"Insurance in a changing financial landscape"

Richard Reid

Director of Research

London, February 25th, 2010

International Centre for Financial Regulation

The 3 pillars of the ICFR

Research	Events	Training
The ICFR encourages, develops and supports non-partisan and innovative research into a wide range of topics on the regulation of financial services globally. We draw on a broad variety of sources and partners.	ICFR events are designed to improve understanding, promote dialogue, and look to innovative solutions on subjects within international financial regulation. We hold a regular series of events ranging from breakfast briefings and knowledge sessions to invitation-only forums and large international conferences.	The ICFR will train on regulation, compliance, risk management, and related knowledge and skills. We will help the financial sector and its regulators around the world to connect with relevant existing training offerings and to address gaps.

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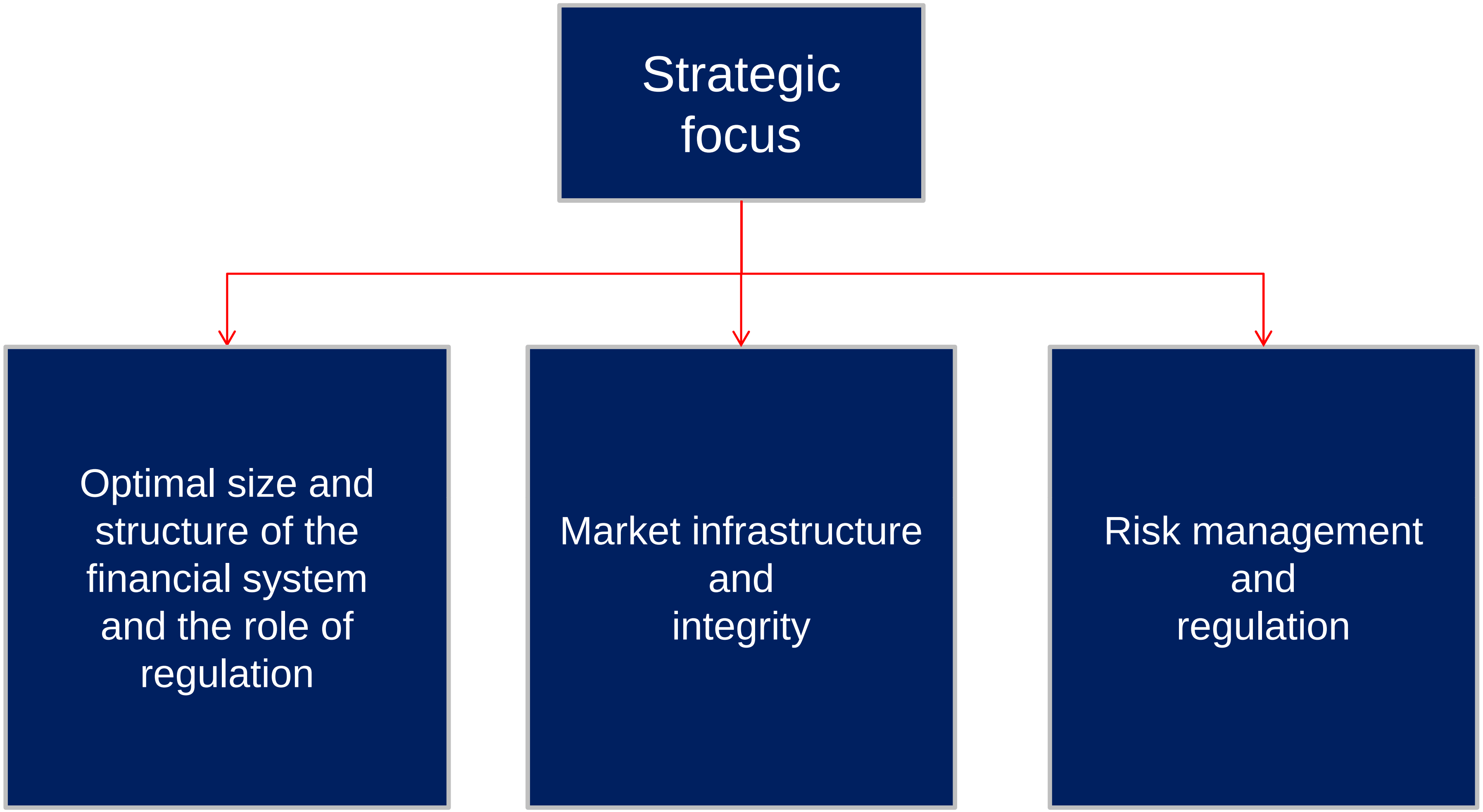
Core ICFR Research Themes



Globalisation, capital flows and risk transfer

"...as populations age in the mature markets and the need for retirement savings grows, this creates potential demand to make additional investments in countries with younger labor forces (in particular, emerging markets), and raises questions about the ability of those markets to absorb substantially greater flows".

Source IMF , Global Financial Stability Report, September 2004 , Chp 3 pages 87/88

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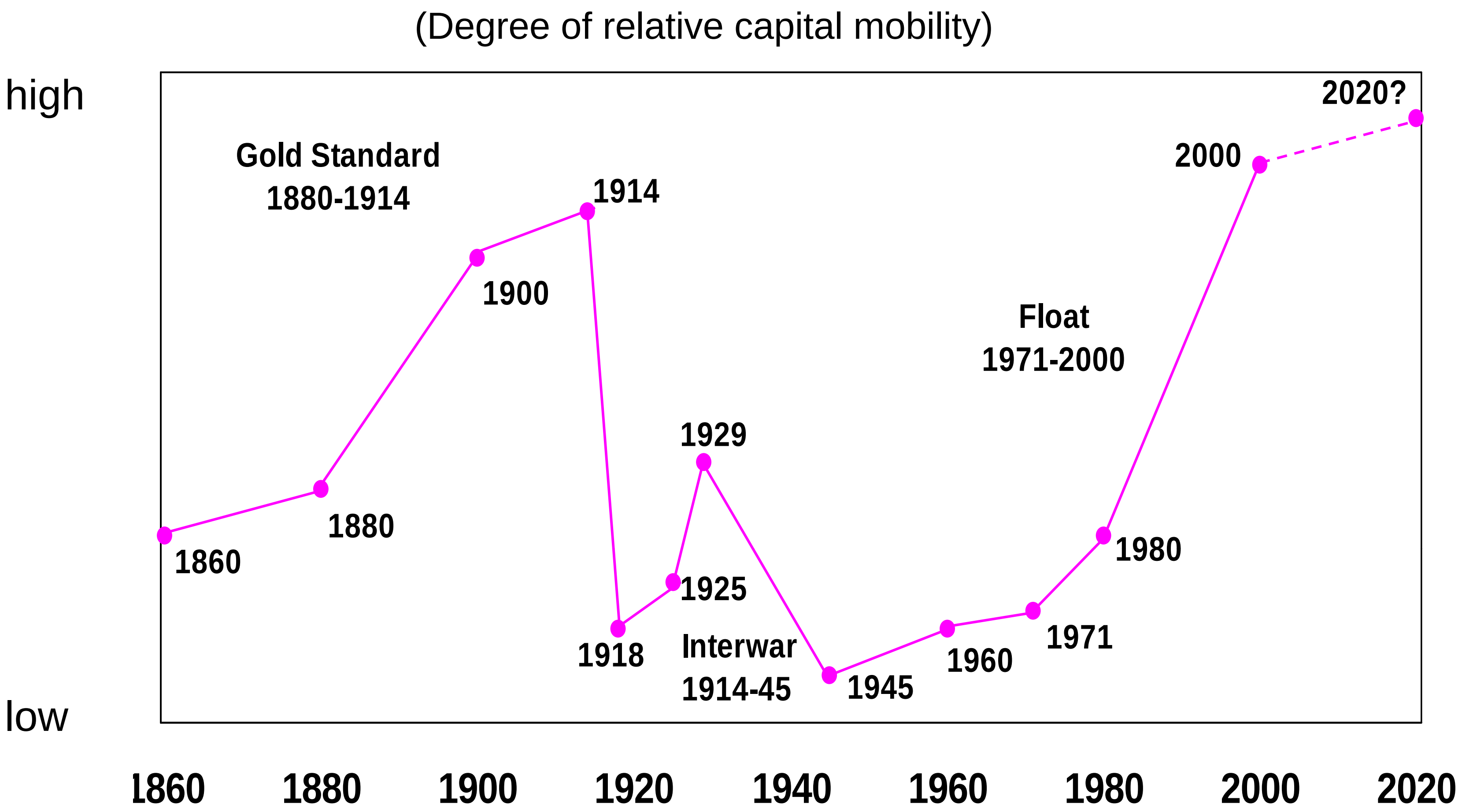
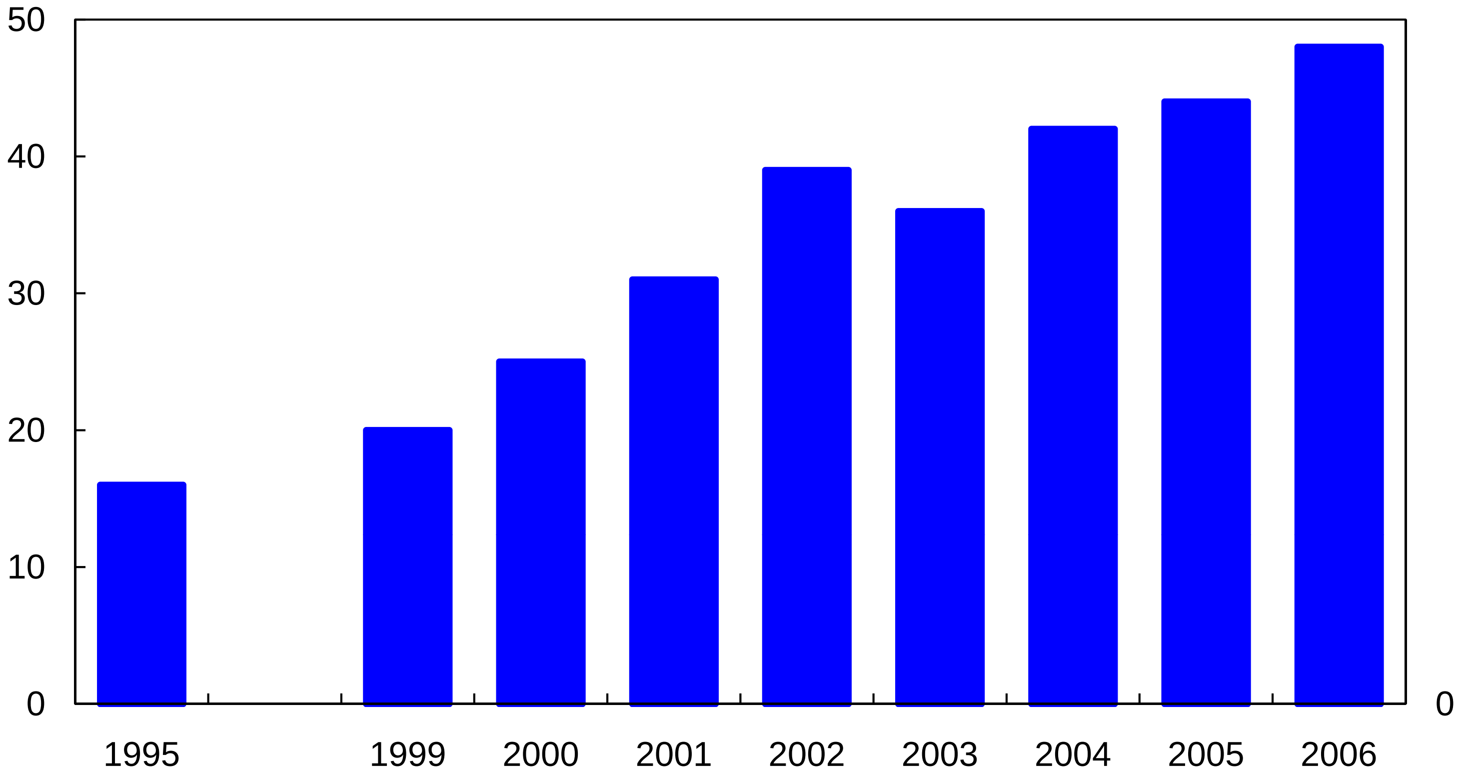
CAPITAL MOBILITY – BACK TO THE 19TH C?



Source: NBER, WP 8846, Obsfeldt et al

THE RISE OF SOUTH-TO-SOUTH FDI

(In Percent of Total FDI Flows to emerging markets)



Source: IMF Financial Stability Report 2006.

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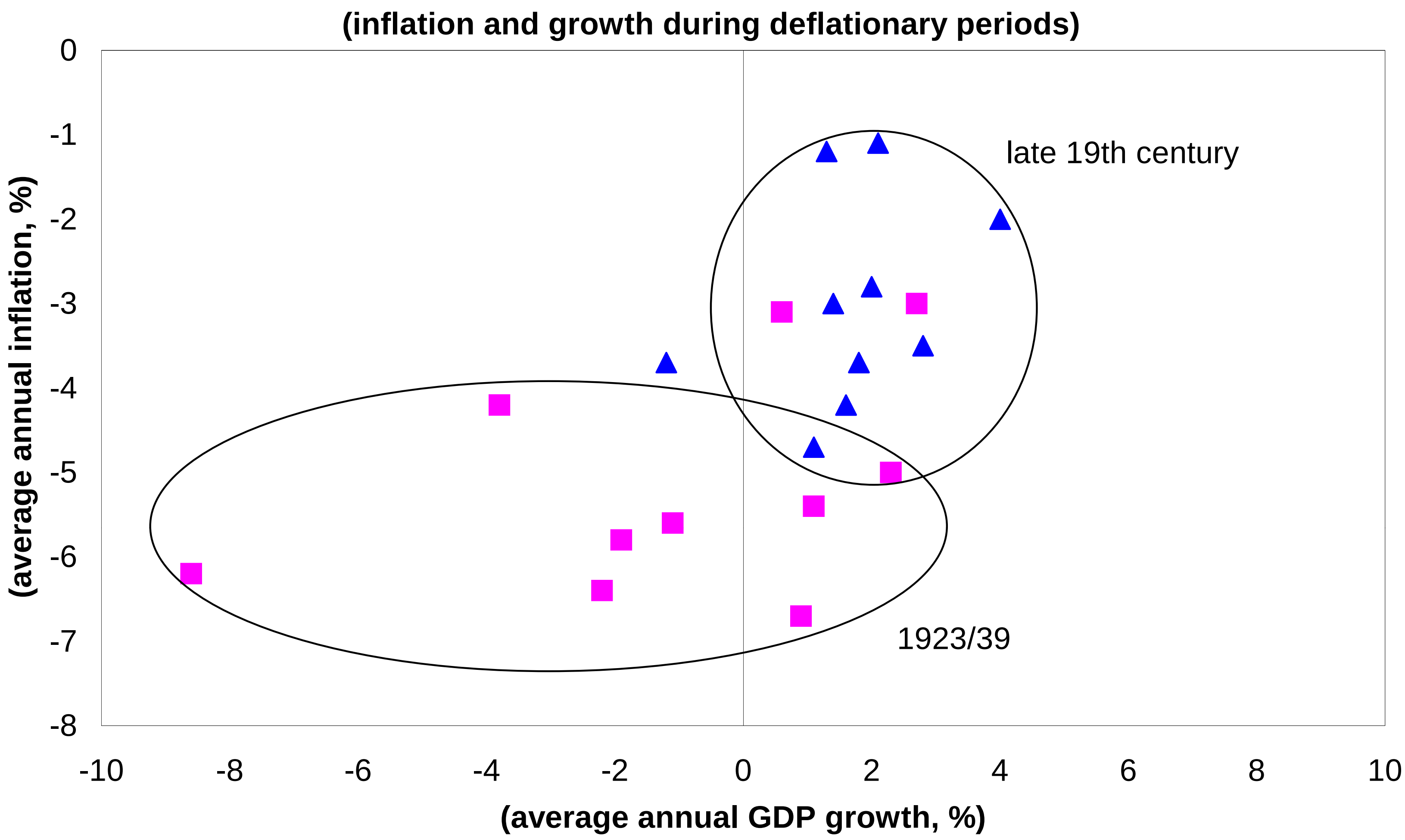
INFLATION OR BENIGN DEFLATION?



Source: BIS, 1999, Angus Maddison

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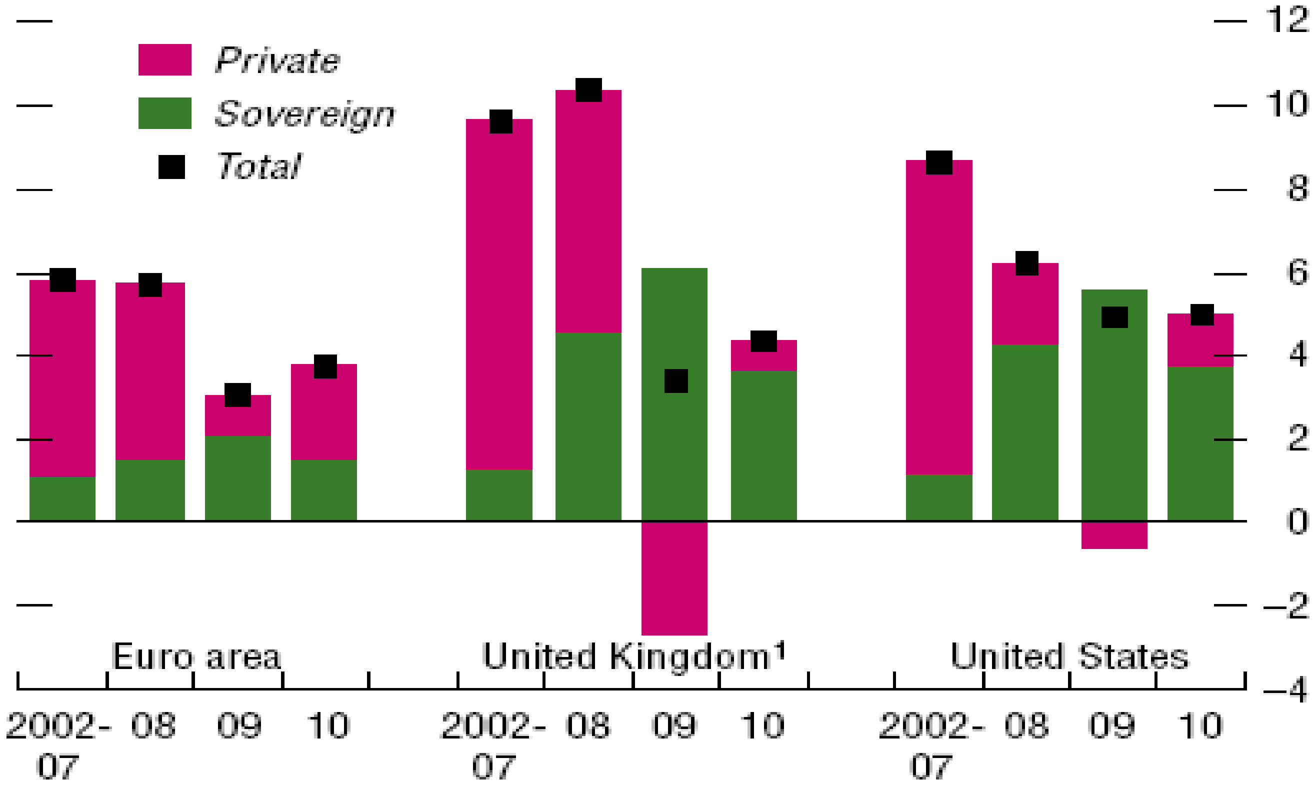
CHANGING BORROWING NEEDS

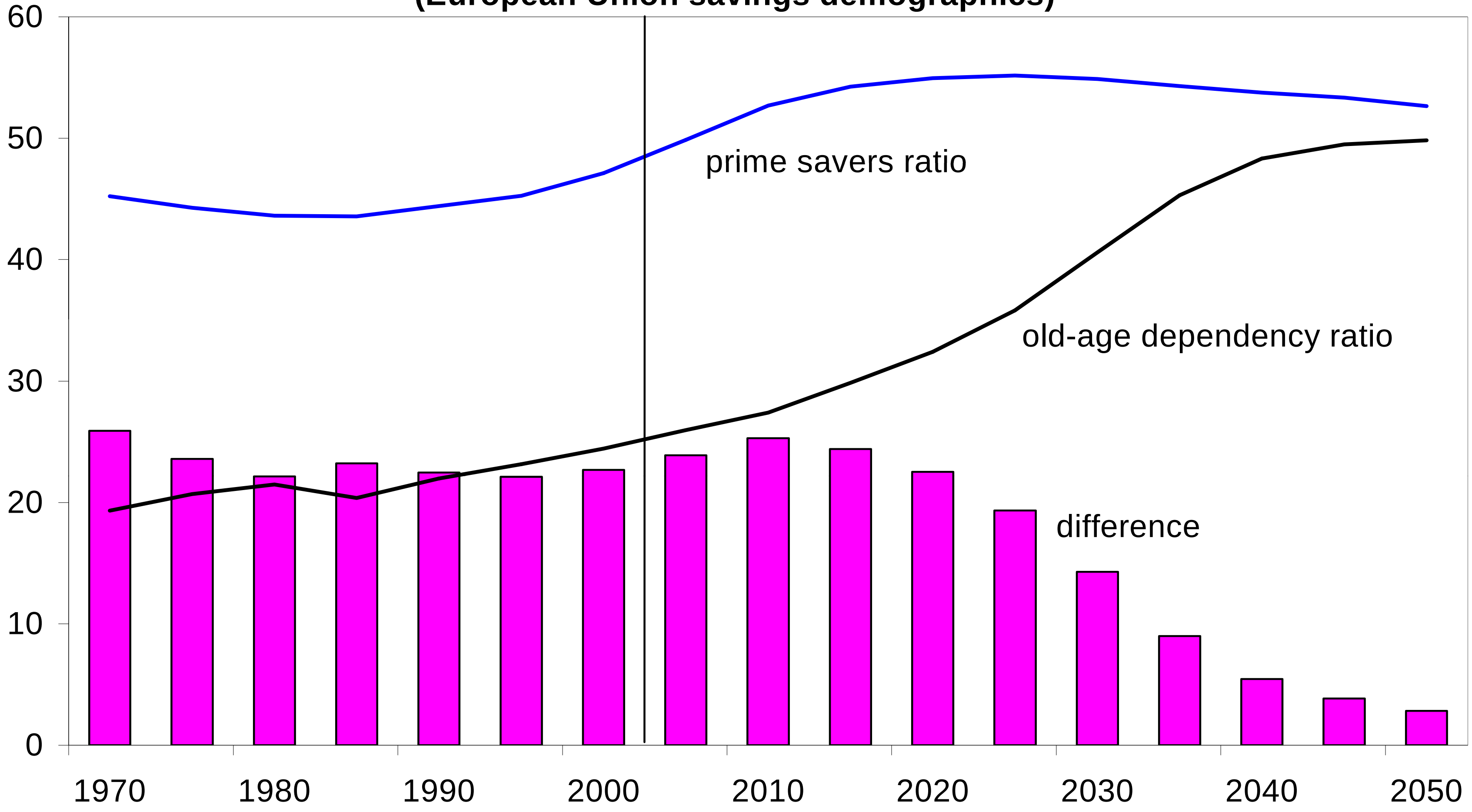
(growth of non financial sector debt, %, IMF projections)



Source: IMF, GFSR Oct 2009

EUROPE'S SAVINGS DEMOGRAPHICS – GOOD FOR NOW?

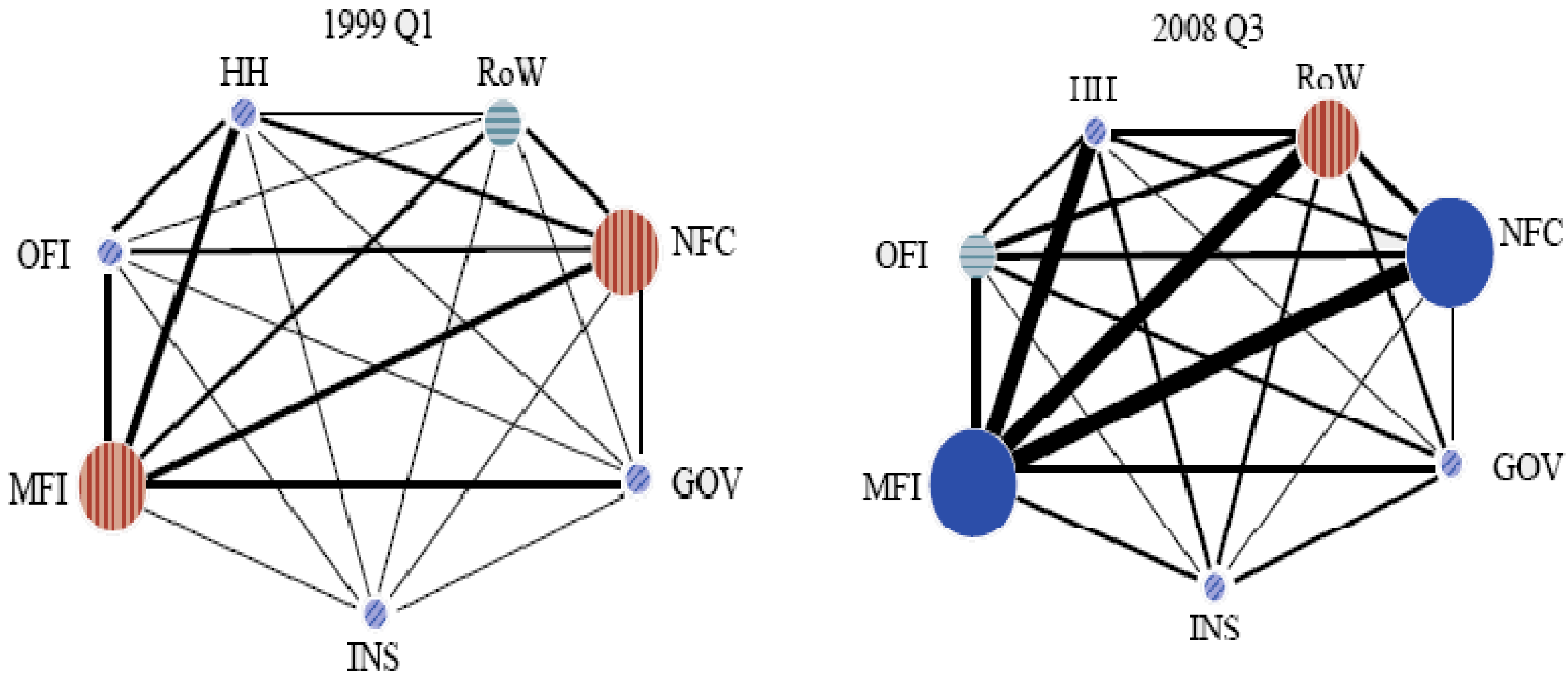
(European Union savings demographics)



Sources:UN, EU & Citigroup

AND CHANGING FLOW OF FUNDS

(sector surpluses/deficits and flows between sectors)

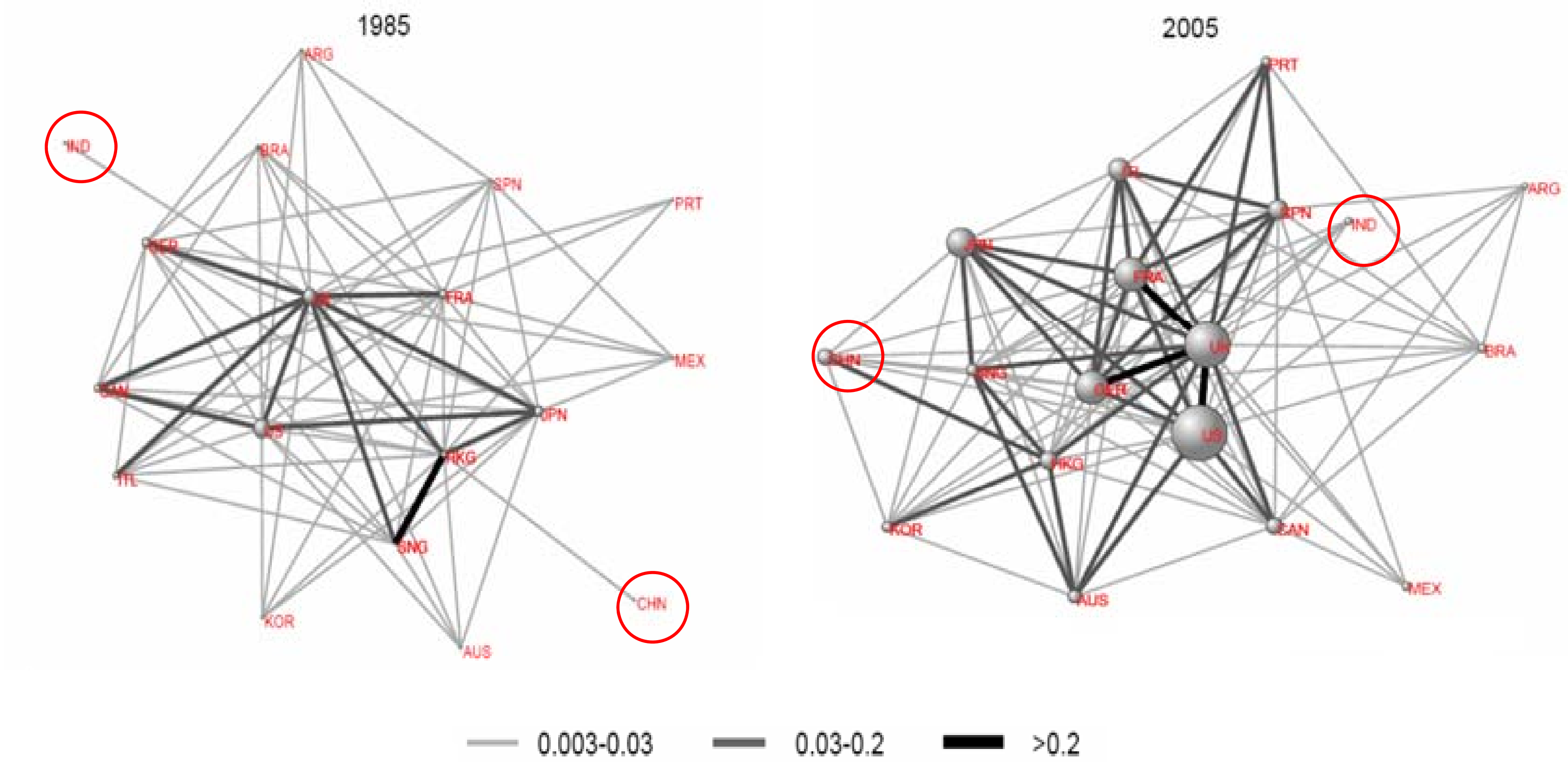


Source: ECB Financial Stability Review, 2009 and ECB calculations.

Notes: The thickness of the lines shows the size of the gross balance sheet exposures (assets plus liabilities) between two sectors. The size of the circle illustrates the amount of gross exposures within sectors. NFC stands for the non-financial corporations sector, MFI for the monetary financial institutions sector, OFI for the other financial intermediaries sector, INS for the insurance sector, GOV for the government sector, HH for the households sector and RoW for the rest of the world.

THE FUTURE OF CAPITAL FLOWS

The battle of the financial centres



Source: "***Rethinking the Financial Network"*** speech delivered by Bank of England's Andrew G Haldane, April 2009. Nodes are scaled and in proportion to a country's gross external stocks and the thickness of the lines is proportional to the bilateral external financial stocks relative to the nodes' combined GDP

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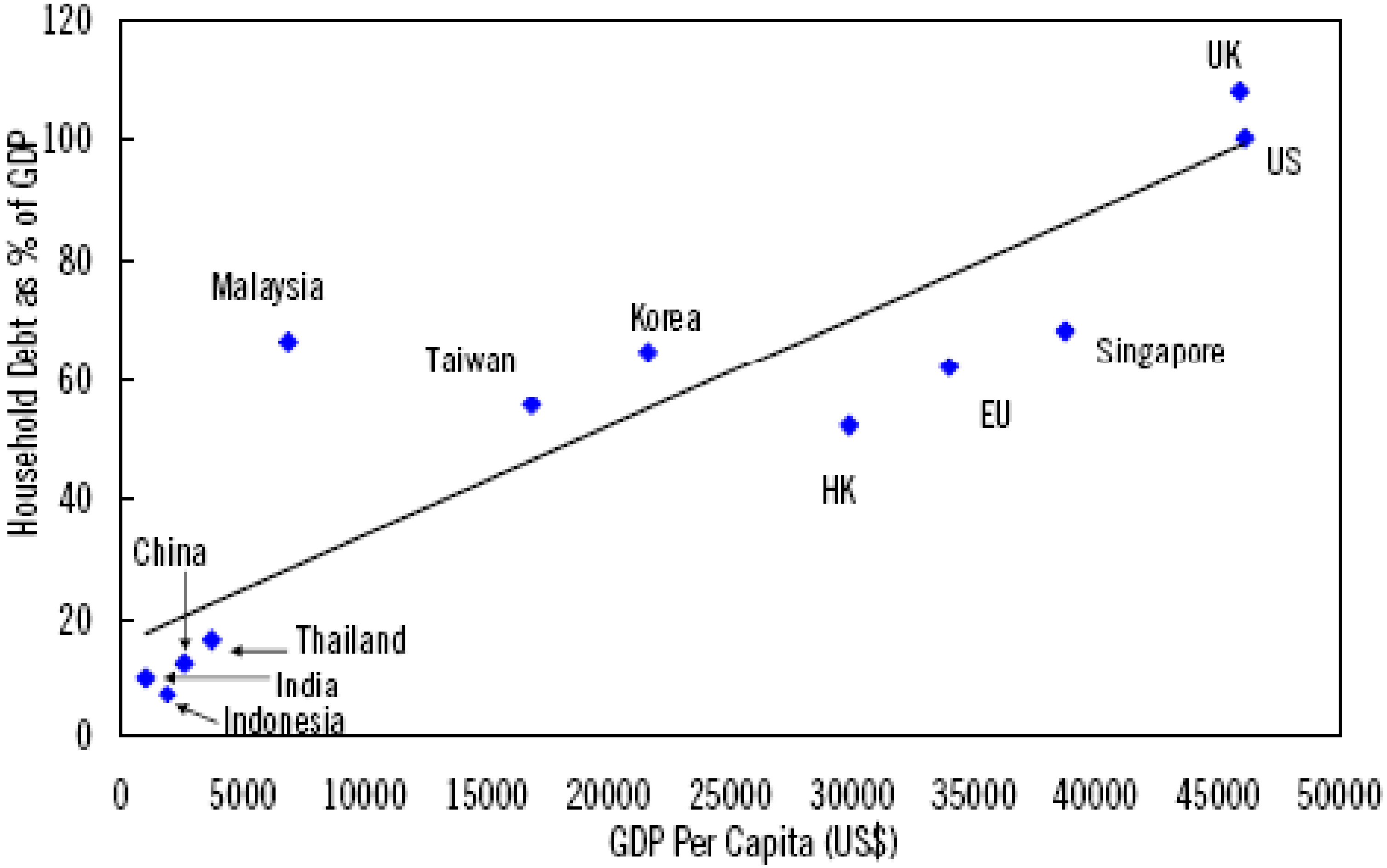
BROADER & DEEPER FINANCIAL SERVICES

(Household debt (%GDP) vs per capita GDP)



Sources: IMF & Citi

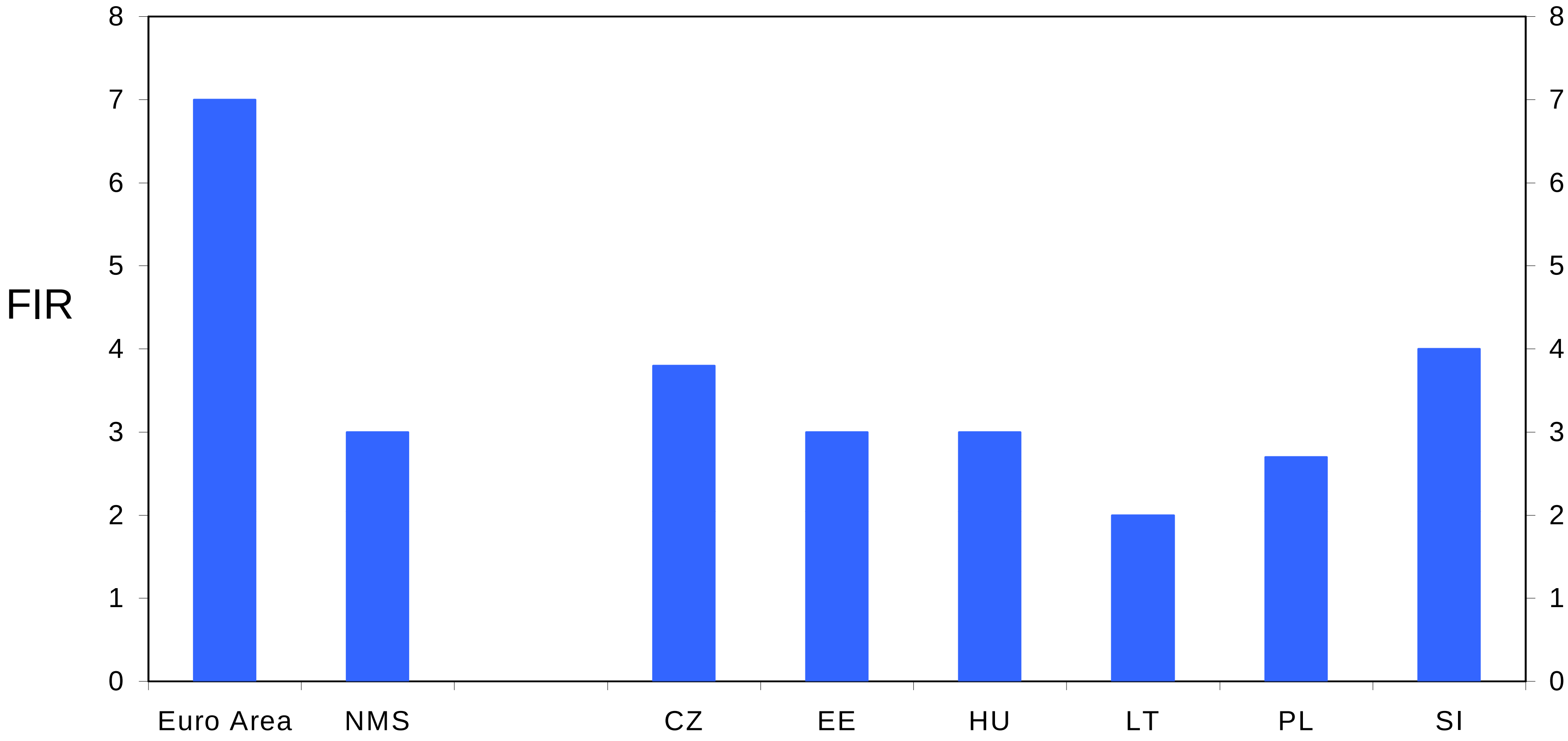
SOCIALLY "USELESS" INTERMEDIATION?

Index: 1995 = 100, UK

Source: ONS, Bank of England, UK Treasury

"OPTIMAL" FINANCIAL SIZE AND COMPOSITION?

(Financial Intermediation Ratio = all financial assets(liabilities) to GDP, 2002)



Source: ECB, Occasional Papers No. 36

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25 February 2010

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