



**MARK A. HOFMANN**  
DISPATCHES  
FROM PCI

## Cyberattacks no longer sci-fi

When the futurist Herman Kahn urged policymakers to think about the “unthinkable” decades ago, he was referring to thermonuclear war.

Fortunately, that hasn’t happened yet. But I was reminded of his writings as I listened Monday to retired Marine Gen. Peter Pace, former chairman of the Joint Chiefs of Staff, discuss the possibility of cyberattacks on the United States in the not-too-distant future as he addressed the Property Casualty Insurers Assn. of America’s annual meeting in New Orleans.

Gen. Pace said this issue keeps him awake at nights. And after listening to his assessment, I believe it ought to be troubling the sleep of the rest of us. As long as nation states are involved, we can expect a certain amount of self-deterrence. Enter nonstate players, and the game changes for the worse.

Cyberattack was once unthinkable outside of science fiction, but as Gen. Pace’s comments made all too clear, insurers and others must think about this new ‘unthinkable’ event in this era of uncertainty.

# Investors watch global events

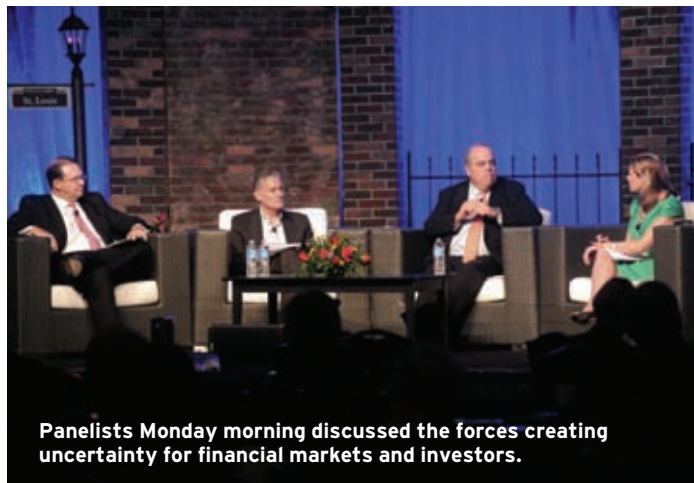
By Matt Scroggins

**NEW ORLEANS**—A significant area of uncertainty for the property/casualty industry is the impact that events at home and abroad will have on investment portfolios in the short and long term.

Over the next few months, two critical issues will fuel economic uncertainty, noted Nina Easton, Washington bureau chief for Fortune Magazine. The first, she said, is the congressional super committee charged with developing a deficit reduction strategy. The second is the debt crisis in Europe and how it will play out in financial markets, said Ms. Easton, who moderated a panel on investment portfolio strategies Monday at the Property Casualty Insurers Assn. of America’s annual meeting in New Orleans.

Both factors will drive additional economic volatility in the fourth quarter, said Patrick J. Haveron, president of Maiden Global Servicing Co. L.L.C., a unit of Maiden Holdings Ltd. “That gets you a little nervous when you’re thinking about deploying money...and it makes you more tentative,” he said.

Expressing skepticism that the super committee talks will produce long-term fiscal reform, Jeffrey A. Schoenfeld, partner at Brown Brothers Harriman & Co., said, “we start with the assumption that politicians don’t wake up in the morning and



Panelists Monday morning discussed the forces creating uncertainty for financial markets and investors.

say, ‘Today’s the day that I’m going to be fiscally responsible.’” Instead, “game-changing” policy outcomes arise mainly out of financial market pressure, he said, and given current U.S. Treasury rates, there is “little pressure on politicians right now to do the right thing.”

Regarding the European debt crisis, Mr. Schoenfeld said there are only two potential outcomes: a pan-European guarantee solution or default. Given that choice, some kind of shared solution is likely. But until that happens, there will continue to be uncertainty in U.S. markets, he said.

“I think you have to be prepared for more volatility in the markets,” said Robert McCollum

Jr., managing director at Deutsche Bank Group, citing U.S. “political gridlock” over deficit reduction steps as well as the effects of the crisis in Europe. And investors should not believe that a lack of sovereign European exposure in their portfolios insulates them from risk, because “financial markets are intertwined, they are forever linked,” Mr. McCollum said.

The panelists also said some recent concerns about investing in municipal bonds are overstated. While that market has been troubled, many municipalities have made changes to improve their financial condition. Still, there is a need to be selective about such investments, they said.

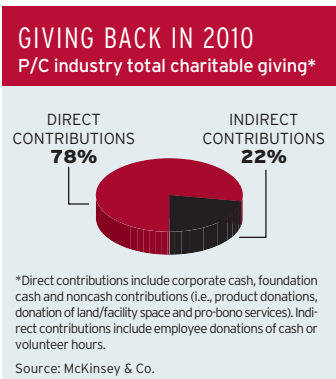
## P/C insurers give \$500M to charity in 2010

By Mark A. Hofmann

The property/casualty insurance industry gave more than \$500 million to charity last year, according to a survey released last week by McKinsey & Co.

The report, “Charitable Giving in the Property-Casualty Industry,” found that education, health and social services, and community and economic development were the causes receiving the bulk of the industry’s support. Of \$500 million in donations, nearly 80% came as direct cash contributions, while the balance represented employee donations of cash or volunteer hours, according to the report.

Despite the P/C industry’s strong



commitment to philanthropy, McKinsey found that 60% of executives believe the industry could increase the social and business impact of its charitable giving.

The report suggested ways the industry could enhance the impact of its giving, including improving the link between business and social goals, committing to causes that leverage unique insurance-related skills and managing charitable giving like any major business investment.

Finally, companies “will have the greatest impact if they increase collaboration,” according to the report, which also said that “the industry could play a major role in addressing pressing problems where there is a need for insurance knowledge.”

The report cites disaster prevention and preparedness as one example of an issue where the industry could be particularly effective.

REUTERS



### STATS: MARDI GRAS

**WHEN:** 47 days before Easter; Carnival begins Jan. 6

**FIRST MARDI GRAS PARADE:** 1857

**COLORS:** Purple (justice), green (faith) and gold (power)

**ECONOMIC IMPACT:** \$1 billion in annual spending