

Creating Certainty in a Risky World

An Interview with **Evan G. Greenberg, Chairman, President, and Chief Executive Officer, ACE Limited**

EDITORS' NOTE *Evan Greenberg was elected President and Chief Executive Officer in May 2004 and Chairman of the Board of Directors in May 2007. Greenberg joined the ACE Group in November 2001 as Vice Chairman, ACE Limited, and was elected President and Chief Operating Officer, ACE Limited, in June 2003. Prior to joining ACE, Greenberg spent 25 years at American International Group, where he served as President and Chief Operating Officer from 1997 to 2000. Before that, he held a*



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variety of senior management positions, including President and Chief Executive Officer of AIU, AIG's Foreign General Insurance organization, and Chief Executive Officer of AIG Far East, based in Japan. Greenberg serves on the boards of The Coca-Cola Company, the National Committee on United States-China Relations, and the U.S.-China Business Council. He is Chairman of the US-ASEAN Business Council; a member of the Council on Foreign Relations; the Center for the National Interest, and the Business Roundtable; and an overseer of the International Rescue Committee.

COMPANY BRIEF *With operations in 53 countries, ACE Group (www.acegroup.com) is one of the world's largest multiline property and casualty insurers, providing commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance, and life insurance to a diverse group of clients. ACE Limited, the parent company of ACE Group, is listed on the New York Stock Exchange and is a component of the S&P 500 index.*

How is the economy faring today and have proper actions been taken to address the key economic issues?

The economy has a stability to it today that it didn't have a year or two ago, though we can hardly call this robust growth or sufficient growth to create prosperity for society.

Housing and construction are recovering and we have an energy boom underway due to private sector innovation. But beyond those sectors, growth is tepid and unemployment remains high. Washington presents more problems than solutions. We have an inability to govern, with the extremes holding the issues hostage and political leadership unable to bridge that gap.

There is still more assault on – rather than support for – business, which is the source of wealth creation. Whether it is regulatory, fiscal or a lack of vision or ability to execute a vision that would create an environment for business to thrive, it's not getting done. We're over-reliant on the Federal Reserve and monetary policy.

That said, at the moment, our economy is the prettiest in an ugly line of contestants that includes Europe, China, and Japan. We all face similar questions, though we have a different set of issues

that are all structural – not cyclical – in nature.

Is the U.S. still offering great opportunity or will most of the growth come from other markets?

Our company's fastest growth is coming from Asia and Latin America. By the nature of those regions, however, there will be volatility. But they present the most opportunity today and for the longer term. Behind Latin America and Asia is the U.S., which is frustrating. I believe the U.S. is underperforming its potential but I'm ultimately optimistic for my country and for our ability to innovate, in particular.

How is innovation playing out within the insurance industry?

It's taking place within product and distribution. We're in the business of buying and holding risk. As society and business grow and develop, they are constantly creating and confronting risks.

Born of social, political, scientific, and legal pressures, the environment is dynamic and we're a reflection of that. To remain relevant, we have to understand and craft solutions to transfer and assume some of that risk so that businesses and individuals can have certainty. For modern society to thrive, it needs an environment of certainty, and we seek to provide that.

In reaching those customers, innovation comes into play in marketing and distribution as we change the ways we access information and how we interact with each other.

How challenging is it to forecast risks when it comes to unforeseen events?

The most interesting part of strategy is being prepared to capitalize or defend against those things that you cannot foresee and to have an organization that is ready both from an operational and a financial perspective when those things occur.

You have been vocal over the renewal of the Terrorism Risk Insurance Act (TRIA). Why is it so critical?

Terrorism is a manmade risk. It is difficult to insure because it is impossible to predict its frequency and its size.

TRIA is a public/private risk sharing program that has been wildly successful. Under the law, private sector insurers must make terrorism coverage available but, in exchange, the government takes what we call the tail risk, and that is, when events reach a certain size, the government steps in to assume the risk because the private sector balance sheet is unable to do so.

It is hardly a bailout for insurers because without it, insurers simply would not offer the coverage. It has created certainty in the financial sector, the real estate sector, and the manufacturing sector. Without it, the government would be forced to step in post-event and provide aid versus a prospective way of managing this that provides a more cost-effective and elegant solution.

What are the benefits of having a global footprint?

The global insurance market is \$4.3 trillion; we have about \$22 billion of it. We're a rounding error. We're taking our company where the opportunity is – we're builders and we have a long-term vision for building something great. We are truly a global company in our bones and we are comfortable operating in different cultures and under different conditions. We find it invigorating.

Insurance is factored into so many different areas of life. Is its value well understood?

No, it doesn't get due credit, but we're a reflection of the world at large and the world is a dynamic place with risk constantly being created or confronted as a consequence of economic and social activity. If we're relevant, we help to create certainty by identifying and assuming that risk, which is exciting.

What do you look for when choosing talent?

It's not that tough to find smart people. Those who fit into our organization are people who carry the same set of values and character traits that make for a successful citizen of our culture. These include drive, passion, discipline, a need to belong to something bigger than themselves; a sense of excellence; and an unrelenting drive to win – all of this coupled with a personal decency and kindness that allows us to play well together. It's not a culture of individuality. ●