



FOREIGN POLICY ASSOCIATION

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**FPA Town Hall
Walter B. Kielholz Speech
Thursday, May 31, 2012, 6:30 p.m. – 9:30 p.m.
The Pierre Hotel, 2 East 61st Street at Fifth Avenue, New York, NY**

Featuring:

Walter B. Kielholz

MR. WALTER B. KIELHOLZ: Of course, I'm greatly honored to be here and by the Corporate Social Responsibility Award which I am awarded, conferred to me today and which I gladly accept on Swiss Re. But this is a fairly un Swiss event. Hardly anybody living is honored in Switzerland ever. So I am grateful that this is taking place here in New York. And I wish to thank you for your generosity and I am also grateful for Brady Dougan for his kind words of introduction. I am not so sure whether in the financial service industry nice words between Chief Executive and Chairman are actually so common. But I have to say I can reciprocate this and it was my best time as Chairman or one of my best times together, working together with Brady Dougan.

The people speaking tonight that the organizations represented here in this room testify to the broad commitment to social responsibility. We see in the corporate world and we see, of course, in all the communities. I am proud to be part of that.

Companies that consider corporate responsibility and sustainability as guiding principles must link them to their core - - in fact, we'll come back to this dilemma. This is also true for Swiss Re. And that is what I would like to speak about very briefly here.

Among the activities interesting in this context to be our work on climate adaption, for example, as well as our efforts in extending risk intelligence. But I would like to focus on questions of risk and insurance in emerging countries. As a global reinsurer and commercial insurer we create stability and contribute to the

resilience of societies and the colonies. By managing risks and covering losses we protect investments and actually enable economic growth.

However, stability and resilience, protection and growth meet with different challenges in different regions of the world. If you look at the insurance markets you notice that in the industrialized countries insurance premiums amount to roughly nine percent of GDP. While in emerging countries it is only about three percent of GDP. You could say this have to do with the distribution of litigation lawyers in the various societies. But actually, in terms of premiums per capita the gap is even starker. US dollar three thousand five hundreds in industrialized worlds and it is not the United States, it's actually Switzerland who is the highest number. Worst is about US dollar, one hundred and ten in the totality of the emerging markets which is spent on insurance.

This is, of course, first of all, an indication where you are in the level of growth and where you are in the level of development of a society. In recent years partnerships between the public and the private sectors have developed innovative models of risk, financing and, of course, connected to that, risk prevention. That relieves the burden on public budget, public help budgets are where usually an underinsured society's problems end. Because somebody has to pick up the tab if a country is completely destroyed. In emerging economies these public budgets need support by insurance and that or that the help or help people gain access to insurance protection that they never had before and that protects the public budgets as well in those countries.

Such partnerships are particularly effective in regions where natural disasters can deprive large parts of the population of the basis for their livelihood. Or seen the other way around, have you ever thought why emerging markets are emerging markets? Very often it is because they are very much exposed to natural catastrophes and the capitals that build up regularly in the course of several years is destroyed by natural catastrophe. Small states with very limited access to capital markets also face enormous difficulties in providing the necessary funding for the reconstruction after a catastrophic event.

Let me illustrate this with an example of the Caribbean Catastrophic Risk Facility set up in the wake of Hurricane Ivan which swept across the Caribbean islands in 2004 and destroyed a large part of the public infrastructure as well as of the private property. The fund is owned and operated by sixteen governments with Swiss Re as one of the lead reinsurers on this color. It works similar to a mutual insurance company combining the benefits of pooled reserves from participating countries. This structure provides them with insurance substantially below market price, thus reducing the burden of public sector burden to the public sector budget.

One of the countries that benefitted partially from that rapid access to insurance payouts of the fund was Haiti which was hit by a catastrophic earthquake in January 2010. It is where my second example comes from.

In the fall of 2010 heavy rains led to a spread of cholera on the already devastated island. Cholera, something in our countries is related to the 19th Century, not even to the 20th, cholera. Fonkoze, the countries largest microfinance organization and our partner since 2009 developed a new cholera insurance scheme to protect women entrepreneurs, women entrepreneurs and their families. It has to do something that the insurance industry, of course, saying that male entrepreneurs discount and so are not worth the money. Women entrepreneurs and their families, that's, by the way, a concept which is used in microfinance, micro insurance, all over the world, concentrate on women entrepreneurs.

The cover was added to an already existing product protecting clients against loss of livelihood caused by natural disasters. The view of micro insurance as a vital component to the long term resilience of populations often it literally helps people get back on their feet, that is what this is a plan. And you observe that its effect on the prosperity of families is huge. The health micro insurance program we helped to set up in Tamil Nadu State in India provides health insurance to more than ten million low income families.

My examples from a risk facility on government level to micro insurance for people that would otherwise be excluded from protection show the potential of innovative solutions to make a real difference. A few years ago we created the global partnership unit that develops and promotes this kind of public, private partnerships I have been talking about. This year we have established the Swiss Re Foundation which works with charitable organizations to support these efforts.

In 2013 Swiss Re celebrates it's hundred and fifth anniversary. Both our World Partnership Unit and the Swiss Re Foundation can play an important role in getting us engaged with the challenges we face in years to come. This is the best proof that we are not and have never been a non for profit organization. We would not be where we are in a hundred and fifty years if we were not tough business people at the same time, particularly in a business where risk is such, is the essential element that explains our very existence. But, at the same time, we would like to support our businesses considerations with these kind of sustainability considerations.

That is why I proudly accept this award on behalf of Swiss Re. Thanks again for the recognizing our efforts with your award. Thank you very much.