

# A Quarter Century

## With Emphasis on Thought Leadership

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This issue of *Emphasis* marks the publication's 25th anniversary as a platform for thought leadership in the insurance industry. Although *Emphasis* previously existed as a newsletter, it took on a magazine format in 1985 that continues today.

Leafing through that first issue is a bit like opening a time capsule. One article focused on the aftermath of the Bhopal disaster, when a massive chemical spill alerted the world to environmental risks — not to mention a wave of personal injury litigation. Other articles focused on the Bermuda market, trends in life insurance and health care costs. Each of the articles touched on issues that continue to resonate in today's industry.

If you take a broader look back at the mid-1980s, the insurance and financial press was filled with worries about insurer solvency and “wild swings” in pricing as well as the effects of industry consolidation and the emergence of new risks. One newspaper, quoting regulators, said P&C insurers “are becoming insolvent at an alarming rate.” But one top regulator said that his job was to make sure that policyholders' claims are paid and that his profession should not be expected to prevent insolvency.

If environmental risks were gaining prominence, so were other risks that now are part of the landscape. A 1985 *New York Times* editorial, for example, noted that “the insurance industry has begun to take notice of AIDS.”

Insurance journalists' crystal balls had mixed results in 1985. In London, *Post Magazine* wrote that the captive insurance industry “continues to be an important element of the risk financing programmes.” However, the author cautioned, “Many people are pessimistic about their future.” There were about 2,000 captives at the time; today we have more than 5,000. Then again, as the *Financial Times* wrote, “Insurers are by nature professional pessimists.”

Other nascent issues back then included globalization and the growing sophistication of risk and capital management.

The word “globalization” was not as commonly used in 1985, but the force of globalization was mounting. A Lloyd's executive, taking notice of China's growing wealth, predicted that the People's Republic would one day be among the London market's largest sources of business. He also saw potential for other parts of the Pacific Rim, including Malaysia and South Korea. Cross-border M&A activity was already accelerating.

The same was true of technological innovation. Just a year after the introduction of Apple's Macintosh computer and the world's first working “mouse,” modeling technology was still immature by today's standards, but actuaries and other risk professionals were beginning to look into stochastic modeling and other techniques that are widely used today. Meantime, technological advances were setting the stage for better measurement and deployment of capital.

It is satisfying to see that so many of these industry trends and developments have been reflected in the pages of this magazine. Our coverage over the years has examined everything from the risks associated with globalization and demographic change, to the management challenges of M&A and enterprise risk management, to the merits of emerging methodologies related to predictive modeling and price optimization. This issue continues the tradition by examining the movement toward a global solvency standard as well as issues around asset risk management, price optimization, and the implications of the IASB and FASB joint accounting project for insurance contracts.

This 25th anniversary issue is the first since the January 2010 merger of our two legacy companies, Towers Perrin and Watson Wyatt, to form Towers Watson. Both legacy companies have been active participants in the changes that have transformed the industry over the last quarter century. With the combination, I am confident that these pages will continue to contribute to industry thinking on important issues of the day.

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