A conversation with

Patrick Liedtke
Secretary General,
The Geneva Association

with Bernhard Kotanko,
Head of EMEA Insurance,
Oliver Wyman Financial Services
Bernhard Kotanko As the leading think tank for the Global Insurance industry, the Geneva Association is deeply involved in all aspects of new regulation and its impact on the insurance sector. What advice would you give individual insurance companies trying to deal with regulatory change?

Patrick Liedtke I think the most important thing is increased monitoring of what is happening across the industry. In the past it was crucial to understand regulation on a national level, because most of the regulation came out of national initiatives. Today, and even more so in the future, it is global discussions that are determining the real issues in insurance. For example, the discussions surrounding the systemic relevance of financial services originated from the G20 discussions, and then moved to the Basel system and the Financial Stability Board (FSB), before hitting the International Association of Insurance Supervisors (IAIS), followed by the nation states. It is interesting to see this new global trend develop, one, I suspect, that will spread into other areas in the near future.

BK Global organisations, like the Geneva Association, are inevitably influenced more heavily by the larger global players. But how would you advise smaller local insurers, with fewer resources at their disposal, to be involved in the latest debates on regulation?

PL We are an open organisation. All insurers, regardless of their size, have access to the work we do. All our reports and letters are publicly available, and are regularly distributed to more than 10,000 contacts in the insurance world, including a large number of smaller players within the industry. So even if membership is restricted to the ninety Chief Executive Officers (CEOs) from the world’s top (re)insurance companies, the access to our intelligence is not. And the same applies to many of our conferences, which are open to all organisations.

But the question is also for them. How far do they want to be part of the leading wave in regulatory reform? At The Geneva Association, our emphasis is very much at being at the forefront of new regulatory developments. In contrast, some smaller insurers prefer instead to join the discussions at a later stage. And that is fair enough, but they shouldn’t close their eyes to change, especially since the environment in
which they do their business has changed. The trend towards globalisation means many smaller insurers will not only start selling their products across borders, but it means everyone will become increasingly affected by problems that originate in other parts of the world. And that means that they will have to be more vigilant, and this is something they need to understand.

BK You mentioned the Geneva Association wants to be at the cutting edge of regulation, a goal that you have clearly achieved. As an organisation, how do you decide on the burning issues where you focus and invest? Equally, how do you anticipate where the next major changes will lie?

PL It is very kind of you to say that we have been successful, so thank you for that. But I think what is important is that we have very broad access, not only in terms of the insurance markets, but also in terms of accessing cutting-edge global intelligence. Typically, the process is ignited by occurrences within insurance companies and the wider industry, and is further defined by the work of academics. If we identify an important topic such as climate risks, we work with the specialists in that field, even if they have no connection to the insurance industry. As the drivers of new thinking on the topic, what we very often do is provide a bridge between their intelligence and the insurance industry. We are in a unique position that allows us to ‘translate’ a lot of the issues outside insurance into something relevant for the industry. And I think that is very important.

BK How do you perceive the balance of competition and cooperation between the Geneva Association and the other intellectual capital-driven networks? On the one hand you are entrenched in these networks and benefit from each other, and of course on the other hand, each organisation is trying to position themselves in one way or another.

PL This is a very good question, precisely because we are so different from any of the other organisations, and we struggle with this time and again because we are not competitive at all. Our normal reaction is to cooperate and join forces wherever we are able to, and to ensure a continuous exchange of knowledge. But very often we find that prospective partners aren’t willing to do that, as they perceive us as a potential competitor – despite us trying to explain that we are not! Overall, I think it works
Interview

PL quite well. We have a very good track record of cooperating with many international institutions, but it is a challenge, precisely because of the old style thinking. We believe, and I firmly believe personally, that we are not in competition at all. It is a question of all doing our best, and if we can join forces and develop thinking together, then I think we have produced a win-win situation. But it is a fairly unique position we are in.

BK It would be very interesting to hear the response from your peers. The Geneva Association works globally. What is your experience of dealing with such a global network, and the differences between North America, Europe, the large Asian and the emerging economies?

PL In insurance a lot of the knowledge is based in Europe, and in terms of financial services in the US, much more so than in other parts of the world. The emerging markets and Asia are in a different position, although in terms of development Japan is a big exception. But despite these differences we feel it is very important to take a global view – always remembering that it is not one size fits all for the future.

There will be differences – cultural, legal and social differences just to name a few – and these will have a bearing on how insurance solutions will work. So you also have to have a diversified understanding of what plays a central role in each region of the world. But we are trying to pull together the intelligence, hopefully finding that there is a solution that works well today, say, in North America, which could also translate well in Asia in the future. Or instead take something innovative from Asia and move it back to Europe. And this is something that we can do very easily because we have so many platforms and channels to make sure that we push that knowledge across.

BK So putting these things together, what does the future landscape look like for the insurance industry?

PL Undoubtedly the insurance industry is going to become more important. If you think about the most pressing debates we have on a social level, most of them are risk debates. Questions like how can I protect my population from extreme events? How can I organise old age
security systems? How can I guarantee financial stability? How can I organise risk-transfer mechanisms that allow for entrepreneurial energies being translated into value added for society? And so on. It is fascinating to see that, and is in fact what I find deeply satisfying. Insurance and risk management issues have become so deeply ingrained in modern society. It is the driving force in our economic and social development.

**BK** Why do you think it is sometimes difficult for the insurance sector, and for individual insurers, to be understood by the public, by corporate clients and by corporate bodies?

**PL** Insurance is an extremely complex business. I like to remember back to the time when a lot of Risk Managers moved from banking into insurance: At first they believed that simply applying their banking knowledge to insurance would be sufficient to define the role of the CRO and new internal reporting structures. But when we visited them six months later, they were saying, actually no, the insurance industry is a lot more complex than we first thought. So, complexity is one issue.

But the other issue is also the general cautious nature of insurers, a common characteristic of all good insurers of course. If they don’t understand a risk, if they are not sure about whether to accept a proposal, a good insurer’s first reaction will always be to say “no”. And it is only after they analyse and fully understand the risks that they say “yes”. Because it only takes one wrong decision to impact profitability, and make or break their company. This inherent caution of insurers also extends to other areas, particularly when dealing with the public, investors and policy makers. Plus, in many countries communication has been so tightly regulated for many years now, there has been less scope for engaging. But I think this is changing.
Patrick, you have been Secretary General of the Geneva Association for a decade now. How have you seen the organisation evolve in that time, and what do you see as your role in moving the association forward?

The Geneva Association has developed hugely since I came on board in 1998, and then took over the role of Secretary General Managing Director in 2001, exactly 10 years ago. In some ways, the organisation today is totally different to how it was then, although it is still built on the same fundamental thinking and understanding as when it was created in 1973. That is: insurance is important; we need to understand it better; and we need to understand society, economic and financial developments better in order to develop the sector.

The other question is how we go about it, and the way in which we engage with insurers and the industry; that has changed immeasurably. It was a very private enterprise 10 years ago, today it is much more outgoing, and has become increasingly communicative and active in trying to influence processes. We now work on projecting our knowledge to different corners of the world, and into different debates, and it is deeply satisfying to see that this has worked. We are also working much closer with CEOs today than we did 10 years ago. Maybe the real reason I am doing what I am doing is that it is so satisfying to see the change, and not just be part of an organisation that is static or simply repeating the same cycle. The organisation is moving in the right direction, and that is very good to see.

Where do you see the organisation going in the next five or even ten years?

I think we need to influence the biggest global debates more directly. We have just started to build up our communication capabilities, in order to disseminate the understanding and analytics underlying our work. I think there is also a good opportunity to penetrate the insurance sector to a greater degree. While we may be well-known amongst C-level executives, the same isn’t necessarily true for those working inside the business, so I think there is a lot of scope. I don’t think we will be bored for a while.
The Geneva Association is the leading international insurance think tank for strategically important insurance and risk management issues.

The Geneva Association identifies fundamental trends and strategic issues where insurance plays a substantial role or which influence the insurance sector. Through the development of research programmes, regular publications and the organisation of international meetings, The Geneva Association serves as a catalyst for progress in the understanding of risk and insurance matters and acts as an information creator and disseminator. It is the leading voice of the largest insurance groups worldwide in the dialogue with international institutions. In parallel, it advances—in economic and cultural terms—the development and application of risk management and the understanding of uncertainty in the modern economy.

The Geneva Association membership comprises a statutory maximum of 90 Chief Executive Officers (CEOs) from the world’s top (re)insurance companies. It organises international expert networks and manages discussion platforms for senior insurance executives and specialists as well as policy-makers, regulators and multilateral organisations. The Geneva Association’s annual General Assembly is the most prestigious gathering of leading insurance CEOs worldwide.

Established in 1973, The Geneva Association, officially the “International Association for the Study of Insurance Economics”, is based in Geneva, Switzerland and is a non-profit organisation funded by its members.
**Patrick Liedtke**  
*General Secretary, The Geneva Association*

Born in Frankfurt/Main (Germany), Patrick Liedtke finished his schooling in Madrid (Spain), studied Electrical Engineering and Economics in Germany and England. Capital markets analysis and economic research in England, Germany and Switzerland. Since 1998 at The Geneva Association and since January 2001 as Secretary General and Managing Director.

Also Surveillance Board Member of IT Future AG, Frankfurt; Surveillance Board Member of Zwiesel Kristallglas AG, Zwiesel; Chairman of the Silver Workers’ Institute and Director of the Applied Services Economic Centre (ASEC) in Geneva.

Member of the Advisory Council of Deutsche Insurance Asset Management (Deutsche Bank); Board Member of the European Group of Risk and Insurance Economists (EGRIE); Editor-in-Chief of The Geneva Papers on Risk and Insurance—Issues and Practice, published in London; Editor of the Insurance and Finance Newsletter, published in Geneva. Member of the Club of Rome (from 2002 to 2008 also on the Executive Committee). Member of the World Academy of Arts and Sciences, of the Advisory Committee of the Wharton School’s Center for Risk Management and Decision Processes (WCRMDP) in Pennsylvania, of the International Advisory Board of the China Center for Insurance and Social Security in Beijing, and of several other expert groups.
Bernhard Kotanko
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Bernhard Kotanko is a Partner in Oliver Wyman’s Zurich Office and is Head of the firm’s EMEA Insurance practice. He is also Market Manager for the firm’s German-speaking European region and is a Member of the global Management Committee and the European Management Team. Bernhard has worked with major financial institutions in more than 30 countries on the full strategy and operations spectrum with emphasis on group strategy and organisation, post-merger integration, emerging markets, life insurance, distribution and marketing as well as cost efficiency management.


He joined the firm in 2004 from sister company Mercer Management Consulting where he had served as consultant since 1998 covering strategy topics mainly in the financial services, aviation and retail industry.

Bernhard graduated from the Harvard Business School Executive General Management Program (GMP#8) and holds a Master’s degree in international trade from the Vienna University of Economics and Business Administration with a Joint Study MBA program with the Richard Ivey School of Business at the University of Western Ontario.
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