Think globally in 2009

Through the credit crisis, the world has woken up to the fact that we are now in a global electronic financial market. Regulators are scrambling to co-operate and co-ordinate and extend they purview to areas that were unregulated or under regulated.

Insurance regulators and the industry have the task in 2009 of not only sorting out the Solvency II impasse over group supervision but also progressing US collateral issues for foreign reinsurers and fleshing out a federal option for carriers.

Economic forcasters are being cautious after the stock markets started the New Year positively. Whilst we are being constantly told that insurers are not banks, so many insurance markets rely on banks for distribution and many are owned by banks in total or in part that insurance will not be immune to the continuing credit squeeze and recession.

On an optimistic note, reinsurance rates show signs of hardening and some Lloyd's underwriters have increased their capacity-Bloomberg placed Amlin, Catlin and Hiscox in the ten best performing large UK companies last year.

Life companies could come under capital and corporate bond pressure if the stock markets plummet again but regulators are trying to be flexible at this difficult time. Inevitably new business growth rates will be difficult to sustain with interest rates moving to an all time low, but lobby groups such as the ABI are pushing for more savings incentives from government.

In a worldwide manufacturing and trade recession, growth in developing countries will reduce-Indian regulator IRDA is predicting a life insurance dip in new business growth from 24% in 2008 to 17% this year. The Australian suggests that banks in the country may be looking to sell off their life insurance interests. Wu Dingfu, chairman of China Insurance Regulatory Commission (CIRC), has said that "the global financial turmoil makes insurer's overseas investments even more difficult, with fewer investment options and growing risks"-China has 120 foreign insurers with a presence and 46 foreign-funded joint ventures.

There is going to be a continuation of the cost cutting seen last year. On the information technology front, those projects that can visibly save money but at the same time deliver service benefits will be favoured-this applies particularly to multiple distribution strategies, delegated authority, and extending "self service" over the internet to customers and business partners. The new Lloyd's Exchange platform could be the catalyst to speed up the whole process chain in the wholesale market. The other main area of IT spend will likely be compliance, with operational risk management becoming even more important, requiring business intelligence and performance management enhancements. But overall, think globally in 2009-no market is going to be immune from the worldwide ripples.