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Insurance Day is the world's only daily newspaper for the international insurance and reinsurance and risk industries. Its primary focus is on the London market and what affects it, concentrating on the key areas of catastrophe, property and marine, aviation and transportation. It is available in print, PDF, mobile and online versions and is read by more than 10,000 people in more than 70 countries worldwide.

First published in 1995, *Insurance Day* has become the favourite publication for the London market, which relies on its mix of news, analysis and data to keep in touch with this fast-moving and vitally important sector. Its experienced and highly skilled insurance writers are well known and respected in the market and their insight is both compelling and valuable.

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Europe's insurance giants form consortium to offer cover against injury to football stars

Scott Vincent
Deputy editor

Europe's biggest insurance and reinsurance names have joined forces in a consortium to provide football clubs with a policy offering protection against injury to star players.

With transfer spending continuing to rise across Europe's major leagues, the product aims to offset a fall in a player's transfer value resulting from serious injury or illness, and provides compensation if the player suffers a long-term injury.

Designed by Hiscox alongside Avoca Elite Sports (AES), which helps European football clubs manage their financial risks, the product will spread the risk across a number of insurers and reinsurers, including Axa, Munich Re and Swiss Re.

AES consultant David Lampitt, who previously served as head of financial regulation at the Football Association, said the product can be used to help clubs manage their finances and objectives under Uefa's Financial Fair Play (FFP) rules.

He said: "With the advent of FFP, clubs are going to be far more restricted in their ability to inject cash into their squads to mitigate the loss of key players.

"Dealing with those changing circumstances is a must for all clubs. What's good about this product is that it provides a new way of protecting clubs from potentially significant financial shocks. It also reflects an increasingly professional approach to financial risk management being taken in football."

Analysis by Deloitte has shown summer spending among English Premier League clubs rose 29% to £630m ($1.02bn) this year, while Gareth Bale's move from the Premier League to Real Madrid set a new world transfer record.

The increased spending was driven in part by the Premier League's lucrative new broadcasting deals, which gave clubs an extra £600m in revenues for this season.

Europe's biggest five leagues all saw an increase in summer transfer spending. Deloitte figures show the next highest-spending leagues were Spain's La Liga and Italy's Serie A, each with a gross spend of £335m, followed by France's Ligue 1 (£315m) and Germany's Bundesliga (£230m).

The increasing levels of spending have prompted clubs to take a closer look at how they protect these assets. According to research by Towers Watson, Premier League clubs are likely to pay more than £100m in salaries this season to players unavailable because of injury for 30 days or more.

Towers Watson senior consultant Paul Moorshead told *Insurance Day* clubs are now showing an increasing interest in detailed statistical analysis of injuries.

The consultancy conducted a study of nine seasons of data up to the end of the 2009/10 season, which found a number of factors influence the likelihood of severe injuries during the course of a season. Any player who has had one severe injury is, perhaps not surprisingly, susceptible to another within two years of the initial injury.

"If a player has had a number of injuries – three or more in the past two seasons – they have a much higher risk of getting injured in the future," he said.

"As you get older, the chance of getting injured increases, although it then falls at a certain age. This could be through players understanding their own bodies and making allowances for themselves in their early 30s.

Players in the 29- to 31-year-old age bracket who sit on the bench for 60% or more of matches carry a very high injury risk.

"How often a player gets on the pitch has an impact," Moorshead said. "Those players who are in the squad but are not often getting on the pitch seem to have a much higher injury experience. There is a potential psychological reason – being a footballer represents their hopes and dreams and when they do get on the pitch they perhaps try too hard."

Injured footballer: Hiscox and AES's new product covers football clubs against injury to star players

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HSB adds Allianz's Slack to loss control engineering team

http://bit.ly/1bP9qBd

Alterra exodus continues with property specialist Abrahams joining ANV

http://bit.ly/1eu9Nos

NEWS

AGCS strengthens growth areas of cyber and financial lines

Industrial insurer has added Martin Zschech and Jens Krickhahn to its operations

Herbert Fromme, Cologne
German correspondent

Allianz Global Corporate & Specialty (AGCS) has made two hirings, with Martin Zschech returning from Zurich to become head of financial lines in Germany and central Europe, while Jens Krickhahn will take charge of cyber and fidelity insurance.

Christoph Lohmann, who has been in charge of Germany and central Europe at AGCS since the beginning of the year, has arranged the two appointments in business segments that are seen as vital to the company's future strategy.

With effect from January 1, 2014, Zschech will take over responsibility for financial lines at AGCS Germany and central Europe. He is employed at present by Zurich but also knows Allianz very well, working for the group from 2003 to 2010. From 2005 to 2010 he worked as senior underwriter for directors' and officers' (D&O) liability in Munich and Sydney, and also had a stint with Munich Re.

Lohmann said: "[Zschech] knows our company very well because of his many years at Allianz and was also able to build up a wealth of experience outside of AGCS, which will stand us in good stead for our future challenges."

"[Martin Zschech] knows our company very well because of his many years at Allianz and was also able to build up a wealth of experience outside of AGCS which will stand us in good stead for our future challenges"

Christoph Lohmann
Allianz Global Corporate & Specialty

Zschech: returning from Zurich to become head of financial lines in Germany and central Europe

Zschech succeeds Carsten Wiesenthal, who will be responsible in future for central projects at Allianz. Lohmann said Wiesenthal had played a central role in positioning AGCS as a leading D&O insurer in the region, as well as most recently implementing Allianz' new cyber insurance strategy.

Krickhahn, who will join Allianz from February 1, 2014, was employed by Hiscox until recently. He will be responsible for the newly created business area cyber and fidelity for Germany and central Europe. Allianz combines cyber risks and insurance against loss of trust. Krickhahn is also no newcomer to Allianz, having begun his career there in 1993.

Cyber insurance is considered one of the most promising growth markets in industrial insurance. Krickhahn was an underwriting manager at Hiscox and was responsible for developing package policies for cyber and IT that were among the first in Germany.

In an interview last month Lohmann said Allianz is able to offer cyber policies with capacities of more than €100m ($135.1m), using reinsurance and co-insurance. "We have been doing this for nearly 10 years, both when it comes to companies' own losses and in liability." But the number of claims was too low to build an actuarial risk model on that basis.

Axa Art forced into management reshuffle by Sartorius's departure

Axa Art has been forced into making several senior leadership changes after Dr Bodo Sartorius decided to leave the company at the end of the year, *writes Christopher Munro*.

Sartorius has been with Axa Art since August 2002 and spent a decade as chief operating officer before being handed the role of chief technical officer (CTO) last year. Sartorius has now decided to leave the company to pursue other interests.

Axa Art's global chief executive, Dr Ulrich Guntram, said: "[Sartorius] has played a critical role in helping to develop Axa Art into the globally recognised art insurance specialist it is today. I join my fellow board members, managers and employees in thanking [him] for his exceptional dedication and leadership and wish him the very best in his new endeavours. He will be greatly missed."

With Sartorius's imminent departure, Axa Art has been forced to undertake an immediate reshuffle. Jean Gazançon was promoted to chief operating officer in April earlier this year, while he was also been handed a seat on the management board of Axa Art Versicherung AG.

Christian Muller has been given the task of replacing Sartorius, having been appointed CTO for Axa Art. He too has been given a seat on the Axa Art Versicherung AG board. He will take up both positions from the beginning of next year.

Muller joined Axa Art in 2004 as managing director for the company's French, Benelux and Middle East operations.

These are not executive changes taking place at Axa Art however, with Sylvie Gleises replacing Muller as managing director of Axa Art France, Benelux and the Middle East, also from January 2014.

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Tower Group posts $504.9m loss for first half
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Japan Club unveils 7.5% general increase
http://bit.ly/192OWE9

FCA to investigate whether comparison sites really offer best deal
http://bit.ly/1iKUURJ

NEWS


El Ramon

Cat bond pricing approaches record highs of early 2011, BMA report suggests

Bermuda's pre-eminence in the insurance-linked securities (ILS) arena is underscored by the growing influence of the island's stock exchange, which accounted for more than 40% of the global market capitalisation of ILS at the end of the third quarter, a comprehensive new report from the regulator suggests, *writes Richard Banks*.

The Bermuda Monetary Authority-commissioned Insurance-Linked Securities Market Report says a total of 34 ILSs are listed on the Bermuda Stock Exchange with an aggregate nominal value of around $7.9bn, of which $560m is issued by non-Bermudian entities.

Bermuda's historical expertise in the catastrophe risk segment means catastrophe bonds account for the lion's share of ILS and, according to the BMA report, the third quarter represented a positive period for bonds' performance.

It said: "The recent rise of nominal returns reflects seasonal pricing effects of hurricane exposed bonds as general spread tightening in the middle of the Atlantic hurricane season has lifted the secondary market price indices of cat bonds.

"The strong performance also testifies to the rising demand for cat bonds as an alternative investment product as spreads have continued to tighten."

This trend has continued even in the face of the expected US Treasury tapering, which it said would imply higher returns from traditional investments and thus lower demand for ILS.

Still, the BMA report said: "During the past 12 months, demand for cat bonds has outstripped supply as a result of a considerable influx of capital into the market for short-dated ART [alternative risk transfer] investments an led to resilient pricing for most of the season."

This has nudged cat bond pricing towards the highs of early 2011, implying a positive total return of the outstanding cat bond market during the period, the report added.

34
Insurance-linked securities listed on Bermuda Stock Exchange, with a...

$7.9bn
Aggregate nominal value, of which...

$560m
Is issued by non-Bermudian entities

Iran deal brings some insurance relief

Peter Birks
IIN 24 editor

Iran has reached a deal with six other powers to curb its nuclear programme, an agreement that could make it possible for the European and US reinsurance markets to offer cover for Iranian oil-carrying tankers and their cargo. However, for the moment, nothing has changed on the oil embargo itself.

On November 24 the US State Department said Iran's crude oil sales over the next six months cannot increase and "under this first step, the EU crude oil ban will remain in effect and Iran will be held to approximately one million barrels per day in sales". Before the ban on European reinsurers serving the market, Iran had been exporting about 2.5 million bpd.

However, Kevin Brook, managing director of US-based ClearView Energy Partners, said the apparent easing on insurance could allow an increase from 200,000 bpd to 400,000 bpd. He also said the latest mention of one million bpd contrasts with a recent estimate Iran exported only 715,000 bpd in October, down about 30% year on year.

The exact details of how this agreement will affect the European reinsurers is not helped by the US State Department's failure to mention insurance in the fact sheet it released at the weekend.

Bloomberg reported South Korea and Japan have no immediate plans to increase levels of imports, while Indian refiners intend to maintain contracted volumes.

Although there is no immediate lifting on the existing export restrictions on Iranian crude, levels of exports had fallen below even sanction levels, partly because refineries in India had been told if they were processing any Iranian crude they would not be covered. The effective impact therefore will be ships carrying crude oil from Iran up to the sanction levels will be insurable, but "sanction-busting" carriers would not.

Mangalore Refinery of India managing director PP Upadhya said this was "a precursor to overall easing of Iran sanctions", adding: "We are importing about 500,000 tons every month since August, so we should reach our four million ton plan by March."

(from left): Germany's foreign minister, Guido Westerwelle; British foreign secretary, William Hague; Chinese foreign minister, Wang Yi; US secretary of state, John Kerry; French foreign minister Laurent Fabius; Russia's foreign minister Sergey Lavrov; EU foreign policy chief, Catherine Ashton; and Iranian foreign minister Mohammad Javad Zarif, meet in Geneva, Switzerland for the Iran nuclear talks

Russia's Deposit Insurance Agency to receive powers over failed risk carriers

Russia's Deposit Insurance Agency (DIA) is set to receive new powers to oversee troubled insurance companies in the former Soviet state, including liquidating insolvent carriers, according to local reports.

The DIA is already responsible for bailing out deposits of failed banks in Russia, but the news has been met with dismay by insurance groups, concerned the agency will attempt to employ the same techniques for handling failed banks in the more complex task of running-off failed insurers.

At present the Central Bank of Russia, as financial regulator, is ultimately responsible for insurance companies' policyholder protection; however, there have been complaints by the time it steps in to begin the process that culminates in the courts appointing specialist run-off administrators, most of the assets of a failed carrier have disappeared.

According to reports in Russia's RBC Daily, the DIA will be granted powers by the country's Ministry of Finance to take over the administration of insurance companies whose licences are revoked.

Meanwhile, the central bank is also working on a fresh reporting and solvency regime for insurers designed to reduce the number of failures.

BIG INTERVIEW

Between traditional reinsurance and the capital markets

Phoenix CRetro serves as an aggregator for companies in the CEE, CIS and Mena regions to participate in the international catastrophe reinsurance markets

Rasaad Jamie
Global markets editor

To begin with, Phoenix CRetro Re, a special-purpose vehicle authorised in Bermuda in May of this year, will be providing catastrophe retrocession cover to syndicates in the Lloyd's market. In terms of its structure, Phoenix CRetro Re is not a risk-carrying entity, but serves as a platform through which Lloyd's syndicates (and, after a year or so, other global reinsurers) can access retrocession capacity provided by insurance and reinsurance companies, as well as institutional investors based in central and eastern Europe (CEE), the Commonwealth of Independent States (CIS) and in the Middle East and north Africa (Mena).

The idea of a niche specialist reinsurance platform that brings together the Lloyd's and the international catastrophe reinsurance market with insurers and other capital providers from the CEE, CIS and Mena regions is the brainchild of Phoenix CRetro Re's chief underwriting officer and senior vice-president, Kirill Savrassov.

He has been based in London for the past four years and has worked in the international retrocession and collateralised reinsurance markets for much of the past decade, but his professional and personal history is intimately connected with the insurance markets of the CEE and CIS. For example, he established the first reinsurance broker, Beauchamp & Savrassov, in his native Belarus in 1999.

The firm's service offering to the local market was based on its strong London market connections. Indeed, at various times, it formed part of the international networks of Lowndes Lambert, Lambert Fenchurch and Heath Lambert. Until several years ago when the Belarusian authorities monopolised reinsurance activities, Beauchamp & Savrassov was operating as an exclusive country partner for Cooper Gay.

In addition to this, Savrassov has been involved in a number of co-operative ventures between the London market and the CEE and CIS insurance markets. For the 18 month before Phoenix CRetro's launch, Savrassov was working at the Chesterfield Group, developing the broker's LMX Retro business. He is also chief executive of the British-Belarus Chamber of Commerce.

Developments

According to Savrassov, Phoenix CRetro Re represents the culmination of certain developments in both the global catastrophe reinsurance markets and the local insurance markets in the CEE and CIS regions. "On the one hand, there is the collateralised reinsurance and insurance-linked securities [ILS] markets, which are growing very rapidly because of the involvement of non-insurance capital. These markets provide a number of different instruments to enable those who are not professional insurers or reinsurers to participate in the international catastrophe reinsurance market," he says.

On the other hand, he adds, there are the local markets in the CEE, the CIS and the Middle East where there is the capacity and understanding to participate in the international cat markets, but where the local markets are not quite developed enough. "These markets have no exposure whatsoever to global cat events; they are not able to participate due to the fact almost no company in these markets has an adequate financial strength rating as the sovereign rating in these countries, which limits the scope of individual corporate ratings, is well below the minimum requirements of the security committees of international brokers."

For Savrassov, Phoenix CRetro serves both as an aggregator and, under certain circumstances, a subscription market. "Local companies in these regions are prevented from participating in the international cat markets due to the lack of [a Standard & Poor's] rating and because they are quite small companies. At present, they are only able to write lines of between $1m and $5m on an individual basis. But any syndicate looking for cover wants much bigger lines, so we are acting as an aggregator for these relatively small companies."

Through this process of aggregation, Phoenix CRetro Re will be able to provide single lines of retrocession cover of between £10m ($16.2m) and £50m depending on the demand notification period, which typically can range from 60 days to 90 days. "On an accumulated basis, we provide those local companies the opportunity to start writing the retrocessional programmes of Lloyd's syndicates. We do this by using all sorts of instruments available on the ILS and collateralised reinsurance markets. With these tools we unite the need for capacity that exists in the cat retrocession market with the demand from these local markets to participate in the cat markets."

Collateral

Importantly, the capacity offered by Phoenix CRetro Re is fully collateralised. However, the posting of collateral, Savrassov says, has got very little to do with whether or not local companies are trusted by the international markets. "There are companies in our market that generate hundreds of millions in written premium. But posting collateral is the only way to overcome the minimum rating security environment in the region. Because, in the case of 100% collateral, it is not the company's rating that is taken into consideration but the rating of the letter of credit issuer or confirmer, which is the bank."

Letters of credit, however, are not the only collateral instrument employed. Savrassov says Phoenix CRetro Re is also working with some of the leading banks in the UK developing collateral trusts agreements. "This is standard practice in the US but it is a new concept for CEE, so we are looking to use collateral trust arrangements and other instruments likes collateral letters of

Kirill Savrassov CV

May 2013 to present
Senior vice-president and chief underwriting officer, Phoenix CRetro Re

2009 to present
Chief Executive, British-Belarus Chamber of Commerce

2011 to 2013
Director, LMX Cretro, Chesterfield Group. Start-up and development of collateralised ceded reinsurance for the London market within the group.

2009 to 2011
Producing broker, letter of credit markets, Cooper Gay & Co. Full cycle (from initial broking to letters of credit issuance and claims collection) of collateralised placements with eastern European capacity in respect of international retrocessional whole account and cat programmes for Lloyd's syndicates and London market buyers.

2007 to 2009
Board member and country director for Belarus, Cooper Gay (Eastern Europe) Ltd. Regional director in a 51/49 joint venture.

1999 to 2011
Founding chief executive, Beauchamp & Savrassov. Founder and chief executive of the only Western reinsurance broker permanently represented in Belarus for more than a decade.

1997 to 1999
Private practice as lawyer. In-house and consulting lawyer on various projects for several Belarusian- and UK-based companies.

credit enhancers, which allow local companies to reduce the cost associated with the posting of collateral."

Savrassov describes what Phoenix CRetro Re has to offer as a combination of classical reinsurance practice and the innovative techniques developed in the ILS and collateralised retrocession markets in recent years. "We use all these advanced techniques and technologies, but underneath it all we rely on the good old classical principle of co-operation because what we provide is still traditional reinsurance capacity, which these local markets provide not because they are looking for premium income but they also want to establish a long-term relationship of reinsurance co-operation between themselves and the international markets. That is the only way for them to become respected players in that market. The commitment of the markets of CEE is a long-standing commitment, which means if tomorrow the general economic situation changes, this capacity which they are providing is unlikely to go somewhere else."

Benefits

According to Savrassov, there are several benefits for Phoenix CRetro Re cedants. First of all, he says, reinsurance buyers are always looking for different ways to diversify their programmes. "We offer a really good alternative, which is positioned somewhere in between traditional reinsurance and the capital markets. These local markets have no or minimal exposure to the cat markets so it is a good alternative for anybody seeking to diversify their retro programme.

"Also, it benefits those international reinsurers who are looking to expand into the CEE, CIS or Mena markets at some point in the future because you are seen differently, not only as a foreign company that is taking premiums out of the market and providing cover but also as a company that is putting some of your own exposures into the local market. And co-insurance is a principle that is very well established and popular in the local markets. They like the concept of reciprocity. Historically, local markets in the CEE have always co-operated among themselves in terms of accessing reinsurance and the majority of companies in the region hold licences for both direct insurance and reinsurance business."

In terms of the benefits for the local markets, according to Savrassov, Phoenix CRetro Re first provides them with unique access to the international expertise of a market such as Lloyd's, which is more than 300 years old. "Second, it is a way to balance their portfolios because usually, they do not have cat exposures at all. It also provides them with a healthy cashflow. Premium rates for retrocessional catastrophe risks could be significant even though they write relatively small, individual lines. And it deepens their involvement in the reinsurance market. We are providing them with access to the top league of reinsurance. It is a relationship that enhances the overall image of and helps with improving the expertise in CEE and CIS markets." Additionally, Savrassov sees Phoenix CRetro Re's activities as a great opportunity for non-insurance capital providers like institutional investors and asset managers in these regions to participate in a single contract arrangement such as a quota-share or cat XL reinsurance treaty through segregated investment accounts.

Compliance

Phoenix CRetro Re is managed by R&Q Quest Bermuda, part of the Randall & Quilter (R&Q) group and one of the largest captive managers on the island. "It provides us with all sorts of support from back-office processes to claims management to compliance. R&Q is a very respected name in the market and demonstrates to our cedants we are in a full compliance with market requirements."

In addition, Phoenix CRetro Re subjects its capacity providers to a stringent process of due diligence which, Savrassov says is part of the company's commitment to the Bermuda Monetary Authority, as well as part of its commitment to cedants. "We do everything absolutely transparently. We perform a two-tier, extensive due diligence process so ensure there are no questions, no issues with regard to capacity or capital providers."

But if the capacity is 100% collateralised, does the due diligence have to be that thorough? Savrassov says it was more a question of reputational risks and Phoenix CRetro Re is in the process of trying to sell CEE as a steady, long-term, professional reinsurance partner. "One of the aims of all this due diligence activity is to make potential reinsurance buyers comfortable their capacity providers operate in a market environment that is properly regulated. Many companies in the market are well-established reinsurers so we are looking to boost the reputation of the whole region within the international context. In many ways, we are still trying to sell the region on a wholesale basis."

In terms of distribution, Phoenix CRetro Re makes little use of brokers. "For the moment, we have direct conversations with the cedants. But in the local markets we sometimes use broking houses to access potential capacity providers in the places where we don't have representative offices."

But the sourcing and the packaging of appropriate retrocession risks are done by Phoenix CRetro Re. "We also gather the capacity and work out the aggregation potential. One of the most important factors for us is our relationships with a number of leading international banks and our experience in the use of financial instruments that are not available in the local markets, which allows us to package the smaller lines of our capacity providers and to offer big lines to ceded reinsurance buyers."

In this regard, according to Savrassov, Phoenix CRetro Re's business is, at the moment, driven by what the Lloyd's syndicates want to buy in terms of retrocession capacity. "But this market is quite big and we can create a balanced blend of exposures by selecting some risks on a global basis and others on a regional basis. For us, it is about working with different syndicates in the Lloyd's market. In this way you can match their requirements with what the local markets can provide."

Prospects

Savrassov sees the prospects for the emerging insurance markets in the CEE and CIS regions as significant. "Geographically, they represent quite a significant region which will develop extensively over the next 20 to 30 years. And as these markets develop, they will increase their involvement in the global reinsurance market." In line with this development, the plan within Phoenix CRetro Re is to have underwriting capacity of between $30m and $40m by the January 2014 renewals and to increase that figure to $100m by January 2015 both organically and through involvement of regional institutional investors. At that point, Savrassov and his partners might consider going public. "There could be a synergy between the capital raised during the initial public offering and capacity provided by local companies in the CEE and CIS markets. These two types of capital can work together very effectively." ■

Kirill Savrassov on...

The local markets of central and eastern Europe, the CIS and the Middle East

"These markets have no exposure whatsoever to global cat events; they are not able to participate due to the fact almost no company in these markets market has an adequate financial strength rating as the sovereign rating in these countries, which limits the scope of individual corporate ratings, is well below the minimum requirements of the security committees of international brokers."

Phoenix CRetro Re's thorough due diligence process

"One of the aims of all this due diligence activity is to make potential reinsurance buyers comfortable their capacity providers operate in a market environment that is properly regulated. Many companies in the market are well-established reinsurers so we are looking to boost the reputation of the whole region within the international context. In many ways, we are still trying to sell the region on wholesale basis."

The benefits of offering fully collateralised capacity

"There are companies in our market which generate hundreds of millions in written premium. But posting collateral is the only way to overcome the minimum rating security environment in the region. Because, in the case of 100% collateral, it is not the company's rating that is taken into consideration but the rating of the letter of credit issuer or confirmer, which is the bank."

COMPANIES HOUSE

London companies benefit from breadth of accounts

Specialist insurers and reinsurers in the London market posted premium growth during the first three quarters of the year but rates were patchy across the various lines of business

Graham Village
Global markets editor

Our final tranche of nine-month results rounds up figures from a further selection of the global insurance and reinsurance market, and companies that provide detailed financials are shown in the two tables. Several companies provide only brief management statements for the three quarters and this group includes many of the specialist Lloyd's and London market players.

Catlin's gross premiums increased 8.2% for the first nine months to $4.42bn as the hubs outside the London market and the UK once again accounted for an increased share of the total, continuing the trend of recent quarters. In the London/UK hub, premiums were down 0.7% to £2bn ($3.2bn). Elsewhere, the US hub recorded a 17% increase, Bermuda 10% and international 21%. Total gross premium from the non-London/UK hubs rose 17% and these hubs accounted for 55% of the group's total premium, up from 51%.

By line, Catlin's largest account was reinsurance, with a premium income of $1.73bn, up 6.3%. Premiums were up for all lines except aerospace. The 19% rise in liability premiums reflected growth in business written by the US and international hubs on the back of a favourable rating environment as well as continuing growth in UK motor.

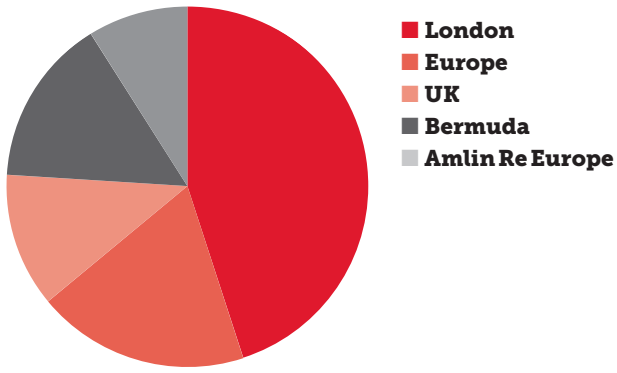
Rates were up 1% across the portfolio, with cat-exposed rates flat and non-cat rates up 2%.

Catastrophes and large losses cost Catlin $148m for the period.

The total investment return was $65m, down from $156m, as the fixed-income portfolio failed to make a return owing to mark-to-market losses over the summer.

Amlin (*pictured*) said it produced an excellent underwriting return during the first nine months and it expects the full-year results will exceed its cross-cycle target return on equity of 15%. Gross premium was broadly flat at £2.2bn with average renewal rates unchanged after a 3.8% increase for the 2012 period. However, for the 2013 underwriting year of account, premium increased 4.8%.

Chart 1: Amlin's premium split by unit



US cat reinsurance rates were down 4.5% for Amlin, with June renewals for Florida experiencing the heaviest decline. Rates fell 1.1% for international cat business, which represents more than 40% of Amlin's total cat book. Rating for both US and international cat business remains at near peak levels and the business is still attractive despite the recent and anticipated rate reductions, Amlin said.

UK commercial business has improved, with fleet rates up 9% and liability rates also picking up. Rating conditions for Amlin London's property and liability classes continues to develop and the unit wrote £73m of new business. Amlin Re Europe added £36.3m of new business.

By unit, the group's premium split was London 44.9%, Europe 18.8%, UK 12.3%, Bermuda 15.1% and Amlin Re Europe 8.9%.

The group spent £343.5m on outwards reinsurance protection, including the cost of the Tramline II catastrophe bond issued in June. Amlin has materially cut its cat reinsurance account event retentions and, through the Tramline II transaction, has additional cover for North American earthquake risk.

The largest cat loss for Amlin this year so far has been the European flood losses in May and June, estimated at £25.7m. Smaller cat losses totalled £37m while large risk losses were £41.6m.

Beazley reported a 5% increase in gross written premiums to £1.54bn from £1.47bn for the corresponding period of 2012. Strongest growth came in the reinsurance and political risk/contingency division, with development of the existing political book and the new political/contingency business

Continued on p11 >>

Table 1: Insurance and reinsurance company results, first nine months ($m unless stated)

Company	Gross written premium		Net written premium		Net change (%)	Total expenses		Underwriting result		Combined ratio (%)	
	2012	2013	2012	2013	2013	2012	2013	2012	2013	2012	2013
Affirmative	172.4	220.1	*104.4	*121.8	*16.7	159.4	189.8	†(47.9)	†(62.5)	–	–
Amerisafe	247.7	281.1	235.8	267.5	13.4	211.2	227.9	1.3	15.4	99.4	93.6
Arab Insurance Gp (Arig)	260.9	258.9	*183.3	*166.6	*(9.1)	191.1	174.8	6.2	6.0	92.7	90.4
Assured Guaranty	–	–	*635.0	*570.0	*(10.2)	694.0	306.0	†175.0	†493.0	–	–
Atlas Financial	–	–	*26.8	*50.8	*89.6	28.0	49.0	†(1.2)	†2.2	104.6	95.7
China Pacific (Yuan bn)	127.1	138.5	117.9	129.1	9.5	128.1	139.3	–	–	–	–
Direct Line (£m)	3,085.0	2,954.0	–	–	‡(4.3)	1,163.1	986.4	8.0	122.0	99.7	95.4
Donegal	–	–	381.8	409.7	7.3	121.6	128.8	†(4.5)	†0.8	101.5	100.1
EMC	–	–	376.3	415.3	10.4	350.0	378.5	†3.6	†(6.0)	101.8	99.0
Enstar	–	–	*2.7	*165.9	*n/a	285.9	270.0	–	–	–	–
Federated National	89.7	177.6	40.4	99.4	146.0	43.7	69.4	(1.1)	1.9	–	–
First Acceptance	–	–	*139.6	*151.0	8.2	182.2	174.9	†(37.3)	†(20.1)	108.8	95.8
First American Financial	–	–	*2,667.3	*3,174.4	*19.0	2,945.3	3,510.3	–	–	–	–
Hallmark Fin Servs	297.7	351.3	255.1	296.3	16.2	252.1	294.7	†(10.0)	†(12.1)	102.0	103.2
HCI Group	*161.6	*245.7	*108.1	*170.8	*58.0	83.5	94.6	38.0	100.9	77.2	55.4
Humana	–	–	*28,029.0	*29,267.0	*4.4	27,862.0	29,051.0	–	–	–	–
KBC** (€m)	–	–	*2,352.0	*1,692.0	*(28.1)	–	–	¶(230.0)	¶(188.0)	95.0	91.0
Kingstone	36.5	44.7	14.8	18.1	22.3	7.4	8.2	†5.2	†7.3	††77.9	††84.3
Kingsway	–	–	*86.8	*82.4	*(5.1)	150.8	156.3	†(3.6)	†(4.0)	–	–
Manulife (C$m)	18,548.0	18,969.0	12,949.0	13,387.0	3.4	29,726.0	10,189.0	–	–	–	–
MBIA	–	–	*464.0	*348.0	*(25.0)	944.0	629.0	–	–	–	–
Meadowbrook	820.0	758.8	686.9	547.2	(20.3)	746.4	712.9	†(105.6)	†(54.2)	113.9	106.7
Mercury General	–	–	1,996.8	2,060.9	3.2	1,927.7	1,990.6	–	–	100.4	98.6
MetLife	–	–	*27,326.0	*27,402.0	*0.3	43,830.0	44,279.0	–	–	–	–
National Interstate	416.6	452.7	354.7	381.5	7.6	332.2	409.2	†21.5	†(1.4)	97.1	103.6
National Security Gp	–	–	*38.9	*39.2	*0.8	58.0	41.9	–	–	–	–
Nationwide	–	–	*13,345.0	*14,506.0	*8.7	15,966.0	16,530.0	†1,073.0	†1,956.0	–	–
Northbridge	895.9	860.0	705.7	769.0	9.0	779.3	745.9	(27.4)	(5.8)	103.6	100.8
Pakistan Re (Rupee m)	–	–	*3,085.1	*3,385.1	*9.7	–	–	578.2	341.3	–	–
Ping An (Yuan bn)	179.9	204.5	169.7	190.7	12.4	230.4	278.7	–	–	–	95.8
Polish Re	87.7	76.1	70.3	63.2	(10.1)	–	–	(5.0)	(2.6)	108.1	104.3
Primerica	1,698.4	1,724.2	449.4	488.7	8.7	680.3	746.0	–	–	–	–
ProAssurance	429.2	451.8	397.7	417.8	5.1	282.2	296.6	†117.1	†103.1	70.4	74.1
Prudential Financial	–	–	*20,938.0	*17,858.0	*(14.7)	32,023.0	29,416.0	–	–	–	–
Radian	–	–	468.9	709.3	51.3	886.7	729.9	–	–	–	–
Unico American	–	–	20.4	20.2	(1.0)	22.7	23.5	†(0.4)	†(1.5)	–	–
Uniqa (€m)	4,112.1	4,447.3	*3,847.0	*4,201.3	*9.2	3,923.5	4,045.7	†(404.1)	†(249.8	101.0	98.8
United Insurance Holdings	195.4	274.7	*87.7	*137.1	*56.3	79.2	123.6	†21.8	†31.4	89.9	90.0
Unum	–	–	*5,778.9	*5,734.0	*(0.8)	6,930.4	6,868.2	–	–	–	–

*earned †net earned premium less claims and underwriting expenses ‡gross **insurance activities only ††underwriting expenses ¶technical result

Source: Insurance Day/company announcements

COMPANIES HOUSE

Table 2: Insurance and reinsurance company results, first nine months ($m unless stated)

Company	Investment income		Realised gains (losses)		Pre-tax result		Net result	
	2012	2013	2012	2013	2012	2013	2012	2013
Affirmative	2.6	2.0	0.9	–	(43.3)	44.1	(43.6)	42.9
Amerisafe	20.3	20.3	2.9	(1.9)	24.5	34.2	20.1	26.2
Arab Insurance Gp (Arig)	16.3	14.9	–	–	–	–	9.0	12.6
Assured Guaranty	301.0	286.0	23.0	–	37.0	653.0	36.0	459.0
Atlas Financial	1.9	1.7	1.1	0.5	1.9	4.1	1.3	5.2
China Pacific (Yuan bn)	16.6	23.7	0.1	–	4.0	10.4	3.2	8.2
Direct Line (£m)	137.7	129.2	55.0	28.7	189.0	333.0	142.0	243.0
Donegal	4.7	4.6	(3.4)	(1.9)	20.8	20.5	16.9	16.8
EMC	33.3	32.0	4.9	2.5	33.1	38.0	12.9	27.7
Enstar	61.0	70.2	55.4	39.2	142.1	95.4	98.1	71.1
Federated National	2.9	2.4	(0.1)	2.5	5.1	12.6	3.2	8.2
First Acceptance	5.2	4.0	3.2	–	(9.2)	6.5	(9.2)	6.0
First American Financial	57.1	71.5	57.9	6.8	319.7	225.9	207.8	134.7
Hallmark Fin Servs	11.6	9.9	1.9	9.7	1.1	6.3	1.7	4.8
HCI Group	0.9	0.8	–	–	28.5	81.2	17.1	50.0
Humana	289.0	278.0	(20.0	(14.0)	1,629.0	1,970.0	1,030.0	1,261.0
KBC** (€m)	633.0	620.0	95.0	83.0	1,693.0	1,871.0	1,217.0	1,300.0
Kingstone	0.7	0.8	–	0.3	–	–	1.8	1.9
Kingsway	2.4	1.9	1.4	(1.1)	(41.2)	(33.1)	(38.4)	(25.9)
Manulife (C$m)	6,619.0	5,483.0	4,658.0	(13,102.0)	152.0	1,893.0	733.0	1,833.0
MBIA	172.0	118.0	*(420.0)	*(1,548.0)	759.0	122.0	598.0	118.0
Meadowbrook	41.2	34.6	3.2	3.9	(49.5)	(118.4)	(26.2)	(100.5)
Mercury General	96.6	93.7	78.7	(7.2)	174.5	120.8	134.3	96.8
MetLife	16,436.0	16,385.0	(152.0)	339.0	1,919.0	2,784.0	1,106.0	2,369.0
National Interstate	26.9	24.2	3.0	5.4	36.3	11.5	26.0	9.0
National Security Gp	3.3	2.9	2.8	4.4	(12.3)	5.0	(7.4)	3.9
Nationwide	2,343.0	2,349.0	290.0	656.0	1,718.0	681.0	764.0	1,429.0
Northbridge	36.1	7.0	(123.4)	(39.9)	(123.5)	(69.4)	–	–
Pakistan Re (Rupee m)	785.3	936.4	–	–	1,262.4	1,430.1	925.3	1,113.5
Ping An (Yuan bn)	19.2	41.8	–	–	25.2	37.5	21.4	29.5
Polish Re	5.4	2.8	5.7	0.4	6.1	0.6	–	–
Primerica	76.6	66.4	10.3	5.4	205.9	194.2	133.5	125.5
ProAssurance	101.9	99.3	22.4	47.7	238.3	286.7	174.2	226.7
Prudential Financial	7,657.0	8,595.0	(609.0)	(6,062.0)	2,925.0	4,941.0	642.0	(264.0)
Radian	91.2	81.2	178.5	(142.9)	(287.4)	(242.5)	(274.2)	(233.4)
Unico American	1.4	0.3	–	–	2.1	(0.1)	1.4	(0.1)
Uniqa (€m)	621.3	561.8	253.7	254.8	152.4	266.3	131.6	213.1
United Insurance Holdings	2.3	2.6	0.2	(0.2)	13.7	21.1	8.7	13.0
Unum	1,872.2	1,862.7	31.6	(2.5)	926.8	899.4	660.5	636.9

*realised and unrealised †net result from financial instruments at fair value **insurance only ‡overall group ††policyholders' equity

Source: Insurance Day/company announcements

Shareholders' funds	
December 31, 2012	September 30, 2013
(133.3)	(90.7)
381.2	400.7
235.2	243.1
4,994.0	4,834.0
59.9	55.6
96.2	100.8
–	–
400.0	389.1
401.2	408.0
1,775.2	1,843.4
65.9	74.0
72.8	74.6
2,348.1	2,372.3
220.5	230.1
121.3	166.5
8,847.0	9,696.0
‡12,017.0	‡11,895.0
–	–
65.1	48.0
24,712.0	26,469.0
3,173.0	3,180.0
558.3	426.8
1,842.5	1,840.2
64,453.0	60,927.0
354.0	346.5
30.2	32.3
††19,279.0	††19,353.0
–	–
6,255.6	6,578.3
209.7	236.5
–	–
1,275.4	1,195.5
2,270.6	2,373.4
37,189.0	32,912.0
736.3	894.5
70.4	70.2
1,995.3	1,966.6
88.0	100.9
8,612.6	8,669.9

Continued from p8

written through the US offices contributing to the increase.

Rating was up modestly across the portfolio as a whole, Beazley said, but more strongly for specialty lines and property, the company's two largest divisions, where rate rises averaged 3%. Specialty premiums reached £596m, representing 38.6% of the overall total.

Rate changes on renewals averaged 1%, driven by specialty and property, with marine showing reductions owing to pressure in the hull and war accounts. Beazley has also suffered a 3% reduction on renewals in its reinsurance division as a result of general softening in the market.

The insurer said it had only modest exposure to the floods affecting Europe in May, the hailstorms in Germany and the flooding in Calgary, Canada in July.

Beazley's annualised investment return for the period was 0.8%, down from 2.1%.

Hiscox increased its gross written premiums by 10.1% (8.7% in local currencies) to £1.37bn from £1.24bn, driven by strong growth in London, the UK regional division and US operations.

Hiscox London market grew 10% as a result of a 20.5% rise in primary insurance premium income, offsetting a fall of 4.9% for reinsurance business. The group said it was developing its account in well-rated areas, mainly US property insurance and the fire, theft, collision and extended warranty business. The newly launched Hiscox Re operation combines the group's London market and Hiscox Bermuda reinsurance activities and is underwriting business incepting on and after January 1, 2014. Hiscox plans to launch various collateralised reinsurance funds next year and expects to deploy more than $250m of its own and external capital at January 1.

Hiscox said it was in discussions with Willis about the broker's Global 360 London facility.

Premium at Hiscox USA was up 27.7% to $220.3m reflecting growth in all areas, particularly professional and management liability. The operation is now close to breaking even, earlier than planned. The retail business within Hiscox UK recorded a 10.5% rise in premium income owing to retention of existing business, pricing improvements and new schemes business. The St Jude's day storms are not expected to produce a material loss.

Hiscox's premium split by division was London market insurance 23.5%, London market reinsurance 16.6%, Hiscox Bermuda 15.3%, Hiscox Guernsey 4.4%, Hiscox USA 8.8%, Hiscox UK 22.7% and Hiscox Europe 8.7%.

Rates for reinsurance business were down for both June and July renewals, Hiscox said, and the overall fall from the previous year was 10%. Insurance premiums are rising, with US property, marine liability and US liability up 5%.

Premium income at **Novae** fell 5.1% to £484.6m as a result of the planned reduction in the company's reinsurance book. Insurance premiums climbed 1.5% to £298.6m while reinsurance premiums fell 14% to £186m. The total represents 84% of Novae's planned underwriting for 2013.

In its primary account, Novae recorded growth in the UK and US specialty property and marine liability portfolios, more than offsetting the planned reduction in bloodstock business. Novae will write cyber liability insurance from the start of the new year.

Reinsurance premiums fell because of the close of the engineering treaty and motor proportional accounts. The US property treaty unit performed well, Novae said, despite increased competition from alternative sources of capital.

On a risk-adjusted basis, rates on renewal business were unchanged overall. Mid-year US property treaty renewals were down between 5% and 20%, with exposures in Florida attracting the largest reduction. Despite this, rates for the property treaty book overall were down just 3%, Novae said. UK general liability, marine liability and marine hull showed renewal increases while aviation reinsurance, energy and international liability lines attracted reductions.

Heavy catastrophic loss damage cut into **RSA's** profitability during the nine months and the group has warned its return on equity for the full year is likely to be below 10%. Assuming no further major weather events for the rest of the year, the cat impact on RSA for 2013 will be about 1.5% above planning assumptions.

RSA took a £46m net hit from the flooding that hit Alberta in June followed by a loss of £37m from the Toronto flooding in July. Last month, windstorm Christian hit northern Europe, bringing RSA an estimated net loss of £45m to £65m, most of which will relate to damage in Scandinavia. Separately, RSA is reviewing its bodily injury reserves for Irish business and expects it will need to strengthen reserves this year.

These adverse factors overshadowed progress elsewhere. Net written premium increased 7% to £6.7bn on the back of good growth in most territories. In the core UK and western Europe division, premiums were up 3% at constant exchange rates as a result of growth in both the UK and continental Europe. In the UK, growth in commercial business was sufficient to outweigh a slight contraction in the personal lines account.

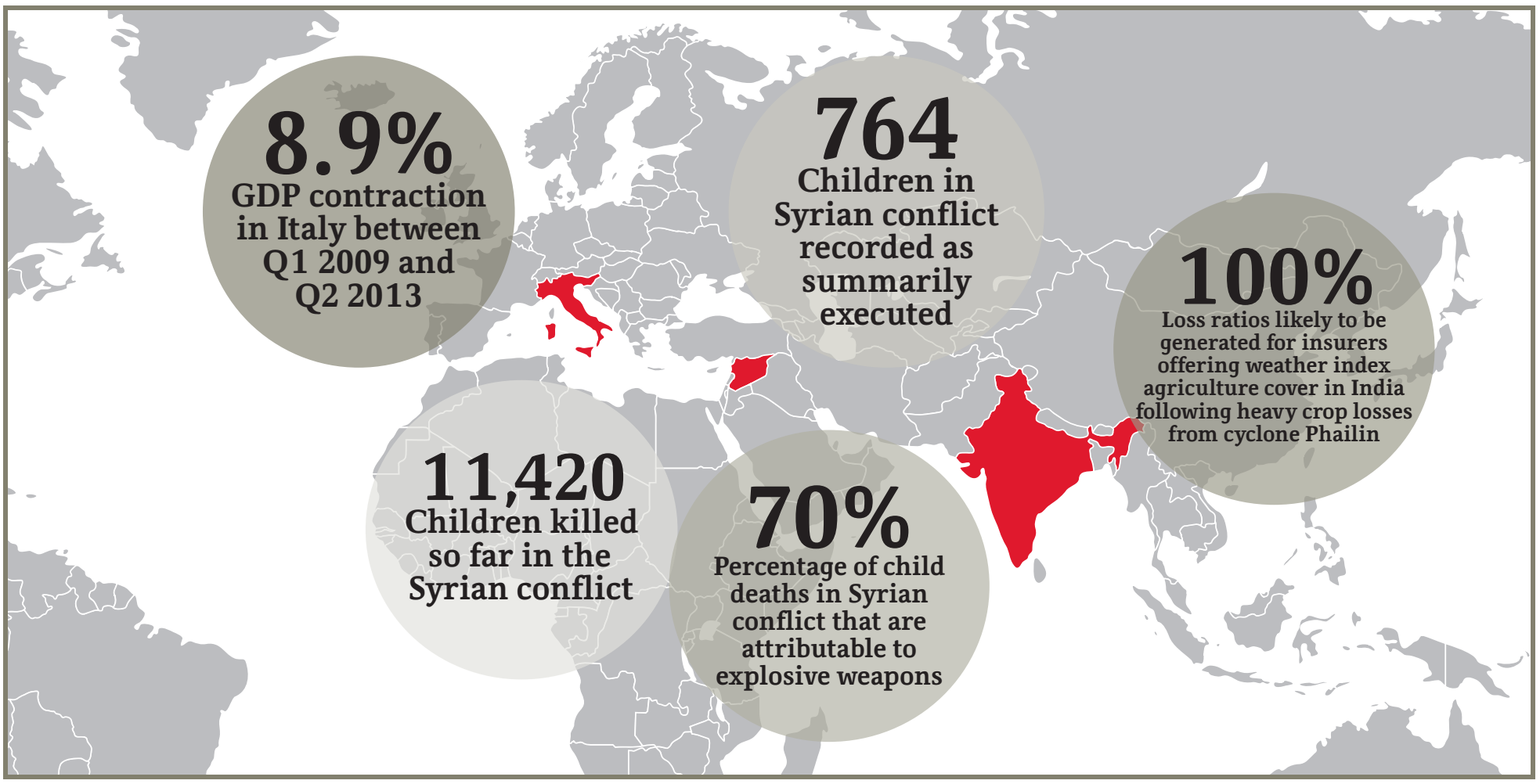
RSA's extensive Scandinavian operations reported premium income of £1.48bn, up 6% in absolute terms but flat at constant exchange rates. In Canada, premiums were up 14% to £1.34bn with growth in the underlying account accounting for 4% and the impact of the acquisition of L'Union Canadienne the rest. Premiums rose for both commercial and personal lines.

RSA's emerging market operations recorded a 17% increase in premium income, to £1.03bn, boosted by the acquisitions in Argentina, new business across the Middle east and some eastern European countries and additional retail business in Asia, particularly Hong Kong. ■

RSA: profitability was hit by heavy catsatrophic loss damage
Simon Dawson/Bloomberg

insuranceday.com

World Loss Intelligence



Fitch warning on Italian sovereign risk

Scott Vincent
Deputy editor

Eurozone sovereign risk continues to negatively affect Italian insurers, Fitch has warned, given the significant level of government and corporate debt held in their investment portfolios.

However, the rating agency said non-life insurers' credit fundamentals have "improved dramatically" since the lows of 2010.

"A sharp rise in motor tariffs and a fall in claims frequency have been the main drivers of this strengthening. However, Fitch expects a marginal deterioration in technical profitability in 2014 as pricing conditions deteriorate and claims frequency increases as a result of slightly more buoyant economic activity," the rating agency said.

> **"Fitch expects a marginal deterioration in technical profitability in 2014 as pricing conditions deteriorate and claims frequency increases as a result of slightly more buoyant economic activity"**
>
> Fitch

Volatility in the market value of Italian bonds creates volatility in reported profits and new business values because a significant proportion of changes in bond values flow through into reported profit, the rating agency said.

Analysis by credit insurer Euler Hermes has shown Italy as one of the countries hardest hit by the eurozone crisis, with GDP contracting 8.9% between the first quarter of 2009 and the second quarter of 2013.

Updates

Property

Cyclone Phailin: Storm triggers warning over weather-index loss ratios

INDIA: Heavy crop losses are likely to generate loss ratios of 100% for insurers offering weather-index agriculture cover in India, according to a report in the country's *Business Standard*.

Cyclone Phailin, which struck the states of Orissa and Andhra Pradesh, caused extensive damage to rice paddy crops and seasonal vegetables.

Cyclone Lehar is also threatening Andrah Pradesh at present.

Lives and livelihoods

Syrian crisis: 11,420 children killed to date

SYRIA: A new report from Oxford Research Group suggests 11,420 children have been killed in the conflict in Syria.

The report shows explosive weapons have been the cause of more than 70% of child deaths recorded since the conflict began in March 2011. Small arms fire accounts for more than quarter of the total.

Of the 764 children recorded as summarily executed, 112 were reported to have been tortured, including some of infant age, while 128 children were recorded as having been killed by chemical weapons in Ghouta on August 21, 2013.

A bomb explosion near Damascus