Annual Report

10/11

ICIR

International Center for
Insurance Regulation

Foreword

Prof. Dr.
Wolfram
Wrabetz

After the euphoria of deregulation of the 1980s and the 1990s, the nancial and economic crisis has shown that the nancial services industry, of which the insurance industry is an important part, cannot be organised responsibly without clear regulatory rules. Public opinion and the politics acting on its behalf are increasingly aware of this issue. As a consequence, the European Union attempts to ensure optimal competition in the insurance industry, but also prevent – whenever possible – the collapse of individual companies or the whole industry by a system of solvency rules.

The European Commission initially mandated the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) to elaborate on these rules. Frankfurt/Main was chosen as the residence for this new organisation. At the end of 2009, this institution, consisting of the national insurance supervisors of the 27 EU member states, had nished its work and presented a set of regulations which gained international importance under the name “Solvency II”. This new and EU-harmonized set of insurance regulations was passed by the European Parliament and approved by the EU commission and the EU Council of Ministers at the end of 2010. It was supposed to become legally binding for all insurance companies operating in the EU at the beginning of 2012. At the same time, the European Institutions have agreed on the conversion of CEIOPS into a European insurance supervisory authority, now called the European Insurance and Occupational Pensions Authority (EIOPA), which continues to operate in Frankfurt. Frankfurt is now the seat of three important institutions for nancial regulation in Europe: EIOPA, the European Central Bank and the European Systemic Risk Board.

The government of the State of Hesse and the City of Frankfurt have made considerable and successful efforts to keep the European Insurance Supervision in Frankfurt/Main. Nevertheless, it was clear to all involved parties that this project required support and a unique foundation from the scienti c sphere. Therefore, already at an early stage, the State Government of Hesse partnered with the German Insurance Association (GDV) to develop a plan to create a chair at Goethe University in Frankfurt. Af liated to the chair, an Institute for European Insurance Supervision, which is unique in Europe and throughout the world, was supposed to support Frankfurt’s endeavour to become the seat of EIOPA.

Therefore, all involved parties were pleased that by the winter semester 2010/2011 Prof. Dr. Helmut Gründl, an internationally recognised expert in insurance science, could be appointed as professor of insurance and regulation and as head of the newly founded International Center for Insurance Regulation (ICIR). Thus, Frankfurt reinforced its claim for becoming the European supervisory-headquarters in the nancial sector.

Insurance regulation and supervision as an area of science is a relatively new approach and offers huge potential for research, teaching and practical application. This area of science can and should be used as a model for designing supervisory systems throughout the world, and therefore has both an international and interdisciplinary focus. In the Goethe-University's House of Finance, a collaboration of economics, law and mathematics is now more of a possibility than anywhere else in the scienti c world.

During the rst year of its existence, the International Center of Insurance Regulation started its teaching and research activities with considerable success and gained credibility both within and outside of academia. Despite the institution's achievements, its goals for research output and teaching efforts that were set for and by the institute are ambitious. The government of the State of Hesse and the German Insurance Association will not only keep on supporting the work of the institute nancially, but will also continue to follow its development with professional interest. I wish this new university institute the best of luck and every success in its future work.

Prof. Dr. Wolfram Wrabetz

Beauftragter der Hessischen Landesregierung für den Versicherungsbereich
(Representative for Insurance of the Government of the State of Hesse)

Goals and Tasks

HELMUT GRÜNDL

First Steps and Outlook

We can now look back on the International Center for Insurance Regulation’s rst year. It was marked by our activities in setting up this new institution and by rst successes attained. This annual report gives an impression of our goals, the work that has been done, and the tasks that still lie ahead.

As a scienti c institute of Frankfurt’s renowned Goethe University and its House of Finance, the most important goal of the ICIR is to produce internationally visible research in the eld of insurance regulation and supervision. Thus, one article of mine that appeared recently in the “Geneva Papers” deals with the issue of mortality risk and its in uence on life insurers’ solvency situation. Another “Geneva Papers” publication investigates the disclosure practices in the European insurance industry and their implications for the performance of insurance companies. The ICIR also issues a working paper series that is jointly edited by Prof. Manfred Wandt and myself. During its rst year this working paper series already counted seven contributions, and we intend to continue it as a platform for interdisciplinary research on insurance regulation topics.

Besides research, the exchange of ideas with regulatory authorities and the insurance industry is the second focus of the ICIR. During the last year I had manifold conversations with EIOPA and the German BaFin about opportunities for cooperation. My appointment as a member of EIOPA’s Insurance and Reinsurance Stakeholder Group and Prof. Karel van Hulle’s membership on the ICIR’s Executive Board enable the ICIR to be close to the heartbeat of European policy makers and to contribute our own ideas, e.g. on Europe’s Solvency II project.

The most important event at the ICIR during the past year was our “Conference on Transatlantic Insurance Group Supervision” in September 2011, which was organized by the ICIR in collaboration with EIOPA and the U.S. National Association of Insurance Commissioners (NAIC). The objective of the conference was to foster the transatlantic dialogue between supervisors and leading professionals of the insurance industry on the subject of Transatlantic Insurance Group Supervision. Through an in-depth discussion of the major issues in break-out sessions we tried to arrive at operational solutions. More than 60 distinguished participants from U.S. and European supervisory authorities and the insurance industry attended this conference. According to the participants’ assessment the conference was a great success, and it certainly contributed to the ICIR’s international visibility and reputation.

MISSION STATEMENT

WORLD-LEADING RESEARCH ON INSURANCE REGULATION IN FRANKFURT

Recognized as the leading scientific institution in the area of insurance regulation, the ICIR fosters high-quality international, independent research on insurance regulation and market solutions to regulatory questions.

INTERNATIONAL AND INTERDISCIPLINARY PLATFORM

The ICIR provides an international and interdisciplinary platform for scientists, the insurance industry, regulatory authorities, and policymakers to exchange ideas and seek answers to regulatory issues.

HIGH-LEVEL EXECUTIVE EDUCATION

In order to increase professional knowledge in the field of insurance regulation, the ICIR offers high-level executive education courses on insurance regulation topics.

The activities and the development of the ICIR were attentively observed and accompanied by the national and international press. A variety of press articles gives evidence of the interest the public has in the regulatory topics covered by the ICIR.

The third goal of the ICIR is education. Within Goethe University's business and economics master programs, I offer courses in "Risk Management and Insurance" and "Asset and Liability Management of Insurance Companies". In addition to these university courses, the ICIR was asked by the Deutsche Versicherungsakademie (DVA) and the Gesamtverband der Deutschen Versicherungswirtschaft (GDV) to jointly develop an executive education program for the insurance industry, which already started in 2011. This program intends to train insurance managers for the future requirements of Solvency II.

What are the next steps of the ICIR in its second year? Of course, high-calibre scientific output remains the main goal, and I am confident that we will see a couple of interesting publications. We will also intensify our cooperation with researchers from outside our university; in November and December 2011 we will have two prominent visiting professors at the ICIR. Another important goal for the second year is to hire an assistant professor ("Juniorprofessor") for risk management and insurance and an assistant professor or post-doc in the law area. They will contribute to the scientific output and the visibility of the ICIR. Furthermore, we want to foster the interdisciplinary cooperation within the ICIR. Insurance regulation is a topic that naturally relates to law, economics, and actuarial science. We would therefore like to hire assistant professors with an interdisciplinary background; we intend to set up interdisciplinary events and also interdisciplinary research projects. All these plans require substantial financing efforts. Despite the generous sponsoring of the ICIR by the GDV and the State of Hesse, it will be necessary to acquire additional financial resources for further development.

None of the positive developments of the ICIR would have been possible without the work of its team members. In the ICIR, I am supported by a team assistant, research assistants, and student assistants who are deeply committed to the build-up of the ICIR, for which I am most grateful. I also thank the ICIR's Executive Board that has given me invaluable advice in the course of the last year. And, of course, I thank the sponsors of the ICIR, the GDV and the State of Hesse, for their generous financial sponsoring and, in addition, for their benevolent support.

Prof. Dr. Helmut Gründl
Managing Director of the ICIR

Opening Ceremony

„Weltweite Premiere: Die Goethe-Uni gründet ein Zentrum für Versicherungs- regulierung.“

Frankfurter Rundschau, 24.11.2010

(World Premiere: Goethe University Founds a Center for Insurance Regulation)

On November 24, 2010, the formal inauguration of the Chair Insurance and Regulation and the opening ceremony of the International Center for Insurance Regulation (ICIR) took place at the House of Finance. An additional reason to celebrate was the 60th birthday of Prof. Dr. Wolfram Wrabetz, associate lecturer at the House of Finance, CEO of Helvetia Germany, Representative for Insurance of the Government of the State of Hesse, and Executive Board member of the ICIR. Prof. Dr. Manfred Wandt held the congratulatory speech.

Prof. Dr. Helmut Gründl cordially welcomed guests from academia, regulatory authorities and the insurance industry. Among the guests were the President and the Vice-President of Goethe University, Prof. Dr. Werner Müller-Esterl and Prof. Dr. Rainer Klump. Helmut Gründl also welcomed high-ranking representatives of the ICIR’s sponsors, such as the former nance minister of Hesse, Karlheinz Weimar, and other representatives of the State of Hesse. The German Insurance Association (GDV) was represented by its President, Rolf-Peter Hoenen, and Dr. Jörg Freiherr Frank von Fürstenwerth, managing director and presidium member of the GDV.

In his speech, Helmut Gründl emphasized the importance of having the rst scienti c institution worldwide focused on the regulation of insurance companies, and addressed the tasks and challenges which lie ahead.

In the course of the opening ceremony, Prof. Dr. Karel van Hulle gave a speech on the current development of the European regulatory archi- tecture.