
TRYING TO KEEP THE BALANCE

by P. Drakatos

The world of private insurance is in a volatile phase, as insurance companies have separated into two factions. This has brought about the resignation of the president of the Union, Fokion Bravos. This was followed by the resignation of the secretary general, Theod. Kokkalas.

Essentially, however, we have a business sector which is searching a gloomy economic setting to determine which direction it should follow this year and next.

The Association of Private Greek Insurance Companies (and really, who does officially represent it?) is not satisfied by the measures announced by the Private Insurance Supervisory Committee (PISC), and is seeking to turn the three-year period into a five-year one, with a 20% annual instalment to cover the debts from previous years. However, there are people – those who hope for elections to be held soon – who want the time limit on these debts to expire at the end of five years. It remains unknown if the new Minister of the National Economy, I. Papatthanasiou – who has reasonable experience of the subject and knows the faces in the insurance sector fairly well as a result of his previous position as deputy Minister of Development – will make any amendment to the bill which is under discussion in Parliament. The same applies to the new secretary general of the Ministry of Economics and Finance, Athan. Skodras, former president of the Panhellenic Association of Insurance Advisors (PSAS).

In the meanwhile, the crisis in the Union is unlikely to be solved by the elections, which should constitutionally take place in mid-February, given that even the smallest factions will be divided up, so that it may emerge that the board finds it difficult to face the continually growing problems.

SALVATION

One point which scares me when it comes to the views of many insurers is that any increase in premiums – which will result from the great rise in the cost of cover for civil liability of vehicles – will be small. (Ed. Note: The bill has already been passed by the financial committee of parliament.) And, naturally, I wonder if this increase, which most consider will be between 10% and 15% of the currently insufficient premiums, will be enough to cover the new obligations (reinsurance plus damages etc.) and, at the same time, to pay off the old obligations, even if we assume that the PISC accepts the five-year period with annual instalments of 20%.

Why do I refer to the above? Most simply, because I followed the second meeting of insurers and the PISC, and came away with the impression that

the things the new auditory authority requests will make life exceptionally difficult for certain companies, as they will define the margins for every type of movement and transfer, with records in duplicate!

The result is that, however many facilities may be provided, if the premium does not allow for a minimum net profit of 8%, there will be no ultimate salvation. Because how else will the instalments on past debts be paid, or the increasing obligations from the new cover margins? Naturally, all this applies under the assumption that PISC will not increase the checks; otherwise everything will spiral out of control.

MERGERS

Another question companies in the sector have at the moment focuses on the possibility of mergers; whether between two companies or many together, with the assumption in the latter case that a number of similar elements and approximate personal outlooks will come together. The former case (one-to-one) is more likely to take place, and it already sounds as if an agreement has been proposed between one large and one medium-sized insurance company. For mass understanding, although many factors have come together, it is too early to make any kind of prediction. Mergers, as experience has shown, find it difficult to achieve their goals, because so many things are necessary: unanimity at the top, exceptionally delicate movements for the economies of scale, efforts to maintain all their associates, new business development plans etc. However, I consider mergers to be the only way to stop the sector from being harmed by any operating licenses being revoked. As G. Petsas, president of PISC, stated, attempts at mergers will be given as much help as possible.

ALICO: SIGNIFICANT RISE IN TURNOVER OF PREMIUMS

ALICO Greece recorded yet another important increase in its annual turnover of premiums during 2008. More specifically, premiums exceeded €294 million, compared to €269 million in 2007, an increase in the range of 9.3% compared to the previous year. It is also worth noting that new turnover increased by more than 30%.

Apart from the particularly positive image given by sales of private Life and Health policies, the contribution of the Company Group Insurance Sector was also particularly important for yet another year. It is worth noting that ALICO has held the top position in the Greek insurance market for this specific sector for many years now, have deservedly won the confidence of the larger companies operating within Greece.

This exceptional performance is a continuation of the results ALICO achieves every year, both

qualitatively and quantitatively. It is indicative of the fact that the company is constantly in one of the top positions in all the important sectors covered by the work of a life insurance company.

In his statement, Dimitris Mazarakis, Chief Sales & Marketing Officer, mentioned:

"We are proud that our company has people who are able and willing to contribute to the continual growth of our work. This current success is a natural consequence of ALICO's excellent organisation and company structure, but also a result of the level-headed strategy the company follows and the high level of service our staff offer.

"I would particularly like to mention the contribution of Agency, which has and will always have the undivided support of the company, as a particularly important axis for the company's further growth.

"In addition, I would like to congratulate all the staff of ALICO who – with commitment, diligence and, an exceptionally high level of professionalism and consistency towards our hundreds of thousands of policy holders – have carried out their work in the best possible manner. All that we have achieved so far is a certainty for the present, but also the basis for still greater performance in the future."

HAIC BRINGS THE MESSAGE OF PREVENTION TO PATRAS

As part of the Year of Prevention, the Hellenic Association of Insurance Companies (HAIC) decided to convey the message of Prevention to all of Greece, organising events in large cities. The first event, on the subject "Insurance covers the risks, prevention eliminates them", took place in Patras, in collaboration with the Association for Professional Insurance of South-Western Greece. The event was dedicated to the important subject of Prevention, with emphasis on the sectors of prevention of road traffic accidents and prevention of matters relating to health.

The event was opened by Fokion Bravos, president of HAIC, who focused on the financial crisis and how this is affecting the insurance market. Mr Bravos referred to the fact that during the current period the crisis has touched the insurance market in three ways: initially with the recent events which took place in the large towns in Greece and which had the crisis as their main cause. During these events many businesses suffered damage which the market was called upon to cover. The second way the market was affected relates to investments in insurance companies, as well as to returns and overvaluations. The final way is the effect that the more general economic recession in the market has had, both on the development of insurance work and keeping those customers who are already insured. In conclusion, Mr Bravos stressed that an insurance market of 75 companies and 40,000 employees, operating under the new and stricter

supervision of the PISC, with investments reaching €11 billion and damages exceeding €3 billion a year and 1,000,000 policy holders, has every reason to face the future with a positive and optimistic outlook.

President Ilias Kontaksis made a speech on behalf of the Association for Professional Insurance Agents of South-Western Greece, referring to the fact that professional insurers and insurance companies are entering a new era which will be characterised by professionalism and a high quality of customer service. Following on from this, Nikos Adamantiadis, president of the Communication Committee of HAIC, having explained the importance of every person – and particularly of the young – adopting prevention as a way of life, elaborated on the actions which HAIC is planning and putting into effect in the context of the Year of Prevention (including advertising campaigns, research on the subject of prevention, DVD production, informational material, meetings, daily seminars, and producing promotional material). The next speaker was Margarita Antonaki, managing director of HAIC. Ms Antonaki's speech was on the subject of "HAIC in the struggle to prevent road traffic accidents" and she stressed that road safety is a major social issue in Europe at present. She referred to the European and national actions being made to decrease deaths from road traffic accidents by one half by 2010, and elaborated on both the permanent and temporary actions currently being planned by HAIC in the sector of road safety. Ms Antonaki ended her speech by stressing yet again that our roads must become safer, and that in order to achieve this it is necessary for all activities to be coordinated, and generally for there to be a political agreement in order to decrease road traffic accidents. The final speaker was Giorgos Nikiforidis, dean of the School of Health Sciences at the University of Patras, who spoke on the subject of "Medical Science and Prevention". He referred to the value of prevention in the matter of protecting human health. More specifically, Mr Nikiforidis elaborated on the way in which the rapid development of technology affects the prevention of diseases as well as preventative therapies. Communication sponsors for the event were the local radio station Skai, the newspaper Symvoulos ton Epicheiriseon (Business Advisor) and the online newspaper www.gowest.gr.

UNION OF TWO POWERS: BENFIELD CORPORATE RISK & AON RISK SERVICES

The year 2009 began with a milestone event for Aon Corporation, as it bought out Benfield Corporate Risk (BCR), which has added a series of innovative services and a group of top advisors, specialists and technical sectors – such as Space, Aeronautics, Seafaring, Construction, Energy and Heavy Industry – to the power of Aon.

The merger of Benfield Corporate Risk (BCR) with

Aon Risk Services (ARS) also signals the creation of a new commercial unit: Aon Specialty. As part of the work of Aon Specialty, Aon will offer innovative solutions to particularly technical corporate sectors, where in-depth knowledge and experience are necessary, both concerning management and the passing of risks on a global level.

Stavros Papagiannopoulos, CEO of Aon Risk Services Greece, stated: "We are excited about merging the abilities of Aon Risk Services with those of Benfield Corporate Risk. The creation of Aon Specialty is yet another indication of the importance Aon places on innovation, on technology and on the transfer of technical knowledge on a local level.

"As Aon Hellas, we will try to make the most of the huge range of opportunities this merger has brought us." He continued, adding, "Aon Specialty effectively extends our industry expertise, and will provide us with support in offering services distinguished by distinctive client value, constituting yet another comparative advantage of Aon over the competition. Our aim is to create value for our customers, and in order to achieve this we must be the strongest and most able group of technical advisors in our sector."

INTERNATIONAL LIFE SPONSOR OF THE 3RD INTERNATIONAL TOURISM FORUM

The Insurance group International Life has an important role as patron of the 3rd International Tourism Forum, which took place in Rhodes at the Rodos Palace hotel.

Mr Hatzimarkos, president of the Chamber of Commerce of the Dodecanese, stated: "Tourism development should be the main aim, organically connected to a broader strategy of economic and regional development."

International Life, looking at the importance of tourism development and the services which can be offered to tourists in broader terms, has established the insurance companies "OAO Rusinlife" (a life insurance company) and "OOO Europa Life" (a general insurance company) in Russia.

The importance International Life gives to the tourism market as a lever for developing the Greek economy was stated by the managing director of International Life, Periklis Livas, who said that Rusin Life is an important investment for International Life in the constantly growing Russian market. As he stated, "We want visitors to Greece to take their best and most care free holidays under the umbrella of International Life. Moreover, Rhodes is one of the most popular destinations for Russians and, as a result of this, we want our office here to be an important source of support. Furthermore, the office in Rhodes was the starting point for the innovative services Woman's Life (a policy exclusively for women) and Smart Loans, a

service unique in Greece which, in collaboration with the largest banking organisations, offers multiple options to the private individual and to businesses when it comes to covering their borrowing needs."

EULER HERMES: CREDIT RISKS ARE INCREASING

The number of credit risks companies showed a dramatic increase globally as a result of the crisis in international financial markets and the radical changes in the economic environment. Current estimations for credit risks from the Euler Hermes researchers show that the Global Credit Risk Index will increase by 25.1% in 2008 and by 25.4% in 2009. "The slump has touched the economies of all the countries in the world," remarked Clemens von Weichs, managing director of the first global Credit Insurer.

In the USA the course of credit risks has seen a drastic change since last year, with the number of credit risk companies increasing by 44%. Specialists at Euler Hermes estimate that the number of credit risk companies will further increase by almost 45% for 2008 and by up to 50% for 2009, a fact which will lead to a total of approximately 62,000 businesses becoming bankrupt. Up to present, the situation has mainly affected those sectors connected to the property market or its financing.

The negative situation in Japan will be less painful, with the number of credit risk companies increasing by approximately 12% this year and 7.9% next year.

SIGNIFICANT INCREASE IN EUROPE

The rapid deterioration of the course of credit risks is now also visible in Europe. In Western Europe 169,000 credit risks are expected to be recorded this year (a 13.5% increase). The number of credit risks for next year is expected to be a little greater than 197,000 (an increase of 16.7%).

As in previous times, high prices for companies determined as being credit risks have been observed in France, where the number is expected to rise by 12% both this year and next, amounting to a total of approximately 62,700.

The danger of credit risks has also increased significantly in German businesses, as the number of companies determined as credit risks is expected to increase by 12% in 2009 to 33,800.

The increase of credit risks in the United Kingdom will be noticeably more pronounced, with bankruptcies increasing by 24.7% in 2008 and 34.2% in 2009, making a total of 38,200. Increases in Italy are calculated as being in the range of 10% for 2008 and 12.1% for 2009. In Holland, Euler Hermes researchers expect credit risks to increase by only 10% for 2008, but by 38.3% for 2009.