

NEW RETRO PLAYER TARGETS 'VIRGIN' MARKETS

A new reinsurance company is looking to match global catastrophe retrocessional business with investors from "virgin" markets, which have not previously had access to these risks. Its chief underwriting officer explains its strategy and why he believes it could be providing \$100 million of capacity within 18 months.

A new company has been launched that plans to offer capital providers in Central and Eastern Europe (CEE), the Middle East & North Africa (MENA) and countries that were formerly part of the Soviet Union (an area known as the Commonwealth of Independent States [CIS]) access to catastrophe retrocessional reinsurance business.

Phoenix CRetro Reinsurance Company is a Bermuda domiciled special purpose insurance vehicle registered with the Bermuda Monetary Authority on May 9. The company has also formed an office in London.

Phoenix CRetro has positioned itself as a 'bridge between catastrophe markets and the CEE, CIS and MENA'. It aims to allow businesses such as Lloyd's syndicates or global reinsurers to access alternative capacity or capital from regions of the world which have historically had little involvement to the CAT retrocession market written on a worldwide basis.

Kirill Savrasov, the company's senior vice-president and chief underwriting officer, says the concept of the new reinsurer had been in the pipeline for



some time. As an experienced collateralised retrocessions market practitioner, he says he had been aware of the potential for matching these markets with global catastrophe business for many years.

"These are virgin markets when it comes to supplying capacity to these markets," he says. "They have not historically been able to participate partly because of the low sovereign ratings of the countries where they are based and partly because most of the potential investors were too small to be relevant on their own."

He says the initial investors in the new venture will mainly be primary insurance companies from the region. On their own, they could only supply limited capacity of between \$1 million and \$5 million each. But collectively, their potential capacity is much greater. Phoenix will pull this potential together.

He explains that each retrocessional deal will be pulled together by Phoenix on a bespoke basis and each will be fully collateralised. It will use either a collateral trust account arrangement with leading banks or letters of credit from leading banks.

He says the company is working on two deals presently but as its scope grows and as its investors start to diversify, he expects growth to come rapidly. He believes the business could be providing as much as \$100 million of capacity by the 2015 renewals and he hopes to have financial institutions on board as investors by the Monte Carlo Rendez-Vous.

"It is easier for both sides to work through a single vehicle than pull together deals involving many participants on their own," Savrasov says. "Our investors right now comprise insurers from the regions but we are already receiving interest from financial institutions in the region. Given the trend of capital from this sector increasingly participating in the reinsurance markets in other parts of the world, we expect this project will be of interest to these type of firms in the region."

R&Q Quest Bermuda is acting as a management company, providing a range of technical and management services to Phoenix and Nick Frost, the president of R&Q Quest Management Bermuda has taken the same position in Phoenix.

Savrasov believes Phoenix CRetro can also help grow the global catastrophe retro market by matching these two markets. It will offer whole account and CAT XL protection on either ultimate net loss (UNL) or quota share basis with line sizes of up to £50 million per contract.

"I believe there is a big opportunity for us to match capacity in these parts of the world with a sector where new capacity from new sources is very much needed," Savrasov says. "This business offers great diversification and very lucrative opportunities for some of these players. Interest in what we are doing has been strong so far and I now looking forward to taking this business in to the renewals season and enjoying solid growth." ■