

AIDA Conference

PRICL:
CEDANT
12-13-14 Warsaw
PERSPECTIV
ES



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2017
GWP:
4 357
MEUR

THE LEADING P&C INSURANCE
with a full service offering and a strong European presence
COMPANY IN THE NORDIC REGION



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IF IS A YOUNG COMPANY

with a long history

If's origins stem back to the 18th century and has since its foundation grown into a pan-Nordic P&C player

17
67



20
04

Skandia and Storebrand sell all of their shares in If to Sampo. As a result we become a wholly-owned subsidiary of Sampo

18
55



20
11

Since 2011, If is a climate-neutral company. This means that all of the environmental impact implies a direct cost

19
09



19
99

If P&C Insurance is established through the merger of the non-life insurance operations of Skandia of Sweden and Storebrand of Norway

20
01

If and Sampo's P&C insurance operations merge

20
02

Our CEO, Torbjörn Magnusson, takes the helm and, during the same year, we are introduced into the Baltic markets



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REINSURANCE CUSTOM: MOST IMPORTANT FACTOR FOR CONDUCT OF BUSINESS AND ESPECIALLY DISPUTES - ALSO THE MOST INTRACTABLE?

Custom
in
Central
role

- Lack of local legislation on reinsurance (can be a good thing!)
- As a result role of custom in conduct of reinsurance business as well as resolution of disputes is central.

Sometimes
Vague
?

- No single, definitive source for “international practice of reinsurance”.
- Custom derived from market participants, practitioners and court cases/arbitrations.
- Content of custom difficult to discern without experience/lot of study.

Local
flavor

- Reinsurance practice will (usually?) be influenced to some extent by local legislation. The effect may differ between countries, bringing (some) flavor of locality into the custom.



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CHANGES IN CUSTOM: PRACTICAL CASE – PROPORTIONAL REMEDIES?

UK
historical
ical

driver

Change
of
Custom?

Uncertainty!

- For various reasons, UK has had large influence on content of reinsurance custom.
 - Importance in the market
 - Disputes in open courts coupled with expert judges and well-reasoned judgments.
 - Lack of comparably authoritative sources of law from other jurisdictions.
- The new insurance act (of 2015) in UK substantially alters legislation affecting conduct of reinsurance business (under English law).
- Inter alia proportional remedies for certain breaches of obligations.
- Does the custom, “international practice of reinsurance”, change?
- Change in custom is so uncertain and vague concept that it is impossible to tell when (and if), the international practice of reinsurance might be reliably said to have changed.



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PRICL: CLARITY AND PREDICTABILITY

Duties & obligations

- Key duties and obligations are clearly articulated.
- Uniformity across jurisdictions.

Practical examples

- Contains not only the rules but also practical examples of their application.
- Draws on practice from multiple jurisdictions and industry participants.

Full flexibility!

- Full contractual autonomy leads to lot of flexibility in contractual design, and high contractual sophistication, where desired.
- Also partial adoption of PRICL, to solve specific issues, could be possible.



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PRICL: FEW EXAMPLE IMPROVEMENTS

Prop
ortio
nal

reme
dies

Smoot
her
operati
on

Fewer
disput
es?

- PRICL adopts proportional remedies for breaches of duties.
- “Full avoidance” major operational risk for cedants.
- PRICL brings access to proportional remedies with corresponding reduction in operational risk metrics without having to choose English law to govern the contract (which would bring other costs).
- Clearly spelled requirements for conduct in claims handling, loss allocation and aggregation (to name few areas traditionally prone to disputes)...
- ...Should result in fewer possibilities for troublesome (run-off?) reinsurers to challenge claims settlements.
- Clear obligations for cedants should arguably come with obligation to accept claims results/behavior when standard of proper conduct has been met.
- When both parties have uniform view on contractual obligations
- ...As well as operation of key clauses (aggregation as a in particular).
- ...One would expect to see fewer reinsurance disputes.



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PRICL: POTENTIALLY IMPORTANT FOR YOU EVEN IF YOU NEVER PLAN TO USE IT!

Massive,
Global!

- Global scope, modern take on conduct of reinsurance.
- With legal sources and examples for application, massive body of work bordering on codification of modern reinsurance practice.
- (However with important diverging choices made in certain areas, such as aggregation)

Disputes:
source of laws?

- Custom and usage important in resolution of disputes.
- Often relies on expert testimony, legal research.

Role of PRICL?

- Mere fact PRICL exists as a massive body of work is likely to see it used in disputes to argue for particular application of usage/custom.
- Could thus be important even if you never plan to use it!



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