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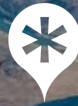

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NOT IF, BUT HOW

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Record capital cannot hide pressure on rates

Despite the losses of last year reinsurers are set to increase the levels of dividends and share buyback schemes as new research found reinsurance capital has hit record levels

Aon Benfield, issued the latest edition of its Aon Benfield Aggregate (ABA) report, which analyses the financial results of the world's leading reinsurers in 2012.

It estimated that total capital as of 31 December 2012 stood at a record $505 billion an increase of 11% on the previous 12 months which were badly affected by the significant natural catastrophe losses. The broker points out that the figure is a broad measure of capital available for insurers to trade risk with and includes both traditional and non-traditional forms of re/insurance capital.

The ABA analyses a group of 31 leading reinsurers whose capital increased by 12% to $313 billion, driven primarily by $29.5 billion of net income and $15.9 billion of unrealised capital gains. Dividends and share buybacks rose marginally to $16.1 billion and Mike Van Slooten (pictured), Head of Aon Benfield's International Market Analysis team, said he expected the year ahead see a further increase.

"The management of the companies are very likely to be feeling very comfortable in terms of the amount of capital they have," he added. "I expect there will be an increase in the level of dividend and share buy backs as companies examine their strategies for the future."

Mr Van Slooten, warned however, the low investment environment still had a bigger impact on the ability of reinsurers to drive their business than the heavy losses witnessed in the past 24 months.

"The low interest rate environment not only has impacted what reinsurers earn on their invested funds but it has added significantly to the competitor landscape. Diversified yield seeking investors are now adding material pressure (in terms of price and value competition) and benefits (in terms of lower cost underwriting capital) to the reinsurance market. We expect material changes to the capital structure of the largely equity financed reinsurance market as material new flows of capital are integrated into reinsurance underwriting capital."

Underwriters battling tide of capital as rates continue to tread water

The 1 April renewals have furthered evidence that the huge flow of capital into the market is marking traditional reinsurers rethink their future strategies.

Broker Willis Re issued its 1 April Renewals report entitled "Capita Overflow" and it warns the rising attraction of the reinsurance market to investors had redefined the industry's response to major disasters.

Many traditional reinsurers now see the flow of capital coming into the reinsurance market as a direct threat to their existing portfolios, according to Willis Re, which added there is currently around $35 billion of capital that has entered the reinsurance market from a variety of sources. It added the volume of capital entering the market is also increasing.

Writing in the report Peter Hearn, Chairman of Willis Re, said the capital, driven by a desire for decent returns in a low yield investment environment, had forced some underwriters to look at where they can play a greater role in the new breed of instruments that are gathering popularity.

"While some reinsurers are considering how to respond, others are moving ahead with the development of third party capital management propositions to offer their own skills and platforms as fund managers," he added.

A further effect of the way in which the capital is entering the market in fixed term sidecars and catastrophe bonds means that industry is highly unlikely to see the emergence of a wave of new reinsurance companies in the wake of a major loss as was witnessed in the past. Instead the future is likely to see new capital access the market in fixed term and highly focused underwriting vehicles which allow investors a clear exit strategy.

All this against a backdrop of M&A activity and higher retentions by larger insurers adding further pressure on reinsurance rates.

Mr Hearn added: "Against this background, the outlook for many traditional reinsurers is challenging, with profit margins coming under pressure during 2013."

Looking to the 1 April renewals Willis Re said overall pricing remained flat to slightly down on loss-free lines of business.

"Major Japanese reinsurance buyers have recognised the support they obtained from their reinsurers over the difficult renewals of 2011 and 2012," added the report. "As a result, they have been rewarded with significant levels of additional capacity. Pricing was either risk-adjusted flat or down across all lines

"Early indications of the 1 June Florida market renewals indicates more aggressive pricing."

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Solid rates and returns deliver record for Hannover Re

Hannover Re has said it has reaped the dividends from the price rises it was able to drive through following the Asian natural catastrophes of 2011

The underwriter reported the best full year result in its history with net income of €858.3 million, driven by its non-life reinsurance underwriting result and increased investment returns.

Gross written premium increased by 13.9% to €13.8 billion; however the level of retained premium decreased slightly to 89.8%. Net premium earned climbed 14.2% to €12.3 billion although at unchanged exchange rates the increase would have been 9.9%.

The operating profit (EBIT) as at 31 December 2012 was €1.4 billion compared to a figure of €841.4 million for the previous 12 months. Group net income increased 41.6% to €858.3 million.

In terms of non-life reinsurance CEO Ulrich Wallin said: 'Not least owing to the major losses in 2011, we were able to push through price increases for most business segments. As a result, the rate level for our company in 2012 was significantly better than in the previous year. Markets in Asia and Australia that had suffered losses in 2011 were particularly important drivers of growth. In addition, gratifying growth rates were recorded in North America and in global facultative reinsurance."

Hannover said its net loss from Sandy was €257.5 million. The loss of the Costa Concordia cost the firm €53.3 and the protracted drought in the United States, produced claims of €43.3 million net. Total major loss expenditure for 2012 came in at €477.8 million net – roughly half that of the previous year.

Looking towards the year ahead the company said it viewed the current financial year with "optimism".

"The treaty renewals as at 1 January 2013 in non-life reinsurance passed off satisfactorily for the company despite growing competition," said Mr Wallin. "Thanks to our comparatively low expense ratio and our long-standing good business relations we are well equipped for the present competitive environment. The key is maintaining a disciplined focus on writing business that meets our margin requirements, while making allowance for the declining interest rate level."

Hannover Re said it expects to increase its gross premium volume for the 2013 financial year by around 5% based on constant exchange rates. It predicted premium growth in non-life reinsurance of 3% to 5%, while in life and health reinsurance it is expected to be in the region of 5% to 7%. The company is targeting a return on investment of 3.4%.

Given major losses fall within their expected levels for the year Hannover is forecasting a group net income of €800 million.

Singer goes Gaga over insurance row

One of music's most outrageous artists is set to go to court with Lloyd's over the refusal to play out on a terrorism clause in the singer's tour coverage.

Lady Gaga and her concert tour promoted made a claim on their terrorism coverage after protests by Islamic extremists threatened her over a concert in the Indonesian capital of Jakarta.

The singer is renowned for her risqué stage outfits and shows and the protests over her appearance in Indonesia left the show cancelled after 50,000 tickets had been sold in June last year after the Islamic Defenders Front vowed to disrupt the concert describing the show as "satanic worship".

The authorities warned that her safety could not be assured so the event was cancelled leading to her management company Atom Factory, and her tour partners, Live Nation LG Tours and Mermaid Touring claimed $150,000 on the tour insurance policy.

The policy was placed with several Lloyd's syndicates and the claims were made against the terrorism clause in the contract.

Media reports said the policy wording indemnified the singer and the organisers from losses if the concert was cancelled "should any insured performance(s) or event(s) specified herein be necessarily cancelled, abandoned, rescheduled, interrupted or relocated, in whole or in part [as] the sole and direct result of terrorism and/or sabotage or threat thereof".

The underwriters are said to have disputed the nature of the threat and as such have not paid out leading to the case which will be heard in California.

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A capacity to constantly surprise

The past month has been another whereby the industry has looked to identify its issues and seek solutions.

A constant topic for the past 12 months and beyond has been the debate over the level of capacity contained in the market.

The consensus remains that there is more capacity than demand as the economic squeeze continues and the primary market look to change their buying habits retaining more risk and attaching higher up in an effort to spend their reinsurance premium to protect against extreme events.

A new report says Insured Linked Securities now account for 15% of the market and the attraction of ILS to the capital markets is if anything getting stronger in a low investment yield environment.

Therefore the announcement in Qatar of a new state backed reinsurance company which will also be inviting international underwriters to participate in the new Al Koot venture.

This when the talk in Doha was of excess capacity and that competition was impacting pricing in the region, however the same can be said of almost anywhere other than the most testing of markets that have delivered hefty prior year losses.

Market forces will no doubt prevail but reinsurance looks set to remain a major attraction for investors in the months to come as returns continue to be hard to come by elsewhere.

Jon Guy, Editorial Director, Reinsurance magazine

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Asia and Lat Am drive JLT growth

Broker JLT issued its annual results and the emerging markets are where the company looks to continue its growth, with its reinsurance arm fighting the effects of a change in buying habits

WORDS: Jon Guy

For JLT 2012 continued its growth story with the most pleasing thing for Group Commercial Director James Twining the ability to drive further growth in the most testing of conditions. It is a growth which has been built on its ability to turn emerging market opportunity into reality.

The broker's total revenue for the 12 months to 31 December increased to £880.1 million, comprising of 7% organic growth and 1% from acquisitions. However it was offset by 1% move in foreign exchange rates.

The total revenue and underlying trading profit figures include investment income on fiduciary funds of £5.7 million.

JLT said: "Underlying trading profit increased by 9% to £160.4 million, or 11% at a consistent rate of exchange and the underlying trading margin increased from 18.0% to 18.2%, notwithstanding continued investment across the Group."

Underlying profit before tax was £161.7 million, 10% above that of 2011, while reported profit before tax was £156.8 million compared to £134.5 million in the prior year, an increase of 17%.

"This is after charging net exceptional costs of £4.9 million, primarily relating to the Business Transformation Programme and acquisition integration costs," said JLT.

In term of the business units JLT Specialty delivered revenue growth of 5%, despite being impacted by the generally poor UK and European economies. Trading profit was however only marginally ahead of the prior year which the broker said reflected "the investment in recruitment of leading industry professionals".

JLT said its specialty business was now "firmly established as a market leader in many of its areas of specialisation, such as construction, telecommunications and aerospace".

Australia and New Zealand saw revenue growth of 5%, or 4% at CRE, with organic growth of 4%.

Lloyd & Partners, the group's specialist wholesale broker, achieved strong revenue growth of 8%, and trading profit increased by 8%, a performance the firm put down to the benefit of the ongoing strategic investments made in this business.

Asia was again a major growth area. Total revenue in the region increased by 16% with organic growth of 13%, "reflecting a number of high profile client wins which demonstrate the increasing success of our Asian specialty capabilities".

JLT Re was also boosted by its Asian operations after the broker invested heavily in new teams and its international platform.

"The business made pleasing progress in Asia where it has benefited from the significant investments we have made in people and in expanding our international platform," said the broker. "As indicated in the Interim Management Statement in October, as a result of investments in the business and following a decision by some large primary insurers to retain more risk, the trading profit for this business for 2012 was lower than 2011.

"However, we remain very positive about the prospects for JLT Re and are committed to continue to invest in building a global platform. In 2013 we expect to see growth in both revenues and profits."

Mr Twining said: "We are very pleased with a performance which sees the first post 7% growth for the third year running. Overall our performance was strong and we saw a growth of 13% in Asia and 25% Latin America."

He said the firm's focus on the speciality insurance market had paid dividend in Asia as the economic growth drove new investment opportunities.

"The economic growth in the region has continued to see construction infrastructure and aviation growth that fits in with our expertise in the specialty lines.

He added: "We see significant opportunities over time to improve the performance of our business in Asia by better leveraging our market position, improving the efficiency of the operating model and taking further advantage of Jardine Matheson's strong presence in the region."

Alastair Speare-Cole CEO JLT Re: said: "We have invested very heavily in our team over the past year and we are pleased to see revenue were up again this year and we are very well placed for the future."

He added that the market had been affected by the change in their buying decisions of a number of insurers who had sought to limit their reinsurance spend by taking higher retentions. ☐

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A profit hike as Swiss Re looks to the future

Swiss Re published its 2012 full year results and is looking to a 2013 which will see them bring great capital to bear

WORDS: Michael Black

The end of Swiss Re's quota share deal with Berkshire Hathaway is set to drive a "significant" rise in written premiums for 2013 it has said.

As the reinsurer reported a full year net income of $4.2 billion for 2012 on the back of big profits from the property casualty books CEO Michel Liès (pictured) said the firm was on course to hit its stated targets and that the 1 January renewals had been positive.

"This result shows that our strategy is effective and that we remain well on our way to achieving our 2011–2015 financial targets," he said. "We have seen a particularly strong performance in our P&C Re business and our investment results were excellent. The underlying business performance of the Group was clearly very strong and the result included positive reserve development from prior year business and realised gains on investments. 2012 was the first full reporting year under our new corporate structure and all units have contributed positively to this very pleasing result."

The underwriter's combined ratio was 83.1%, compared to the forecast figure of 94% for the year.

Swiss Re described the January P&C treaty renewals as 'successful', "allowing Swiss Re to achieve profitable growth of 11% while maintaining a high-quality portfolio," it added. "The portfolio saw price increases of 2% before taking into consideration the economic impact of lower interest rates. Including these, the risk-adjusted price quality of the portfolio was maintained at last year's level. Growth was driven by demand for tailored solutions and solvency relief transactions in Europe and the Americas."

Its five-year 20% quota share agreement with Berkshire Hathaway expired at the end of 2012 and Mr Liès said it is expected to lead to a significant increase in net premium income in the firm's P&C Re and Corporate Solutions businesses for 2013.

Mr Liès added: "It is a privilege to lead Swiss Re in its 150th year and we see many excellent opportunities ahead for the Group. In mature markets we will continue to focus on innovation and leveraging our high quality expertise. In our target high growth markets, where we see huge potential for the industry, we will also be proactive in enabling market development and bringing financial protection against risks to help people protect their property and assure their livelihoods. Swiss Re has good reasons to look to the future with optimism."

The reinsurer said it was not expecting to have to change its claims estimate of $900 million arising from Hurricane Sandy. Adjusting for prior year reserve releases and slightly lower than expected natural catastrophe losses, the underlying combined ratio for the year was 91.1%. It added that measured over a longer period to remove some of the random volatility, the Group's five-year average combined ratio has improved from 98.3% in 2007 to 95.4% in 2012.

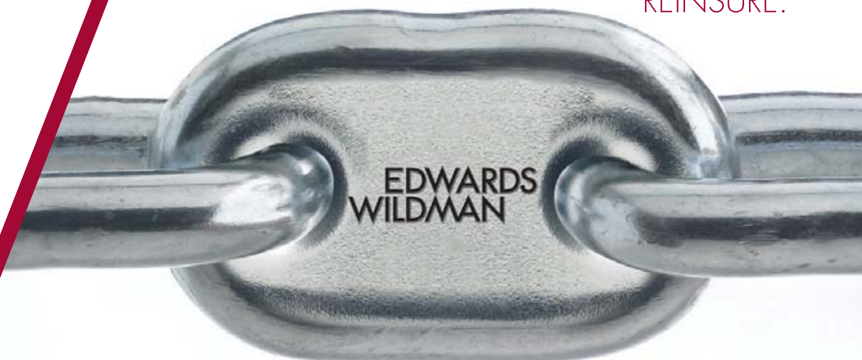
George Quinn, Group Chief Financial Officer, said: "The commitment to our capital management strategy remains a top priority. We announced the possibility of a special dividend one year ago and we are now in a position to make a significant distribution to shareholders.

"Our capital management priorities remain unchanged for the coming years – first, we aim to grow the regular dividend, then we will grow our business where new opportunities meet our profitability expectations. The Group intends to continue to maintain high levels of capital adequacy."

P&C Re net income rose to $3.0 billion in 2012, an increase of $1.9 billion from 2011. The result was due to the combination of a 21.6% increase in net premiums earned to $12.3 billion compared to the 2011 figure $10.1 billion, improving margins, favourable prior year reserve development and realised gains on investments.

The P&C Re combined ratio was 80.7% in 2012 compared to 104.0% for the previous 12 months. Adjusted for expected natural catastrophes and prior year reserve releases, the combined ratio was 90.1%. □

WHEN IT COMES TO INSURANCE AND REINSURANCE . . .



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CEOS CLUB TOGETHER IN SINGAPORE

Reinsurance Asia magazine held the inaugural meeting of its Asian CEO Club which saw underwriting executives from across the region meet in Singapore with the topic of data and analytics on the agenda

WORDS:
Jon Guy

With the use of data now critical in the re/insurance industry both externally and internally it was natural that the topic would provide various views and some candid debate.

The CEO Club has been designed to enable executives to discuss the issues than affect the wider industry and their own businesses behind closed doors and to attract a range of speakers to provide their views and expertise.

As Lloyd's looks towards the Asian market as part of its Vision 2025 Rob Humphreys Head of Market Development and Implementation at Lloyd's delivered the opening address and tackled the issues surrounding how the efficient movement of data was ever more important in the modern and globalised industry.

Mr Humphreys explained the work Lloyd's is carrying on in London to change the way it processes business in order to create a faster flow of information to enable underwriters to make informed pricing decisions.

He said the biggest issue for the subscription market in the past had been the speed to claims payment and it was something that the market was working hard to remedy.

"Our targets for 2103 on claims include delivering claims performance information to Lloyd's brokers and working to reduce overall claims lifecycle," he said.

Mr Humphreys added the aim was to improve the current broker portal used by most brokers for submission of new electronic claims, "to increase ease of use and reduce rework caused by inaccuracies".

He also revealed the London market was currently investigating a possible high-efficiency, customer-oriented central service handling high volume, low complexity claims."

As part of his career at Lloyd's Mr Humphreys was a member of the team which co-ordinated its response to the September 11 attacks and in the wake of the major losses in Asia in 2011 and the losses arising from Superstorm Sandy there is now move to enhance the coordination of the response to large losses with an enhanced framework.

Turning to the Asian market and Lloyd's Asian operations Mr Humphreys said the current Lloyd's Asia platform was "effectively a co-location of multiple discreet service companies working under authority from London".

While this had been an effective way of getting traction in the Singapore and Asian markets there were now issues surrounding the cost and arising as the platform seeks to drive further growth.

He said there were shared challenges faced by those in the Asian operations in that the model is relatively expensive, and subscription contracts are difficult to undertake.

"Chasing premiums/resolving unallocated cash etc continue to carry a heavy administrative burden," he added.

Therefore Lloyd's had decided to look to a shared services system in Asia to remedy some of the current issues.

"It will be an elective service to outsource some of the back office processing functions performed by each service company to a shared service," he explained. "The objective is to remove some of the processing challenges through, economies of scale, consistent processing and a single interface for brokers."

Mr Humphreys answered a range of questions before the meeting moved on to a panel debate on the issue of Data and analytics to enhance business performance.

The panel consisted of Roland Eckl Asia CEO (Australia, Japan India) Munich Re, Greg Carter, Director, Client Services, Capita, Richard Jones, CEO South East Asia Guy Carpenter, and Justin Davies Practice Leader UK and Asia pacific Eqecat.

Mr Davies spoke on the lessons learned from 2011 in terms of the need for accurate modelling and where the Asian markets stand in their efforts to address the issues raised.

Mr Eckl gave an underwriter's view and examined what reinsurers want from their cedents in terms of data and risk modelling and gave his view on how well cedent's internal risk models are structured.

Mr Jones spoke for the brokers on his belief as to what cedents needed to be mindful of when it comes to the levels and types of data reinsurers are demanding in the post 2011 world.

Mr Carter having held senior positions with ratings agency Fitch and UK Regulator the Financial Services Authority prior to his current role talked about what insurers need to consider in terms of data and modelling in order to meet the requirements of the regulators and the ratings agencies.

Their views prompted a considerable degree of debate as the guests looked to examined how best data can be used and the lessons learned from the 1 January renewals and discussions in the run up to the 1 April renewals.

The event was followed by a cocktail reception where the guests were able to network and continue their discussions.

The event was widely praised by those who attended and all eyes are now focus on the second of the quarterly meetings which is to be held in Hong Kong on 14 May. ☐

CHASING PREMIUMS/ RESOLVING UNALLOCATED CASH ETC CONTINUE TO CARRY A HEAVY ADMINISTRATIVE BURDEN

MR HUMPHREYS

FINDING THE MIDDLE GROUND

The annual Multaqa event took place in Qatar this month and saw over 500 delegates pack Doha to discuss the MENA region's current and future prospects

WORDS: Jon Guy

It is fitting in many ways that the Qatar Financial Centre (QFC) are hosts of Multaqa, a conference which is seen as a major annual focus on the re/insurance markets of the Middle East.

Qatar itself is hugely affluent, and is playing an ever increasing role in the regional and global business and political landscape. In nine years time it will also host one of the most controversial FIFA World Cup Tournaments ever staged.

The event started with an opening address by Qatar's Finance Minister HE Yousef Hussein Kasmal who announced the formation of a new state-backed reinsurer Al Koot. The plan is for the Qatar government to take a stake with the rest of the capacity to be provided by external investors and the participation of international capital has not been ruled out.

Al Koot began life as a captive for the Qatar Petroleum and had been expanded to other major Qatari businesses. It will now become a full fledge reinsurer.

The region boasts a number of financial centres which have aspirations for regional pre-eminence most of the major international underwriters have a presence in one of those centres from Dubai, Qatar Bahrain, Saudi Arabia, Oman and Kuwait.

It is interesting that the QFC decided that this year it would expand the coverage of its annual Insurance Risk Barometer to include North Africa to create a MENA coverage.

It now encompasses a region which not only had hundreds of billions of infrastructure invested in the likes of Qatar, Saudi Arabia and UAE but also North Africa where a number of countries are now looking to rebuild economies and infrastructure after the upheaval of the Arab Spring.

The political situation is still fluid in the region but what is clear is that the potential for the market is significant given the fact that is has a very young population (the average age is under 30) and that population is seeing its personal wealth increase driven by the region's huge natural gas and oil reserves.

Energy resources play a major part in the region's success and there is a case of winners and losers depending on the ability to sell oil and gas.

As an economic block the region would rank as the world's fifth largest economy, almost matching Germany. Between 2007 and 2011 the region's real GDP grew at 4.2% per annum, well above the global average of 3.3%. For 2012 and 2013 the International Monetary Fund expects GDP growth in oil-exporting countries to be more than twice the level of oil-importing countries (4.6% versus 2.2%). The oil-exporting countries are expected to benefit from favourable oil prices and continued government spending, in particular in infrastructure and construction.

In contrast, the oil-importing countries are confronted with slowing foreign direct investment flows and rising international food and fuel prices. In addition, the crisis of the Eurozone weighs heavily on a number of countries that have important economic links with Europe.

In 2011, the MENA insurance market was worth about $42 billion in annual premiums, up from US$ 26 billion in 2007. Non-life markets, which accounted for $35 billion in

2011, grew at an average annual growth rate of 7.5%, while the life markets, accounting for $6.6 billion, expanded by 10.1% per annum, adjusted for inflation. Insurance markets in the MENA region mirror the macroeconomic dynamics of the region as well as the market's low insurance penetration - premiums account for just 1.3% of GDP, a fifth of the global average. However, this gap is narrowing as MENA insurance markets have outpaced GDP growth recently.

Indeed the growth in the life and non-life market has been 25% and 20% in the past year but it has to be factored in that this is a sizable growth of a very small base, although regional governments are pushing for more compulsory insurance classes with motor driving that move at present.

The opportunities for underwriters are huge and at present the region's underwriters are in the main small domestic players who will reinsure the vast majority of their risk to reinsurers.

While reinsurers are clearly keen to play a part they are also aware that there needs to be a greater focus on risk by the primary markets. If they simply pass on the risk their attention to the quality of the risks they assume may be questionable.

It is a point not lost on Hans-Joachim Guenther Chief Underwriting Officer and Head of Reinsurance, Europe & Asia/ Pacific at Endurance.

He says the biggest issue for the region at present is the competition in the market at a direct level where the drive for market share and top line growth is impacting rates.

"We are keen to work with insurers in the region, but for us one of the first questions we ask is just how much risk the insurers is assuming on their own balance sheet," he explains. "We want to see that the insurer has some skin in the game and is taking some of the risk. It is a good indicator for us.

He says the underwriter is aware that insurers in the region are smaller but it is vital that they have a level of risk assumed which will impact them if they make poor underwriting decisions.

The region is being seen as an area where international underwriters can diversify risks but Mr Guenther adds that reinsurers have to be careful they were driving diversity at the right price.

"Generally speaking you need to be careful and the ability to partner with the right client is key. We want to work with insurers in the MENA and to do so we need to build relationships and work with insurers for the long term. If you are going to enter into a long term relationship you have to ensure you are doing so with the right partners."

He said there were real opportunities in the region particularly around the infrastructure and engineering classes but these were multi-billion dollar projects so the risks were sizable.

Bruce Ford Senior Vice President and Head of Treaty – Asia Pacific, Middle East and Africa says the arrival of reinsurance capacity into the region meant that there were few risks which needed to look outside of MENA's financial centres to find a home.

He adds that the market was looking to work with the region's insurers to drive a greater level of insurance penetration.

Asia Capital Re is set to open a new underwriting office in Dubai next month and the man charged with heading the office says the market although competitive will provide plenty of opportunities.

Rainer Lehner explains: "We are ready to open the office once we have received regulatory approval from the Dubai Financial Centre which we hope will be given in the coming weeks.

"At the outset we will be looking at the facultative risks, while we will look at treaty programmes there will not be a treaty underwriter in Dubai but the operation will be fully supported from Singapore."

On the rating environment Mr Lehner says MENA like the rest of the world remains highly competitive with no shortage of capacity for risks.

The man charted with the regulation of Bahrain's re/insurance industry says he believes strong regulation will attract capacity to those centers where there is adequate prudential supervision.

"The insurance sector in Bahrain still holds tremendous promise for growth, as demonstrated by the industry's strong performance not only during the third quarter of 2012 but also during the past five years" said Mr. Abdul Rahman Al Baker, Executive Director, Financial Institutions Supervision, at the Central Bank of Bahrain. "Bahrain is fast becoming a hub for major regional and international reinsurance and retakaful firms as evidenced by the increasing number of such firms that are established in the Kingdom."

Mr. Al Baker adds: "We expect the insurance sector to continue its growth momentum in the coming years, mainly due to the increase in the public awareness on the importance of the insurance products in general, as well as due to the surge in the economic growth of the Kingdom and the soundness of regulatory and supervisory framework of the insurance sector in Bahrain".

A new dynamic is the rise of Turkey as a venue for re/insurance capacity in the region. The Turkish government has made no secret of its efforts to increase its business links with North Africa ☐

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BAROMETER SEES PRESSURE ON RATES AS COMPETITION CONTINUES CROSS MENA

The Qatar Financial Centre (QFC) Authority published its first annual MENA Insurance Barometer earlier this month and the findings showed that opportunity exists but there are major hurdles which have to be addressed

WORDS: Jon Guy

The survey builds on the GCC Insurance Barometer, first released last year and the decision to broaden the remit of the survey had been made in response to feedback from the market said a QFC spokesman.

The report surveyed 37 of the leading underwriters and brokers in the region for their views on the year ahead and while the region's GDP continued to outstrip the global average, the penetration of the reinsurance market was not keeping pace.

Not surprisingly, confidence in the future of the region's insurance sector remains strong. In fact, 68% of respondents expect that MENA insurance premiums will grow faster than the region's Gross Domestic Product (GDP), despite challenges arising from the Arab Spring and geo-political tensions.

The figures around the disconnect between business and insurance levels remain stark. The survey examined at the countries of the Gulf Co-operation Council (GCC), the Levant, North Africa and Turkey. The region has a population of more than 360 million people and generates a combined GDP of about US$ 3.3 trillion, close to 5% of the world's total.

However as was revealed its premium level for the past year were over $40 billion which equated to 1% of the global premium income.

The region remains dominated by the major four markets of Turkey, Iran, UAE and Saudi Arabia which account for almost three quarters of the total premiums written in the region.

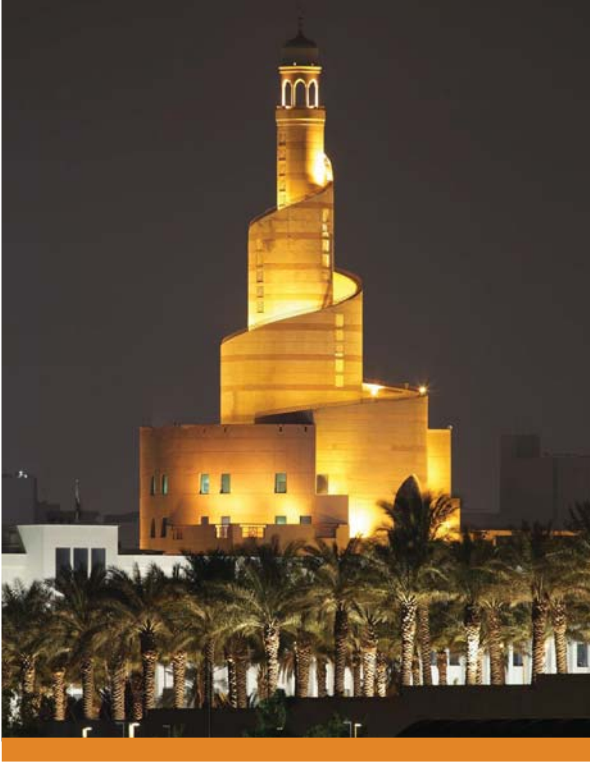
The booming GDP is seen as the major plus for the market with the majority of interviewees considering economic growth as the main strength of the MENA region. In addition, the young, growing and increasingly more affluent population is viewed as another key strength, along with the region's low catastrophe exposure, which contributes to risk diversification strategies pursued by international insurers and reinsurers.

In terms of weaknesses, the Barometer confirms that the MENA insurance markets are characterised by fierce competition and an abundance of re/insurance capacity, and the excess putting pressure on technical results and driving up acquisition costs. Furthermore the region's insurance regulations are still perceived as inadequate by the majority of survey participants. In particular, a lack of consistency in supervisory oversight across the region is criticised.

The MENA region's low insurance penetration is perceived as a major opportunity. Given the average GDP per capita the region's penetration levels should be significantly higher. Therefore, personal lines are expected to benefit most from the rising affluence of the population, supported by compulsory schemes, for example in medical insurance. In terms of threats, political instability and geo-political risks rank highest with the Barometer's interviewees, followed by continued pressure on rates and a further erosion of profitability.

The Barometer also found that slightly over one third of respondents expect the MENA insurance market to consolidate over the next 12 months as average levels of capitalisation are solid and cultural reasons remain a major obstacle to mergers and acquisitions. Further, some 50% of interviewees expect that foreign insurers will gain market share over the next two years, on the back of superior customer focus, distribution know-how and technical skills.

The prospects of Takaful



THE MENA REGION IS AN ATTRACTIVE EMERGING INSURANCE MARKET WHICH ANY ASPIRING INTERNATIONAL OR REGIONAL INSURER AND REINSURER SHOULD HAVE ON ITS STRATEGIC AGENDA
SHASHANK SRIVASTAVA

insurance are viewed critically. Only 38% of respondents expect this market segment to outgrow total insurance premiums. Business models for Takaful insurance are believed to be in need of a thorough review.

Those questioned said there was still issues with the way products were structured as at present there was still a failure to differentiate them from the conventional market and there were issues with those who operated Takaful underwriters passing on the profits and more importantly the losses.

However the banks look set to play a greater role with the survey finding that the banks, including Islamic banks are looking at the insurance market as a new revenue stream and bancassurance will rise as a major distribution channel.

The commercial market is still driven by brokers and there looks little chance of change in the coming years according tot he report.

The MENA's combined ratio was put at 90% which has attracted greater levels of reinsurance capacity which has increased the competition and affected rates.

However there was a warning given that the majority of the region's underwriters invest in equity and property that falling investment returns had increased the pressure for a greater focus on underwriting profits as investment yields continue to come under pressure with little sign of a significant upturn in the short term.

When asked what they felt the major weaknesses in the market at present were, excessive competition was seen as the biggest, as this inhibited any attempts to increase premium levels in the light of the need to offset investment return falls.

The second was regulatory deficiencies with the region seeing some regulatory regimes which were on a par or even ahead of the European efforts to create a risk based capital system while there were others which were extremely lax.

A lack of technical expertise and deficiencies in risk management were cited at other weaknesses that needed to be addressed.

Political instability in the aftermath of the Arab Spring was cited as the biggest threat followed closely by the erosion of profitability and despite the huge infrastructure investment and GDP growth the uncertain economic outlook. There is also a shortage of indigenous talent and a fragmented market some areas according to the report.

Commercial rates are viewed as too low by 91% of respondents, while personal lines rates are still too low in the eyes of 55% of those questioned.

Interestingly those questioned believed that in the next 12 months they did not see any immediate pressure for consolidation despite a great deal of talk across the market of the need for the underwriters to assume more risk and to do so build their reserves and balance sheets.

When asked 58% of those questioned said they felt the market structure would remain stable in the coming year.

Shashank Srivastava, CEO and Board Member of the Qatar Financial Centre Authority said: "The MENA region exhibits above average GDP growth, even faster insurance premium growth, a young and rising population, low levels of insurance penetration and, in most countries, a rather limited natural catastrophe exposure. In sum, the MENA region is an attractive emerging insurance market which any aspiring international or regional insurer and reinsurer should have on its strategic agenda."

Akshay Randeva, Director Strategic Development of the Qatar Financial Centre Authority added: "The MENA Insurance Barometer is our fourth regular survey of the insurance and reinsurance markets, first covering the Gulf countries and now the wider MENA region. The study highlights the tremendous growth dynamics as well as the multi-faceted opportunities and challenges presented by MENA insurance markets. It provides some key market data and intelligence and is designed to help improve the transparency of the sector and facilitate more robust decision-making." ☐

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TRANSPARENCY IN THE CEDANT -REINSURER RELATIONSHIP - A WIN-WIN

WORDS: Jon Guy

John Tan, Chief Executive, ACR Capital Holdings looks at the need for the market to address transparency and place it at the heart of its value proposition

Transparency in cedant-reinsurer relationships is more than just a technical, industry-specific requirement. Rather, it can be argued that it is a prerequisite to maximising the economic value of reinsurance as an effective and efficient tool for risk transfer and capital relief. Let us develop this reasoning from a primary insurance perspective first.

Why risk transparency matters to society

Insurers have an obvious incentive to collect and analyse information about loss exposures in order to best possibly align premiums to the underlying risk profile and ultimately enhance their underwriting and risk management decisions. Based on a thorough analysis of the underlying

exposure, insurance rates offer a reasonably reliable indication of loss probabilities. Insurance premiums therefore act as a price signal for the underlying risk. Generating such signals can be considered a core function of insurance – and it is dependent on the transparency of the underlying risk. This information helps companies across all manufacturing and service sectors select those investment projects which offer the most attractive risk-return profile. In addition, individuals can decide whether they prefer to change their behaviour or buy insurance of the desired amount. Therefore, from an overall economic perspective, price signals provided by the insurance industry help ensure that resources are allocated in an efficient way.

In the same vein, risk transparency is vital to the role of reinsurers as enablers of primary insurers' growth and 'guardians' of their balance sheet. A lack of transparency can ultimately distort the economics of the reinsurer-cedant relationship and prompt primary insurers (and their reinsurers) to do the wrong things in terms of growth strategies and exposure management, for example. We still remember well what happened to the Lloyd's of London market in the 1980s: The LMX (London Market Excess) Spiral and its collapse in the late 1980s in the wake of disasters such as Piper Alpha, Exxon Valdez and Hurricane Hugo. The underlying lack of transparency in terms of retrocession relationships, combined with excess capacity, almost brought the venerable Lloyd's market to its knees. A more recent example of the pernicious effects of oversupply of capital and a lack of transparency is the global financial crisis in 2007/2008. The oversupply of capital was generated by new instruments of debt such as Credit Default Swaps and Collateralised Debt Obligations. In hindsight, it is clear that these markets had grown too fast and were not aligned with the needs of the real economy. In addition, the ownership of risk became opaque and unaccountable. This combination of intransparency and rampant financial innovation almost led to the collapse of the post-war system of financial capitalism.

Where do we stand in terms of risk transparency?

Let us return to the word of insurance and reinsurance. The losses resulting from the 2010 Tohoku earthquake and tsunami as well as from the floods in Thailand in 2011 have served as an eye-opener for reinsurers in particular. A poor definition of 'interests abroad coverage' in Thailand is a case in point. Another example is the unexpected complexity of contingent business interruption claims arising from Japan. These deficiencies arguably reflect a lack of professionalism but, to be fair, also result from the inherent informational opacity of insurance markets, where underwriting information tends to be carefully guarded and some market participants hope to earn 'rents' by exploiting private information. In addition, insurance markets are especially susceptible to informational asymmetries between policyholders and insurers as well as between cedants and their reinsurers.

Talking about the latter relationship, there is a recent trend which needs to be monitored very carefully, also from a systemic financial risk perspective: In the wake of industry consolidation, cedants tend to grow larger, centralise their reinsurance purchasing processes and increasingly prefer to buy bundled, global or multi-territory products

IN THE SAME VEIN, RISK TRANSPARENCY IS VITAL TO THE ROLE OF REINSURERS AS ENABLERS OF PRIMARY INSURERS' GROWTH AND 'GUARDIANS' OF THEIR BALANCE SHEET

that are remote from the primary risk, instead of local programmes. This bundling is widely believed to reduce transparency and increase the global connectivity of the reinsurance market. Regulatory authorities might start scrutinising this trend too.

Another even more relevant reason why transparency levels have deteriorated is a much reduced use of bordereaux, supplanted by summary reporting, a trend which started to emerge as early as in the 1960s. Bordereaux provide premium or loss data concerning identified specific risks and are typically periodically delivered to a reinsurer by the ceding insurers or reinsurers. A premium bordereau contains a detailed list of policies reinsured under a reinsurance treaty during the reporting period. It contains such information as the name of the primary insured, the amount and location of the risk, the amount reinsured and the reinsurance premium applicable. A loss bordereau contains a detailed list of claims and claims expenses outstanding and paid by the reinsured during the reporting period. Bordereau reporting makes particular sense in the context of pro rata reinsurance where visibility in respect of specific risks tends to be low. In the facultative context, where an individual, well-documented risk is reinsured, bordereau reporting is less common and needed. ▷

ON THE BACK OF MODERN INFORMATION TECHNOLOGY, DRAMATIC AND COST-EFFICIENT IMPROVEMENTS IN TRANSPARENCY WOULD BE WELL WITHIN OUR INDUSTRY'S REACH

What needs to be done to advance risk transparency?

A concerted effort of insurers, reinsurers, regulators and rating agencies seems to be the most promising approach to advancing the cause of transparency in the wholesale market of risk. This, however, would require a renewed consensus that transparency is basically about best practice, anchored on the principles of trust and utmost good faith and ultimately to the benefit of all market participants. Against this backdrop, regulators are making a push to promote transparency through solvency regulations which are based on exposure ('risk-based') rather than premiums (as is still the case under Solvency I, for example). In addition, they increasingly require regulated entities to dramatically step up their risk reporting (which is one of the three pillars of Solvency II). To some extent, rating agencies may also help reduce some information asymmetries inherent to insurance markets. Some people consider them "de facto" regulators in the insurance industry. However, their ratings assigned to complex and opaque risks were challenged during the financial crisis and they have yet to recover from this reputational set-back and deal with their own share of heightened regulatory scrutiny.

On the back of modern information technology, dramatic and cost-efficient improvements in transparency would be well within our industry's reach. Insurers, reinsurers and brokers could be managing their bordereaux much more effectively and actually increase their reliance on this traditional and effective form of premium and claims reporting. It is hard to understand why many existing systems still struggle to manage, verify or analyse data in a truly meaningful way. From a technological point of view, it would be relatively easy to ensure that the data comes in standardised formats or in a disaggregated form, allowing more thorough analyses of underlying risks. Embracing the possibilities offered by state-of-the-art information technology would provide companies with specific knowledge of what risks are re/insured, allow them to track premiums and claims to each risk and enable real time Management Information reports specifying all aspects of a book of business, including geographic region or lines of business as well as aggregate exposures.

Based on improved transparency and data quality, it would also make sense to address deficiencies in modeling exposures. Simply relying on more sophisticated analytics without getting the basics right could result in 'garbage in-garbage out'. Insurers and their reinsurers would risk to be lulled into a false sense of security.

Who would benefit from enhanced transparency?

As a fundamental basis for assessing risk, transparency is arguably the key prerequisite to the availability of professionally priced (re)insurance cover. It would reduce the necessity for loadings, event limits and exclusions in reinsurance – the price to pay for a lack of transparency in the cedant-reinsurer relationship. Against this backdrop, insurers should promote the cause of transparency in order to obtain wider and possibly cheaper reinsurance coverage. In addition, policyholders, commercial entities in particular, and their associations may want to take a (bigger) stake in this debate. They ultimately pay for deficiencies in transparency as opaque markets are not as competitive and efficient as they could be. Conversely, they would benefit greatly from enhanced levels of transparency through cheaper and more comprehensive coverage, given the competitive nature of insurance and reinsurance markets. ☐

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SUNDAY, JUNE 16

- Welcome Reception

MONDAY, JUNE 17

- Opening Ceremony
- Global Insurance Leadership Panel
- Special Address: Demographic Issues & Shifts: Aging, Health, Pensions
- Networking Luncheon
- Executive Panel: Surviving the Low Interest Rate Environment
- Building Trust for Sustainable Profitable Growth: Integrity, Connectivity, Agility
- Principles of Sustainable Insurance Update
- Industry Focus Sessions
- Awards Gala Reception and Dinner

TUESDAY, JUNE 18

- Industry Breakfast: Deals and cultural change - 2 imperatives for the Future of Insurance
- Executive Panel: Meeting the Needs of the Next Generation of Insurance Consumers
- Industry Focus Sessions
- Networking Luncheon
- Special Address: Insurance Gaining Relevance in the Global Economy
- Shin Research Panel: Insurance Gaining Relevance in the Global Economy
- Discussion Group Sessions

WEDNESDAY, JUNE 19

- IIS Board of Governors Meeting
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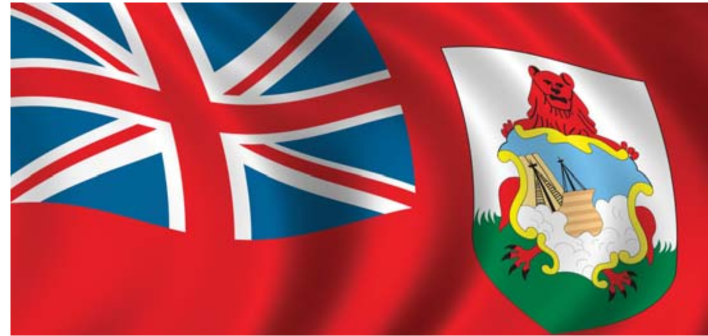
Substance over Form – An English Bermuda Form

Gavin Coull and **Helena Coates** of Locke Lord LLP examine the implications of a recent decision which sets out the UK courts approach to Bermuda forms



In February the Commercial Court handed down its judgment in *Astrazeneca Insurance Company Limited -v- (1) XL Insurance (Bermuda) Ltd (2) ACE Bermuda Insurance Ltd)* [2013] EWHC 349 (Comm), the first English case to consider the construction of the XL004 Bermuda Form. In short, the case (a) confirms the Court's approach to standard forms governed by English law irrespective of whether a different law ordinarily applies; (b) reaffirms English law principles of liability insurance; and (c) makes clear the distinction between the proper construction by a court of a contract and the rewriting of a contract by the courts.

The case turned on the construction of a policy issued to Astrazeneca ("AZ") by its captive ("AZICL") and reinsured by XL and ACE. Unlike the standard XL004 (NY Law/ London Arbitration), the underlying AZICL policy expressly provided for English law and the jurisdiction of the English Courts. XL and ACE argued that, under the AZICL policy, there was no actual liability for them to indemnify as reinsurers.

AZ received significant claims arising from their drug Seroquel and entered into settlements of approximately US$ 64 million, with legal costs of around US$ 800 million. AZICL indemnified AZ and sought recovery from XL and ACE for (a) the settlements, and (b) defence costs, asserting that it could recover (1) settlements for "*actual or alleged*" personal injury without the need to show that AZ had or would have had an actual legal liability; and (2) defence costs on a stand-alone basis. Despite agreeing to English law, AZICL sought to rely upon New York law and "*market understanding*" in interpreting XL004. The Court found this approach to be "*heretical*" as, in expressly agreeing to English law, the parties are to be taken to know its principles on liability insurance.

The Court noted that whilst, under NY law, if an insurer declines to defend a 3rd party claim the insurer is bound by a good faith settlement without the insured needing to establish actual liability, under English law is clear that, unless expressly agreed, liability insurers have no duty to defend (and here, the AZICL policy expressly excluded such a duty).

The Court dismissed the argument that there is a market view that XL004 requires no proof of actual liability as no evidence of such a "*market*" was submitted by AZICL and the relevant principle of New York law relied upon by AZICL is a substantive principle of law not dependent on the construction of the contract.

The Court restated the English principles on liability insurance and confirmed that case law consistently requires the insured under a liability policy to establish actual legal liability to a 3rd party claimant before it can recover from its insurer.

AZICL therefore also argued that the word "*liability*" in the insuring clause meant liability established by settlements, not actual liability, and sought to rely on references to "*actual or alleged*" personal injury in a number of definitions, exclusions and other provisions in an attempt to broaden the scope of cover. The Court disagreed, holding that the insuring clause clearly required actual liability to be established on a balance of probabilities and that other definitions and terms are an unpromising basis upon which to extend the primary insuring clause.

On the issue of stand-alone defence costs, the difficulty for AZICL was that the definition of "*Damages*" referred to the definition of "*Defence Costs*". On the basis of its finding on the indemnity issue, the Court also found that it was difficult to see how Defence Costs (recoverable as part of the Damages), could be independently recovered if no actual legal liability is established.

This case emphasises the need to look at the substance of the actual contract rather than relying upon the general understanding of a standard form, and once again serves as a useful reminder that nothing prevents the displacement of generally applicable principles of English law, as long as the intention is clearly stated in the policy wording.

Gavin Coull is a Partner and Helena Coates a Senior Associate in the Insurance and Reinsurance Group of Locke Lord LLP's London office

Twin Towers: One Plot, Two Events

A decision in the UK courts has defined the view that that there were two separate attacks on the World Trade Center on 11 September 2001. However **Damian Cleary** and **Jorge Salgado-Gonzalez** Locke Lord LLP report the attacks came from a single plot

In *Aioi Nissay Dowa Insurance Company Limited -v- Heraldglen Limited & Ors [2013] EWHC 154 (Comm)*, upholding an arbitral award, Field J in the English Commercial Court confirmed a finding that the 9/11 attack on the WTC constituted two distinct events despite the existence of a single terrorist plot, consistent with the general views of the aviation market.

AIOI were retrocessionaires of 4 excess-of-loss contracts incorporating the LSW 351 clause, which defines "*each and every loss*" as "*each and every loss or accident or occurrence or series thereof arising out of one event.*"

AIOI's appeal was on a point of law, as it was agreed that the tribunal could rely, as a matter of fact, upon the Final Report of the National Commission on Terrorist Attacks upon the United States.

AIOI's main submission was that the tribunal had erred in considering the "unity of cause" (one of the 4 "unities" tests applied in the seminal case of *Kuwait Airways Corporation v. Kuwait Insurance Co. [1996] 1 Lloyd's Rep 664).*

It will be recalled that in the *Kuwait* case, Rix J considered 4 factors (time, locality, intentions of human agents, and cause) in determining whether or not there was an aggregating "unity" in the seizure by Iraqi forces of 15 aircraft belonging to Kuwait Airways Corporation.

AIOI argued, based on Kuwait, that there was unity of cause in that the insured perils (war and allied perils) operated alike to both aircraft striking the WTC, advancing the case that, contrary to the tribunal's finding, unity of cause meant "*unity of* [insured] *operative peril.*"

The Court rejected this proposition and held that the tribunal made no error in approaching the question of causation "*generally*" rather than through the prism of operative peril and that, in any event, the attack on the WTC fell within both the terrorism and hijacking perils. The tribunal's finding that "*there were separate causes… because there were two successful hijackings of two separate aircraft, admittedly in execution of a dastardly plot to turn each into a guided missile each directed at one of the two signature Towers of a single property complex*" was therefore upheld.

The Court, however, distinguished the position with different insurance wordings where the criterion determining aggregation of a plurality of losses (i.e. the definition of "occurrence") is stated as being "*one cause*" or "*series of similar causes,*" rather than "*one event.*" Field J said that in considering such wordings the "*…unifying factor is of a much broader reach than the aggregation clause [construed by the tribunal]. It was this that was the reason for the decision of the U.S. Court of Appeals, Second Circuit in World Trade Center Properties v. Hartford Fire Insurance Co. [2003] 345 F. 154 that the damage caused to the World Trade Center on 9/11 was the result of a single 'occurrence'…*"

Field J considered all of the four "unities" tests and as with the tribunal's analysis of causation he determined that it had not erred in considering the other three.

The judgment provides certainty as to the way in which the English law doctrine of "unities" is applied. It also serves to emphasise the purposive approach taken by English courts and arbitral tribunals in construing reinsurance contracts, emphasising that facts bearing on an aggregation must be "*… considered in the round and in the context of the particular contractual wording and the overall contractual purpose.*"

Finally, it is important to highlight that whilst the tribunal (and the Court) found that the losses were the result of two separate "events," the tribunal also acknowledged the existence of a single terrorist plot with similar methods being used in the hijackings. In other words, the result was driven by the proper construction of the aggregating provision in the retrocession contracts but nevertheless other broader considerations were also contemplated.

Damian Cleary is a Partner and Jorge Salgado-Gonzalez is an Associate in the Insurance and Reinsurance Group of Locke Lord LLP's London Office.

Sandy's Lessons for the Cat Bond Market

While Superstorm Sandy is expected to cost the re/insurance market in the region of $20 billion **Michael J. Pinsel**, Partner with law firm Sidley Austin LLP says it has also provided a real test for the cat bonds

Although the catastrophe bond market has been in existence for approximately two decades, there have been relatively few triggering events that have tested the functioning of cat bond mechanics. While cat bond transactions are carefully structured by experienced professionals, each triggering (or potentially triggering) event offers an opportunity to analyze, under actual circumstances, whether cat bond mechanics perform as anticipated. Events with unusual attributes can be particularly useful test cases.

Definition of "Hurricane"

Index-based cat bonds typically define a "hurricane" as an event that is identified by the applicable reporting agency as a "catastrophe" that includes the peril of hurricane. PCS, a common reporting agency for index-based cat bonds, has identified the perils of flooding, hurricane, snow and wind with respect to Sandy. Indemnity-based cat bonds, however, often have a definition of "hurricane" that requires the storm to have been declared to be a hurricane by the NHC and that establishes the duration of the event by reference to "watches" or "warnings" issued by the NHC.

Sandy was a somewhat unusual major storm in that (1) it had been classified as a hurricane by the NHC but was downgraded to a post-tropical cyclone prior to the time of landfall in New Jersey and (2) although the NHC issued tropical storm watches and warnings for certain U.S. locations, the NHC issued no *hurricane* watches or warnings for any U.S. location (and, oddly, the NHC issued no tropical storm watches or warnings for any state north of North Carolina). In this regard, certain prospective modifications to the definition of "hurricane" have been considered to clarify that:

- the designation of a storm as a hurricane at the *time of landfall* is not essential for a storm to qualify as a "hurricane";
- the "watches" and "warnings" that are used to establish the duration of the storm do not need to be *hurricane* watches or warnings, but rather could be tropical storm watches or warnings; and
- the duration of the storm can be established by reference to advisories or other bulletins (in addition to watches or warnings) issued by the NHC or by any other division of the National Weather Service.

Hurricane Deductibles

Sandy also shed light on the application of hurricane deductibles. Hurricane deductibles typically range from 1-5% of a home's insured value. Whether or not hurricane deductibles are imposed could have a significant effect on the ultimate net loss suffered by an insurance company, which accordingly could have a significant effect on whether a cat bond might suffer a principal reduction. Under the insurance statutes and regulations of many states, whether or not an insurance company is entitled to impose a hurricane deductible is based on factors such as whether the storm was designated by the NHC as a hurricane at a specific time, whether hurricane warnings were issued by the NHC for certain locations or whether hurricane force wind speeds were recorded by the National Weather Service at certain locations. As noted above, Sandy was unusual in that no hurricane watches or warnings were issued by the NHC for any U.S. location and no tropical storm watches or warnings were issued by the NHC for any state north of North Carolina. In light of the issues that may be created by the foregoing, cat bond disclosure may be updated to highlight the possibility that political or public pressure or threats to reputation could lead government/regulators to attempt to prohibit the application of hurricane deductibles or could lead an insurance company to decide not to impose hurricane deductibles.

As events such as Sandy provide real world opportunities to evaluate the performance of cat bond mechanics, cat bond mechanics and documentation will likely continue to evolve.

Member of the Argo Group, ARGO INTERNATIONAL has announced the appointment of **Bruno Ritchie** (above) as Underwriting Director. He will be based in London effective immediately. Former Head of Aerospace at Argo based in Paris, Mr Ritchie will take over the responsibilities from Peter Matson; who will now focus on building business opportunities for Syndicate 1200 and Argo Group. Jeff Radke, Managing Director of Argo International commented: "Bruno's appointment to the position of Underwriting Director is a logical step in the growth of our business. He will provide excellent leadership and direction to our underwriting teams both in Lloyd's and across the syndicate's expanding European platforms. Bruno will continue to lead the Aerospace division in addition to his new role as Underwriting Director."

WILLIS GROUP HOLDINGS has appointed **Lesley Harding** as Chief Executive Officer of the Willis Global Captive Practice in Europe, effective March 1. Reporting to Malcolm Cutts-Watson, Chairman of the Willis Global Captive Practice in Europe, Ms Harding will lead the European captive management and advisory team. Former Client Advocate with Willis' Global Solutions team, Ms Harding focused on developing and managing relationships with a number of Willis' global clients in the Energy industry. Commenting on Harding's appointment, Mr Cutts-Watson said: "Lesley's appointment strengthens the leadership team and helps us better respond to untapped opportunities in the captive market. Her recent experience will facilitate enhanced connectivity within Willis and greater understanding of how captive services and solutions add value to our clients' businesses".

AEGIS LONDON has appointed **Varian Bush** (above) as its new energy exploration and production property underwriter. Former broker at Aon, Mr Bush has 11 years experience in the London market within the energy division focusing on UK independent operations in the North Sea. Mr Bush joins the property team at Aegis this month and will report to Richard Palengat. In his new role, he will be responsible for underwriting a range of both onshore and offshore oil and gas production risks and will focus on small-to-medium enterprises, specialising in UK independent producers. David Croom-Johnson, Active Underwriter, commented on the appointment: "Varian has acquired considerable expertise through working with a wide range of energy clients operating in the upstream sector".

Leading insurance and reinsurance intermediary COOPER GAY & CO has announced the appointment of **Graham Dick** (above) as Director of its Professional Risk Division. Based in London, Mr Dick's responsibilities include targeting financial institutions business emanating from the UK Europe and offshore jurisdictions and will report to Dan Barton, Managing Director of Professional Risks. Since 1998, he had worked at Jardine Lloyd Thompson, where he managed a book of professional risks business mainly focused on the UK and Europe. Dan Barton, Managing Director of Professional Risks at Cooper Gay & Co said: "We recognise that clients and markets alike are continually raising the bar regarding what they expect from their broker. We aim to exceed those expectations; Graham's knowledge and experience will contribute significantly to those aims".

Global risk and reinsurance specialist GUY CARPENTER & COMPANY has announced the appointment of **Georg Fuelles** as Head of European Casualty Strategy. Mr Fuelles will be involved in the management and support of the firm's Global Partners Casualty accounts, with a particular focus on developing Casualty business in the DACH and CEE areas. Based in the Zurich office, he will report to Axel Floering, Managing Director, on an operational basis and to Morley Speed, Managing Director on a strategic basis. Nick Frankland, CEO of EMEA Operations at Guy Carpenter, said: "Georg's expertise combines both a thorough understanding of the European Casualty sector with the considerable regional insight he has gained from working across a number of key territories".

TOWERS WATSON has appointed **Alexandra Stewart** and **Mathieu Denarnaud** as specialty London market insurance brokers for terrorism and product recall. They join from Aon and follow the appointments of Chief Broking Officer, Christof Bentele along with Consulting Director, Chris Holt. Keith Harrison, European Managing Director Towers Watson, said: "As part of our plan to combine both consulting and insurance brokerage to offer corporate and insurance clients a more holistic crisis risk management strategy, we are looking at a number of high quality appointments throughout 2013. We are delighted that Alexandra and Mathieu have bought into our vision for this exciting venture."

1 Insurance agent leaves Manchester United seeing red

There are plenty of those in the industry who say that they tend to lie when they are asked what they do when meeting people at a party.

Well for Cuneyt Cakir it might be best that he sticks with telling those he meets of his job as an insurance agent in the Turkish city of Istanbul. Because apart from selling insurance Mr Cakir is also one of Europe's top referees and took charge of the Champions League game between Manchester United and Real Madrid earlier this month.

However his decision to send off Manchester United's Portuguese midfield player Nani on 56 minutes with the home side leading 1-0 saw Real Madrid score twice in the space of three minutes to progress to the quarter finals 3-2 on aggregate.

The decision to show a red card to the player for a high challenge where TV replays seemed to show he had his eyes on the ball which was coming over his shoulder rather then on the approaching Alvaro Arbeloa, has been roundly criticised by players and commentators. Manchester United manager Sir Alex Ferguson was so incensed by the decision he could not bring himself to speak to the media including the club's own television channel after the match.

While the media and the internet make it clear that Mr Cakir is an insurance agent they don't mention his employers and you have to hope that is not Aon, which is the lead sponsor of Manchester United!

2 Insurers and sport fans set to converge on Bermuda

Hotel rooms in Bermuda are set to be much sought after this November as a new event seeks to attract the world's insurance-linked securities (ILS) market.

The 14 November will see the island's capital Hamilton, host Convergence 2013, the Island's inaugural global ILS conference.

Convergence 2013 is the creation of ILS Bermuda, a newly formed group of member organisations which are engaged in global capital markets and insurance on the Island.

"As the world's leading jurisdiction for insurance-linked securities and collateralised reinsurance, Bermuda is a natural convergence hot spot and therefore an ideal host for this conference," says Kathleen Faries, spokesperson for ILS Bermuda.

"ILS Bermuda brings together the shared interests of participants in the reinsurance and capital markets convergence marketplace. Our aim is simple: build and sustain businesses, promote job creation and lead economic growth in the convergence space in Bermuda. We believe this conference will become the marquee event for the ILS industry," she added.

"We are excited about the creation of ILS Bermuda and the planning now underway for their first event, Convergence 2013, which will present the Island as the pre-eminent domicile for ILS. The Ministry of Economic Development is pleased to support this joint industry initiative, especially given its focus on developing new business and commercial opportunities for Bermuda organisations active in alternative reinsurance and insurance-linked securities," says Dr Grant Gibbons, Minister for Economic Development.

Organisers say the concept for the conference is being modeled after popular established global reinsurance events. The event will coincide with the Island's annual World Rugby Classic and will see a huge uptick in visitors to Bermuda so hotel rooms are likely to be at a premium.

3 Underwriter in alliance to tackle flood threat

Zurich Insurance Group (Zurich) has said it will enter into a five year alliance worth CHF 21 million with the International Federation of Red Cross and Red Crescent Societies (IFRC).

The agreement will form the foundation of Zurich's global flood resilience program, which aims to enhance community flood resilience by finding innovative ways to increase the impact of disaster risk reduction efforts at the community, national and global levels.

In a statement the company said: "Zurich has committed to this major flood resilience program because floods affect more people globally than any other type of natural disaster and are responsible for some of the largest economic, social, humanitarian and insured losses. The program is being embedded within Zurich's General Insurance business, making use of Zurich's insurance and risk expertise around the world."

Mike Kerner, CEO of General Insurance, explained: "Floods are expected to have a growing impact due to natural factors, such as the increase in extreme rainfall events and rising sea levels, and man-made factors such as population growth and the number of homes and businesses in areas exposed to flooding. At the same time we believe that there is too little emphasis on pre-event flood mitigation, as opposed to post-event flood relief. This is a gap that Zurich can help fill because we have relevant risk management and insurance expertise."

Zurich's flood resilience program will focus on developing and disseminating knowledge and expertise on flood resilience.

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