance purchase level to hit Japan's level by 2020

► Studies show that E7 GDP will overtake G7 thanks to China's growth

BY BEN DYSON
ben.dyson@globalreinsurance.com

China's catastrophe reinsurance buying, while currently at a relatively low level, will be on a par with more established Asian markets within 10 years, according to Aon Benfield co-chief executive Dominic Christian.

Christian was referring to studies indicating that the GDP of the E7 group of the wealthiest emerging economies would surpass that of G7 group of richest nations by 2020, largely driven by China's growth.

He said: "If you work that through, you would expect that by the 2020s China's catastrophe reinsurance market to be as big as Japan's."

Christian said that China's property insurance density – insurance premiums per person – was still "extremely low in both the residential

and commercial markets, but that international players remained committed to the country because of its prospects for growth.

"Insurance cat cover has grown again this year. It is now half a billion dollars. Four years ago it was 60% of that figure, so it is continuing to grow."

Aon Benfield is planning a series of product launches following on from the release of version 7 of its Elements modelling platform at the beginning of September.

It will launch version 6 of its ReMetrica capital modelling tool at Monte Carlo, and will follow this in autumn with the its first Thai flooding model. The broker has developed this in response to client demand after the floods that hit Thailand last year.

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Aon Benfield boss Dominic Christian says the Chinese market has huge prospects

The company says it will also be launching a European windstorm model next year, after a three-year development project in collaboration with the University of Cologne.

BELIEVE IT OR NOT

BOMBAY COMPLAINT Unusual claim denied

A traveller who bought 34 large bags of the a spicy legume and noodle Bombay snack mix to take home unfortunately lost the "important" piece of luggage in transit. The bereaved lover of Bombay mix filed a claim, but it was denied.



HAIR TODAY...

Insurer pays out for toupee taken by wind

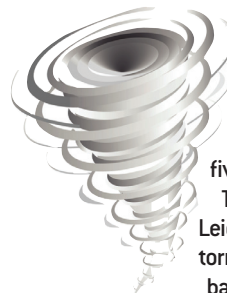
A gent on a retired singles cruise found out the hard way how precarious hairpieces are. A gust of wind lifted his toupee off his bare head and sent it sailing into the sea. His insurer paid out a claim for his hairpiece but not for 'emotional distress'.



TORNADO AND HAIL

Freak storm brings deluge of claims

Insurers received hundreds of calls in 30 minutes after a five-minute hail storm in June. The freak weather pattern in Leicestershire brought tornados, torrential rain, flooding and golf-ball-sized hailstones, severely damaging property and cars.



Qatar
Doha, the Arab capital of culture: awarded in 2010

Emerging market returns with developed market risks.



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CAPACITY

Capital markets have 'changed reinsurance'

- ◆ Non-traditional sources account for 14% of property capacity
- ◆ Focus is shifting away from large, well-capitalised reinsurers

BY BEN DYSON
ben.dyson@globalreinsurance.com

The growing participation of non-traditional capacity sources have altered the face of the reinsurance market, according to Guy Carpenter vice-chairman David Priebe.

Speaking yesterday at Guy Carpenter's annual Monte Carlo press conference, Priebe said: "The reinsurance proposition has changed."

He pointed out that non-traditional sources, such as catastrophe bonds, sidecars and industry loss warranties (ILWs), were providing \$34bn of property reinsurance and retrocession capacity at mid-2012, according to estimates by Guy Carpenter's capital markets arm GC Securities – 14% of the total \$240bn.

And the influence of non-traditional sources is still growing. GC Securities expects catastrophe bond issuance to exceed \$6bn by year-end and



"Large buyers now view the whole range of products as part of their core programme"

David Priebe
GUY CARPENTER

that the total value of in-force catastrophe bonds to exceed \$15bn – a new high.

In addition, the non-cat bond alternatives "are growing at a quick, quick pace," Priebe said, adding that sources such as sidecars, ILWs and collateralised reinsurance had accounted for \$3.2bn of new capacity so far this year.

As such, Guy Carpenter considers that the traditional reinsurance and capital markets to have converged.

Priebe said: "Large buyers are now viewing the whole range of products from indemnity to index-based cat bonds, collateralised reinsur-

ance programmes, capital markets sidecars, and traditional excess-of-loss and pro-rata treaties as part of their core reinsurance or retrocessional programme."

The advent of collateralised reinsurance in particular has started to shift the focus away from the large, well-capitalised reinsurers, Priebe said.

With the collateral guaranteeing that policies will pay out in the event of a loss, buyers need to worry less about the size and strength of the reinsurance provider's balance sheet and can diversify their sources of reinsurance.

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QUESTION TIME WITH...

FARID CHEDID, CHAIRMAN AND CEO, CHEDID RE

Tell me about your business?

Chedid Re is a group of (re)insurance broking entities operating out of the Middle East and North Africa, as well as Greece, Cyprus and Turkey. The company was established in 1998 with our head office in Beirut, Lebanon, and operations in Saudi Arabia, Dubai and the UAE, as well as sister companies in Qatar.

What is your view on the market?

Currently the market in the Middle East region is obviously affected by the 'Arab Spring', so the political turbulence and upheaval is definitely having an impact. Some countries are showing resilience and strong growth, such as Saudi Arabia because it is a young industry and so is catching up in terms of growth, and because of compulsory lines of business that have been introduced in the last few years.

What do you think will happen with rates at the 1 January renewals?

We have seen the start of some hardening in 1 January 2012 and 1 July 2012 and we are expecting this trend to continue. But it is difficult to implement because of the influx of new capacity that is coming to the region. However, there are some lines of business that are quite difficult, such as property, which are generating losses.

THE FENCE
The global economic crisis

JAMES QUINN, PWC

The impact of the tough macro-economic environment is going to be low growth. There is no point trying to fight it. You can try to innovate, but you have to live with the fact that you are in a business that will not expand very rapidly in the next few years, unless you are in certain niches or you have exposure to emerging markets.

VS

DON KRAMER, KRAMER CAPITAL

It seems clear to me that this is going to be a slow recovery because there are so many outstanding issues to overcome. In the US, we probably hit near stability, although some numbers suggest we could have a double dip (recession), but my guess is we will see a relatively flat, long duration malaise of sustained low interest rates.

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Spotted: Reinhard Seitz and Mrs Seitz enjoying what he described as "emergency Sunday", the day he leaves for those pesky last-minute meetings that get in the way of enjoying the Monte Carlo sun

Not so cool

I've always thought Guy Carpenter were all-powerful – especially at the Rendez-Vous. They host the first press conference of the event, ensuring they get coverage, they have the best-attended cocktail party.

This God-like image got a further boost at the aforementioned press gig, with vice-chairman David Priebe introducing EMEA head Nick Frankland as a "super-broker" and Nick in turn announcing Asia-Pacific chief James Nash as a "super-super-broker". Team GC even quipped they were working on being number one on the reinsurance broking space, so watch out Aon Benfield.

But I have found a crack in their veneer. Apparently they had to make their apologies to the massed and somewhat sweaty hacks because they had failed to get the air conditioning to a more pleasing ambient temperature. Not so influential as you think, guys, eh?



Reinsurance frustrations were apparent before Rendez-Vous 2012 had barely started...



On a wing and a...

I was always aware that reinsurers were a special breed but even I was amazed to learn of a talent of a well-known chap among us. Speaking with Mike McGavick at the recent DVS conference in Munich, I learnt that not only had he flown himself to Munich, but he was also planning to fly himself to Monte Carlo. Is it a bird? Is it a plane? No, it is Mike McGavick in his LearJet.

SEND YOUR PICS AND QUOTES TO...
Monty @GlobalReins

TONIGHT

GO TO ... The new and probably improved SCOR lounge behind the casino. We heard that after their contract expired last year there was pressure to make the lounge even more luxurious than usual

SEE ... Towers Watson reinsurance boss Ross Howard holding court at the Haagen Dazs stand with his favourite chocolate sundae

DRINK ... Champagne at Guy Carp's party

AVOID ... The marble footpaths and steps at 6am when they've just been hosed down by the street cleaners



TOP TWEET

Bar@SwissRe's pavilion overlook Monte Carlo harbour. I can think of worse places to hold a #reinsurance event #MCre12





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