

News Release



*International
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PRICE AND PROFITABILITY ARE INDUSTRY LEADERS' TOP ISSUES

Rio de Janeiro, June 19, 2012 -- Over 400 insurance leaders from all sectors of the global industry representing over 50 countries are meeting at the International Insurance Society (IIS) 48th Annual Seminar in Rio de Janeiro this week. A survey of seminar participants on Monday, June 18th sought current views on key industry issues. The survey included over 150 respondents, 30% from Latin America, 21% from Asia Pacific, 20% from Europe, 13% from North America, 10% from Africa and 5% from the Middle East.

The survey was sponsored by ACORD, the global data standards organization for the insurance industry, and was presented by ACORD President and CEO Gregory A. Maciag. For the non-life industry, respondents identified risk management/ERM as the top issue (24% of respondents), with inadequate premium rates coming second (22%), reflecting growing concerns about emerging catastrophe and other risks and competitive pressures that limit the ability to charge adequate premium rates.

For the life industry, the top issues were investment opportunities to meet benefit requirements (28%) as the low interest environment limits the ability to support current benefit levels and certain product guarantees. Mortality and morbidity trends (21%) and regulatory/rating agency requirements (20%) also registered high responses.

In the financial area, competitive pricing and adequate profitability came out as the top issue (27%), followed by managing risk/ERM (17%) and regulation and capital management, both at 15%. Concerning human capital, retaining talent and competitive compensation topped the list (34%), followed by finding new talent (25%). Difficulty in finding and keeping trained personal is a key issue in developed markets, but particularly in fast growing emerging markets.

Reflecting the slow economic recovery in much of the world, and slowing growth in emerging markets, competitive products and pricing was the top issue for growth (30%). New market opportunities, at 27%, recognizes continued enthusiasm for developing new markets where the opportunities exist.

Regulation continues to be a major concern, in particular understanding and anticipating new emerging rules (28%) and multiple, inconsistent standards (26%). The recent economic crisis has increased regulatory concern for the adequacy of capital requirements and caused confusion about the distinction between banks and insurers in terms of business and systemic risk. Major developments such as Solvency II and IFRS accounting rules add to the uncertainty.

In operations, primary concerns are product efficiency and expense controls (39%). Regulatory requirements (17%) and organizational talent retention and training (17%) are other concerns. All reflect demands for higher capital levels and the low interest rate environment.

Risk management has moved from a narrow focus on underwriting and pricing to the all-inclusive concept of Enterprise Risk Management, where all business risks are considered as a whole. Key issues in risk management are the application of risk management in business decisions (31%) and building a strong risk culture (27%), as risk management has become a broader consideration in business strategies.

After considering issues in subject areas, the group was asked to identify their overall top concerns. Leading the list was competitive pricing and adequate profitability (33%).

Managing risk/ERM (19%) and new market opportunities (16%) suggest a mixture of a positive outlook for growing the business with the challenge that effective risk management is key to profitable growth.

The IIS, founded in 1965, is the world's largest and most prestigious industry organization, with almost 900 members representing global insurance leaders, international regulatory authorities and worldwide insurance scholars from over 90 countries. IIS is dedicated to providing a forum for sharing information and networking for insurance executives around the world to address their current issues, drawing on the vast experience of its members. Perspectives from the current and prior seminars are available online at www.iisonline.org.

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