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Insurance Day

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UK's heatwave will see claims increase

Motor insurers likely to face greatest rise as more people leave cities for the coast

Amy Tiernan

A SHARP rise in motor claims is likely to hit the UK insurance sector as a result of this week's high temperatures, which will continue today as the country reaches the peak of the heatwave.

Temperatures are expected to peak in the next 48 hours before cooling slightly at the end of the week, having exceeded 30ºC in some areas of the south.

Amid continued warnings of the risk the heatwave is posing to elderly and vulnerable members of society, the prospect of an influx of claims was awaiting the UK motor market.

An Aviva spokesperson told *Insurance Day* that motor claims rise considerably in all weather extremities and have historically been shown to increase by 50% when the thermometer rises above the 25ºC mark.

As *Insurance Day* went to press the UK was still under the second level of its four-scale heatwave alert (alert and readiness) but was expected to potentially move to a level-three heatwave warning within the next 24 hours.

People gather in St James's Park in London: the UK is in the middle of a heatwave

AP PHOTO/SIMON DAWSON

Aviva said past claims experience reveals the steep rise in claims normally consists of low-impact claims such as cars shunting. Possible contributing factors include drivers wearing inappropriate footwear such as sandals and glare and heat from the sun. More cars on the road could also lead to more accidents as people head to seaside locations.

But insurers will be pleased to know the temperature reaches above 25ºC less than 0.5% of the time (roughly 1.825 days a year), making motor claims hikes such as the one likely to be seen this week a rare occurrence.

A surge in subsidence claims on vulnerable properties is also linked to heatwave conditions but sources in the loss-adjusting community have indicated to *Insurance Day* that the UK has not witnessed anywhere near a dry-enough period to generate claims.

The 2003 European heatwave resulted in more than 33,000 deaths, $12.3bn in uninsured crop losses and $1.6bn in forest-fire damages.

p2: Comment

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Venezuelan law reform concern

FUTURE investment in the Venezuelan insurance market is likely to become increasingly complicated and uncertain as the government looks to enact fundamental changes to the country's insurance law.

Carlos Fane, senior associate in the insurance and reinsurance practice at law firm Mayer Brown, told *Insurance Day* the National Assembly in Venezuela is likely to pass the new law of insurance activity, which will result in the state control of the industry greatly increasing, soon and without any essential changes. This will result in a significant overhaul of the insurance market in the Latin American country and is "likely to deter investments in the country's insurance industry in general", Fane warned.

The new law has been proposed to fit in with the aim of the socialist policies promoted by Venezuela's president, Hugo Chávez, and aims to tip the balance in favour of the insured.

However, Fane warned that this could be misconceived as the changes might result in reduced availability of premium finance, which is widely used to fund insurance purchasing, and companies withdrawing from the insurance market.

The risks are also high for shareholders and directors operating in Venezuela, as a number of the changes are likely to "bring more risk and less profit", Fane added.

This includes the government being able to control the terms and conditions of insurance and reinsurance contracts and the possibility these decisions may be able to be revoked in mid-term, restrictions against cancelling policies for unpaid premiums and forcing insurers to provide "solidarity insurance" to high-risk groups that they would not normally choose to provide cover to.

However, Fane warned that one of the most startling aspects of the new measures is the proposal that shareholders and board members of insurance companies and brokers will be jointly liable personally for their companies' debts, in proportion to their shareholding.

He said: "For shareholders and directors, operating in the Venezuelan insurance market is going to become more risky as they may be directly exposed to the liabilities of these companies."

Amy Tiernan

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Ace lead on crashed Yemenia Airbus A310

THE AIRBUS A310-300 that crashed into the Indian Ocean yesterday morning had its hull insured for $34m with cover led by Ace Global Markets, sources have indicated to *Insurance Day*, *writes Christopher Munro*.

The Yemenia flight from Sanaa to Moroni crashed with 142 passengers, including 66 French nationals and 11 crew, on board.

The aircraft, an Airbus A310-300, registration 70-ADJ, was built in 1989.

Sources have indicated HSBC Insurance Brokers presented the portfolio to the market, with the lead insurer being Ace Global Markets. Willis and Aon acted as supporting brokers.

The cause of the crash is as yet unknown, although media reports have said weather conditions were rough at the time of the accident, with high winds and strong seas.

Some bodies have already been recovered from the crash site, while one 14-year-old girl has been rescued from the sea.

The French Transport Minister, Dominique Bussereau, said during inspections of the aircraft in 2007 faults had been detected. As a result, it had not flown into France since.

He added: "The company was not on the blacklist but was subject to stricter checks on our part and was due to be interviewed shortly by the European Union's safety committee."

However, Bussereau has declared the aircraft was at fault for the accident.

Moroni is the capital of the Comonos Islands, which are situated to the north of Madagascar. Yemenia, the Yemen flag carrier, is 51% owned by Yemen and 49% owned by Saudi Arabia.

The accident was the second to see an Airbus aircraft crash into the sea this month, following the Air France crash on June 1 that led to the deaths of 228 people.

Rescuers work amid the rubble of buildings

AP PHOTO/FABRIZIO GIOVANNOZZI

Viareggio accident disputes are likely

Christopher Munro

THE AFTERMATH of Monday night's train explosion in northern Italy is expected to include several disputes that may complicate the claims-payment process.

The crash, which killed at least 14 people and left another 50 injured, occurred after the train derailed and exploded as it passed homes in the Tuscan seaside town of Viareggio.

Nearby buildings have been damaged or destroyed, with rescue workers now hunting through the wreckage in the search for some 30 people who are as yet unaccounted for.

Andy Bear, the head of Jardine Lloyd Thompson's transport, engineering and utilities unit, told *Insurance Day* he believed a number of disputes could potentially arise between the rail company, Ferrovie dello Stato, and the owners of nearby infrastructure as the cause of the accident is determined.

He said causes of accidents of this nature tend to include defective points, the driver going too fast or just a case of the cargo being so heavy the train's axles snap, causing a derailment.

According to market sources, Generali is the lead insurer on the programme, while Catlin holds the first excess layer on the facultative reinsurance cover.

London tends to see a considerable amount of international rail business, through direct broking or reinsurance, and the Italian crash was the latest in a series of international rail accidents in recent weeks.

The freight train was carrying liquified petroleum gas and the aftermath of the explosion is likely to see questions raised as to how the gas was able to leak from its containers, causing the explosion that damaged buildings.

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COMMENT

Test continuity plans when the heat is on

AP PHOTO/LEFTERIS PITAKARIS

SWINE flu may not have caused the widespread disruption that some of the more sensationalist reports initially predicted but it did provide a timely incentive for companies to update their business-continuity plans.

In the UK at least, there may be many who have good reason to be thankful for that. While swine flu has so far failed to bring the country to its knees, the threat of the heatwave affecting the UK is likely to prompt a swathe of absences for which companies will want to be prepared.

As *Insurance Day* reported yesterday, concern about the health implications of the heatwave remain high.

At the time of writing, the UK remains at heatwave alert level two, meaning there is a 60% chance of temperatures being high enough on at least two consecutive days for health to be significantly affected.

The next level on the scale, triggered when threshold temperatures are reached in at least one region, requires social and healthcare services to target specific actions at high-risk groups.

Level four, meanwhile, is reached when a heatwave is so severe and prolonged that its effects extend outside the health and social care system. At this heatwave level, illness and death may occur among the fit and healthy, not just in high-risk groups.

In such cases, there is certainly the chance of dramatic disruption to business. Even those deemed unaffected by the conditions will find travelling around London on public transport, for instance, virtually unbearable and businesses may want to spare their staff the suffering by implementing business-continuity plans allowing them to work from home instead of the office.

It may even be that this gives them a chance to test the plan in anger.

Whereas business-continuity plans are drawn up in anticipation of cataclysmic events such as terrorist attacks or global pandemics, it is often the more mundane situations that prove the most disruptive.

Almost by definition, the challenges that pose the greatest threat to business viability are those that are the least predictable. A robust strategy to deal with the unexpected, including insurance and specific risk management, is the best, if not only, panacea.

Richard Banks

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3 Energy issues

Upstream and downstream energy companies are increasing their levels of retention in response to insurers in the market toughening their underwriting stance, resulting in cover being priced higher

4 Zeller's departure

He just left. Wilhelm Zeller, affectionately called Willy, will not be on the supervisory board of Hannover Re, will not be a consultant to his old company, will not be around any more in the old offices

5 Generali Germany

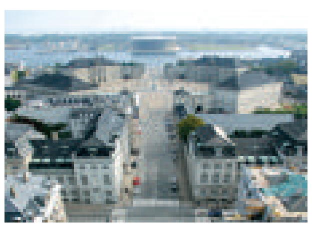
Italian insurer Generali has asked the German government to step in to ensure Commerzbank continues to sell its policies, asking Germany's finance minister to ensure the bank continues to sell Generali policies

6 AIG's CDS fears

New York-based AIG has warned that future declines in valuations on credit default swaps that it sold to European banks could have a 'material adverse effect' on AIG's bottom line

7 Alea unit sold

Alea Group has agreed to sell Alea Holdings UK to Bermuda's Catalina Holdings.It stopped writing new business towards the end of 2005 and the UK operations would be sold at 'a slight discount' to the book value



8 Road to Copenhagen

The only way to reach the worldwide emission reductions necessary is through an ambitious global agreement to which all major emitters, from both developed and developing nations, must contribute

NEWS

Energy companies react as insurers raise prices

Christopher Munro

UPSTREAM and downstream energy companies are increasing their levels of retention in response to insurers in the market toughening their underwriting stance.

Deteriorating balance sheets and poor underwriting results in the upstream market have forced insurers to conduct sweeping structural changes to policy terms, resulting in cover being priced considerably higher.

For companies in the upstream sector, these increases "could not have come at a worse time", according to a Lloyd & Partners report, as they have also been affected by deteriorating balance sheets, higher service costs and uncertainty over commodity prices.

Some companies have not bought cover as a result, although the majority have purchased some degree of insurance, albeit at considerably lower limits than last year.

Lloyd & Partners predicted the total amount sold by July 1 could be as low as 50% of the 2008 total.

In the downstream sector, companies have been looking closely at balancing the cost of risk transfer against retention. Refiners, for example, have been analysing business interruption coverage requirements as a result of their lower earnings in 2008 and the value of essentially purchasing coverage for fixed and continuing costs.

For natural catastrophe-exposed risks, downstream policies are being written with tighter terms, deductibles and limits.

Energy casualty underwriters in the London market have been keen to increase premiums in loss-free sectors by around 10%, with insurers citing the lack of investment income and the cost of capital as two of the main reasons.

However, according to Lloyd & Partners this situation is easing because of increased competition from Bermuda. Consequently, onshore and offshore energy risks have seen premium pricing vary from remaining flat to increases of up to 5%.

Although London energy casualty underwriters have seen small increases, those in the refining/chemical sector are now pushing for far larger rises after appetite (and consequently capacity) to write the risks reduced.

Upstream and downstream energy companies are increasing their retentions as prices start to rise

International Group issues clarification on war risks

CALLS for clarification over the war risk exclusion on protection and indemnity (P&I) policies have been answered by the International Group of P&I Clubs.

The calls had been made in an effort to clear up confusion over piracy and the war exclusion contained within P&I policies.

P&I policies contain a war exclusion and although piracy does not come under the war exclusion, the term "weapons of war" does. This means any incident where weapons of war are used does not come under the responsibility of P&I clubs but rather war risk underwriters. This caused confusion as automatic rifles and rocket-propelled grenades are now the weapons of choice for pirates.

However, the International Group has now explained the pooling agreement highlights how anything defined as a weapon of war should be similar to those it does list, namely mines, torpedoes, bombs, rockets, shells and explosives. This, the International Group said, shows "an intention that something more than guns, rifles and conventional ammunition would be needed to trigger the operation of the exclusion".

In May, Stephen Hawke, an executive director at Aon, called on the P&I clubs to scrap the war exclusion and called it "absurd" that different clubs had different opinions on what constituted "weapons of war" (*Insuranceday.com*, May 22).

ABI urges regulatory role for the Bank of England

Amy Tiernan

THE ASSOCIATION of British Insurers (ABI) has backed the government's proposal to enhance the regulatory powers of the Financial Services Authority (FSA) but has warned that these powers must work alongside those of the Bank of England.

Peter Vipond, the ABI's director of financial regulation, said enhancing the FSA's powers "will be of real benefit", so long as they are accountable. However, he added: "It is equally important to make sure the powers are exercised in conjunction with those of the Bank of England."

In its draft Financial Services and Business Bill, outlined on Monday, the government gave further indications it is planning to put the future regulation of the banking sector in the hands of a beefed-up FSA, rather than the Bank of England.

This news comes amid speculation of a rift between the government and the BoE and follows business secretary Lord Mandelson's speech to the British Bankers Association, in which he said regulation needs to stay in the hands of the FSA.

He said: "While I think there is an argument for the Bank of England taking a more direct role in financial stability issues, I don't support a twin peaks' system. I believe the lesson of the last year is that we need a stronger regulator, not a weaker one."

The draft Bill also includes the promise to take action to retain the UK as a leading financial centre, which Vipond said was a "welcome pledge", adding: "This is a crucial juncture for the reputation of the UK and the expected wave of regulation, if handled badly, could do the UK economy real harm."

FSA: the ABI said revamp of the regulator should include role for BoE

Merricks' departure kicks off FOS's search for chief

Richard Banks

THE HUNT is on to find a new head for the UK's Financial Ombudsman Service (FOS), with the incumbent, Walter Merricks, stepping down after 10 years.

Chief ombudsman, Merricks, is leaving to become the first chairman of the new health watchdog, the Office of the Health Professions Adjudicator (OHPA) in the autumn.

OHPA, which was established by the Health and Social Care Act 2008, is the new single independent body to adjudicate in respect of cases of "fitness to practice" referred to it by the regulators of healthcare professionals.

During his decade at the head of the FOS, now the largest such body in the world, Merricks has handled more than five million consumer enquiries and resolved 750,000 disputes between consumers and financial businesses.

Official figures indicate that last year it dealt with a record 127,471 complaints, with an average staff complement of 865.

Merricks said: "A strong, independent service providing justice in the field of consumer financial disputes is needed now more than ever. The ombudsman service has found a permanent place in the consumer-protection framework for financial services and I am confident the organisation will continue to be valued by financial firms and consumers alike."

He added research showed more than half of UK consumers acknowledged the existence of the ombudsman gave them confidence in financial services.

Merricks' successor will be chosen by the non-executive board of the FOS, led by chairman Sir Christopher Kelly.

Merricks: 'A strong, independent service is needed now more than ever'

NEWS

Zeller makes clean break from his magnum opus

HERBERT FROMME reports from Cologne as 'Mr Hannover Re' leaves his role as chief executive of the German reinsurer and asks: 'What next for Wilhelm Zeller?'

HE JUST left. Wilhelm Zeller, affectionately called Willy by most who knew him slightly better, will not be on the supervisory board of Hannover Re, will not be a consultant to his old company, will not be around any more in the old offices. He leaves the field to his successor, Ulrich Wallin.

On the day of his retirement, Zeller entered a new phase of his life. It would be wrong to confuse this with arrogance or ingratitude to his old employer but the man likes to make a clean cut. He is likely to pop up somewhere in the reinsurance industry and will lose none of his spectacular networking capabilities. But his time with Hannover Re ended on June 30, three weeks after his 65th birthday.

"I do not play golf and I will continue to be active," he said. He can imagine a position as a company director or a consultant, saying: "There seems to be a lot of interest in the experience I can offer."

Small wonder. Zeller was Mr Hannover Re, the man who, admittedly with the help of a talented team, took the company to fourth place in the world of reinsurance.

His career began because of a simple mistake. The 18-year old Willy Zeller wandered the streets of the Bavarian town of Kempten looking for the house of a tax adviser called Städele, where Zeller wanted to apply for a three-year apprenticeship as an office clerk. Alas, in the darkness of the December afternoon, Zeller stepped into the neighbouring building by mistake, where Gothaer insurance agent Rothenbücher, with his staff of three, had his office. They started talking and Rothenbücher revealed that he, too, was looking for an office clerk apprentice. Zeller agreed to work for him instead.

Zeller's parents were farmers and as he had initially planned to become a priest, supported by his mother, he went to the Bischöfliches Knabenseminar St Magnus, the Bishop's higher school for boys in Kempten. He did not pursue a career in the church, however, and opted for the office job instead.

He soon realised that this career had potential. After completing his apprenticeship, Zeller studied at the Deutsche Versicherungsakademie in Cologne, the German insurance academy, aided by a state grant for students from poorer families. His career took him to a claims adjuster, briefly to Gerling and then to Zurich. When Zeller was 33, he was appointed board member of Cologne Re.

At Cologne Re, he was in charge of the liability lines. His various activities, for example in disputing the way the London market handled asbestos losses and proposing different methods, soon made him well known in the international industry. Zeller fought his battles but managed at the same time to make many friends, even among his opponents.

In 1996, Zeller's life took another unexpected turn. Michael Reischel, chief executive of Hannover Re, committed suicide in June 1995. Zeller, who had been in the running for the Hannover Re position before, was asked to take over. He agreed and started on January 1, 1996, then aged 52.

"The company was in good shape," Zeller recalled. He had intensive one-on-one discussions with the 44 senior and middle managers. He drew up a number of proposals for changes and held an in-depth meeting with his management board colleagues. Some things were changed. "For example, retrocession was done in six different parts of the organisation," Zeller said. "In no time at all, we had a central retro department." There were some 12 to15 changes of a similar nature. "But, basically, the company was well positioned," he said. "IT, infrastructure, all that was in a good state."

And Zeller did not make the mistake of simply bringing his GenRe concepts to Hannover Re. "For example, Gen Re did not like brokers, quite the contrary. Hannover Re was mainly broker-oriented," he said. Zeller soon learned why brokered business can be more flexible and allow a more opportunistic approach by the reinsurer. "This was the method at Hannover and I am glad that I did not bring my mindset on brokers to bear at that time."

What was his biggest mistake to date? "Buying the US specialty company Clarendon," he admitted. This cost Hannover Re a lot of money. "The only thing to be proud of in that matter is the way we got rid of it, by splitting the bad business from the good and selling the good parts at full price," he said. However, in general, Hannover Re has been thriving ever since. And despite a loss of €127m ($179.5m) in 2008, a result of big losses on shares, Wallin will take over a sound company.

Zeller spends his spare time with hobbies that seem somewhat ill-fitting. Jogging and visits to the gym are among them but he also loves to watch Formula One motor racing and plays the church organ. "I used to earn some spare cash during my student days in Cologne by playing the organ during services in three different churches," Zeller said. He learned to play the instrument in the Bishop's boys' school in Kempten. Bach is his favourite composer. He loves classical music in general, concerts and the opera. "We just went to Verona to hear Verdi in the arena," he said.

He will have more time for that in the future.

BLOOMBERG NEWS/ADAM BERRY

Oletzky: 'We have an ambition to become a meaningful player in Asia'

Ergo announces plan for S Korea legal costs cover

Richard Banks

MUNICH RE'S primary insurance unit, Ergo, is planning to launch a legal costs insurance product in South Korea next year as part of its expansion strategy in Asia.

Ergo's chief executive, Torsten Oletzky, told reporters: "We have an ambition to become a meaningful player in the Asian market … we're just about to prepare to launch this [legal protection insurance] product first in the Asian market. That will be [South] Korea."

He explained the South Korean legal system was similar to several European systems, adding the company was already in discussions with lawyers in the country. The next step for Ergo is to build a sales agent network but it hopes to launch the product in the summer next year.

Last year, Ergo bought a 65% stake in online motor insurer Daum Direct Auto Insurance Company, part of the Daum Communications Corporation.

Munich Re has on a number of occasions said it is looking to grow the Ergo business across Asia and other emerging markets.

Earlier this year, Jochen Messemer, chairman of Ergo International AG, confirmed Ergo is planning to launch a Chinese life assurance joint venture, having been in talks with potential partners for 18 months.

Late last year, Ergo was linked with a bid for AIG's Asia life units.

Speaking at the East Asian Insurance Congress in Hong Kong last November, Munich Re board member, Ludger Arnoldussen, said the reinsurer would be interested in buying operations in the "strongly emerging areas in Asia".

He added that Munich Re would continue to focus on organic growth in the region but said: "AIG's assets give our Ergo unit an opportunity to expand in Asia on the life side."

Weiler takes HUK-Coburg helm

Friederike Krieger, Cologne

WOLFGANG WEILER will become chief executive of German insurer HUK-Coburg today.

The 56-year-old economist has been a member of the management board since 1989 and was responsible for investments, the balance sheet and life insurance.

He previously worked for reinsurer Kölnische Rück, which is owned by US-based reinsurer General Re, and insurer Colonia Versicherung, which went on to merge with French insurer Axa.

He succeeds Rolf-Peter Hoenen, who has retired having been head of the company for 18 years. Under Hoenen, HUK-Coburg became the second-largest car insurer in Germany, with more than eight million vehicles insured.

Generali urges German distribution help

Herbert Fromme, Cologne

ITALIAN insurer Generali has asked the German government to step in to ensure Commerzbank continues to sell its policies, according to market sources.

The insurer is believed to have sent a letter to Germany's finance minister, Peer Steinbrück , asking him to ensure that the bank continues to sell Generali policies.

A spokesperson for Generali refused to comment on the rumour.

From October 2010, Commerzbank plans to switch its exclusive contract for selling insurance from Generali to Allianz, whose subsidiary Dresdner it recently took over.

For this reason, it gave notice on the existing co-operation agreement with Generali in May. Due to its involvement in various bank-rescue schemes, the German government now owns 25% plus one share of Commerzbank.

However, the German government has always stressed that it does not want to become involved in the daily running of the bank.

Generali manager, Jörn Stapelfeld, asked the finance minister in his letter to exercise his influence to the effect that Commerzbank sell both Allianz and Generali insurance policies. Stapelfeld is chief executive of Generali's Munich and Hamburg operations, which belong to Generali Deutschland and thus to the Italian group.

Commerzbank is an important sales channel for Generali, with some 5% of new life business and 1% of property/casualty volume stemming from the bank.

However, the main reason for Stapelfeld's intervention is the enormous need for write-offs resulting from the end of the agreement. The group holds a stake of 5% in the Commerzbank through its subsidiary Generali Lebensversichungen.

These shares were valued at €14 ($19.6) in the 2008 balance sheet. At that time the share price was €6.64; yesterday, it was being traded at €4.50.

Such stark contrasts between the market and book value of insurers' equity assets are seldom tolerated by auditors or the financial supervisory body, BaFin. They tolerate a maximum deviation of 20%, unless there are indications of a strategic investment as in the case of the existing cooperation agreement.

Generali holds around 56 million Commerzbank shares. The difference between the share value recorded in the 2008 balance sheet and the stock market valuation yesterday amounted to €520m.

"If the co-operation agreement does not remain in force in some form or other, then Generali will have to write off approximately €200m in each of two different stages," said an insider.

A spokesperson for Generali said that considerable readjustments have already been made this year. The assets were now valued at €10 in the books. However, the basic problem of high write-offs remains. Generali could soften the effect on results by using reserves that are earmarked for its life insurance customers. However, the ambitious profit targets set by the group in Trieste would nevertheless come under pressure.

Ace France focuses on niches as corporate risk rates fail to pick up

Fabien Buliard, Paris

ACE EUROPE FRANCE intends to focus on profitability and specific niches in the coming months, as rates in its core business, corporate risks, generally show no sign of improvement.

"It is really 2009 and 2010 we are worried about," said Jeff Moghrabi, who heads Ace Europe's French operations, during a press conference. "Rates are starting to reach a level where you know they will not be profitable in all lines, but especially property. The market isn't reacting to higher claim rates."

He explained that many players' technical results were supported by positive earlier underwriting years but that some companies were probably losing money technically on their 2008 corporate underwriting.

"With higher reinsurance rates, lower financial returns and lower market capitalisation, there is little room for error today," he warned.

Ace Europe's French business, its second-largest contributor after the UK, posted a turnover of €384m ($542.5m) in 2008, down 2.5% year on year, with a stable combined ratio at 85.8%.

"I don't have a crystal ball to predict when rates will finally increase but for now we are still seeing some decreases," Moghrabi added. "Buyers are therefore going to experience a lot of volatility in the 12 to 18 months to come. We want to be a stable player and offer long-term solutions, with disciplined underwriting."

He later told *Insurance Day* the key was to set clear limits even with good clients and to define niche segments where business can grow profitably, while reducing exposure to lines where price competition was excessive, such as cargo insurance.

The company has also reduced its property business but grew its portfolio in other segments, such as directors' and officers' cover, where companies are eager to diversify their placements, and is launching new products aimed at specific market niches, such as real estate professionals.

Ace France also continues to target medium-sized enterprises, especially those in need of international insurance programmes. SMEs account for 28% of Ace's French turnover and their contribution grew by 3.5% last year.

The French arm of Ace Europe is taking action to reverse the effects of unprofitable rates

Swayne departs Flagstone Suisse for Bermuda HQ

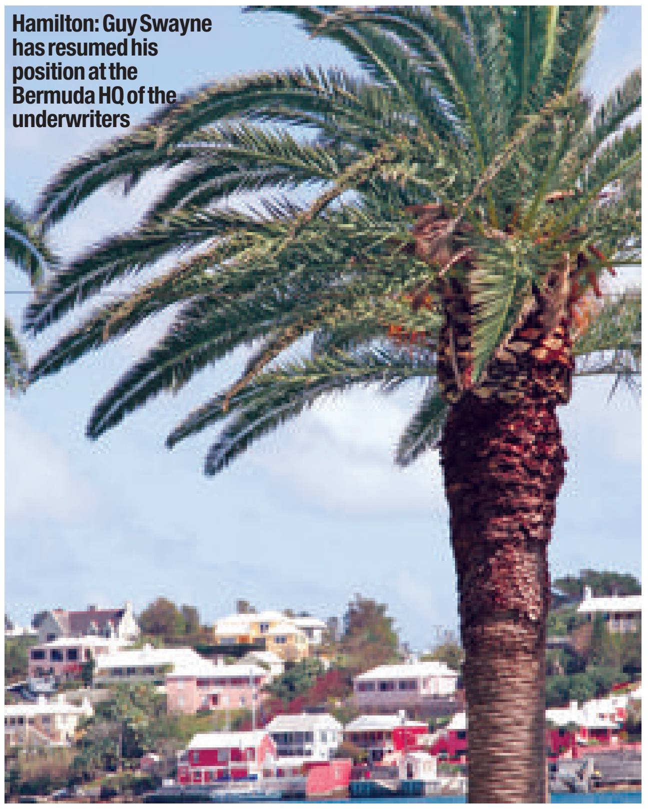
FLAGSTONE RE'S Swiss underwriting operation has a new chief executive following Guy Swayne's return to the company's headquarters in Bermuda.

Swayne has left his role as chief executive at Flagstone Réassurance Suisse SA to resume his responsibility for the international underwriting team as chief underwriting officer at the reinsurer's headquarters in Hamilton, Bermuda.

Frédéric Traimond has been named Swayne's replacement and will assume the role of chief executive in addition to his existing responsibilities as group chief operating officer.

Swayne was appointed head of Flagstone's Swiss subsidiary in September 2007 to extend the company's activities into new business areas. Before joining Flagstone, Swayne was chief underwriting officer of international business at Ace Tempest Re in Bermuda.

Flagstone Réassurance Suisse SA was formed in September 2007 after the company decided to consolidate the activities of its Bermudian and Swiss operating subsidiaries into one single company.



Hamilton: Guy Swayne has resumed his position at the Bermuda HQ of the underwriters

Chen appointed Swiss Re Asia CFO

SWISS RE has appointed Adelyn Chen (*pictured*) chief financial officer (CFO) of its Asian division.

She joined the company in February this year as Swiss Re's head of finance for Hong Kong, Korea and Taiwan.

In her new role, Chen will oversee all finance-related functions for the company's 10 offices in the region, and becomes a member of the Asia management team in Hong Kong (*pictured*).

Chen began her career in 1995 at PricewaterhouseCoopers (PwC) in Malaysia, where she specialised in auditing of insurance companies.

In 1999 she moved to Singapore with KPMG to manage the audit of one of the largest UK-based life insurance companies in Singapore and Hong Kong.

She rejoined PwC in Malaysia in 2002 with responsibility for developing the business advisory services for the insurance and takaful sector.

NEWS

BLOOMBERG NEWS/DANIEL ACKER

AIG prepares to be hit by CDS decline

NEW YORK-BASED AIG (*pictured*) has warned that future declines in valuations on credit default swaps (CDSs) that it sold to European banks could have a "material adverse effect" on AIG's bottom line.

In a regulatory filing that updated AIG's risks as posted in the 2008 report, AIG said that, as of March 31, it had $192.6bn in CDS, and that, "given the size of the credit exposure, a decline in the fair value of this portfolio could have a material adverse effect on AIG's consolidated results".

Most of the swaps should be terminated over the next 12 months, but AIG said that confidentiality agreements prevented it from providing details of the assets backed by the CDSs.

AIG also conceded a lack of information on the quality of loans made by the banks thatwere then backed by the CDSs.

Nearly $100bn of the CDSs is tied to corporate loans, while $90.2bn is linked to prime residential mortgages, AIG said on May 7.

Gerry Pasciucco, brought in to sort out the AIG Financial Products mess, had reduced the total from $234.4bn as of the end of last year.

• AIG was due to convene its annual meeting yesterday, its first since the US government's bailout of the company last September, to elect a new board of directors that has been depleted by seven resignations and one retirement over the last year. Another three directors have opted not to stand for re-election. Six of the new directors that were expected to be elected yesterday were hand-picked by the three trustees who oversee the government's 80% stake in the company.

Guy Carpenter takes on Booth as vice-chairman

GUY CARPENTER has appointed industry veteran Richard Booth as vice-chairman.

Booth, who officially starts in his new role on July 7, will help to set the overall strategic direction of Guy Carpenter and will provide advice on improving operational performance.

In addition, he will focus on developing key client relationships.

Booth will report to Peter Zaffino, president and chief executive of Guy Carpenter, and will join the company's executive committee.

He previously served as vice-chairman of transition planning and chief administrative officer at AIG.

In April, AIG announced Booth's retirement and split his role, with Matthew Winter becoming vice-chairman of transitional planning and administration and Jeffrey Hurd named vice- presidenT and chief administrative officer (*Insuranceday.com*, Apr 27).

Booth was also chairman of Hartford Steam Boiler, having served as the firm's president and chief executive between 2000 and 2007.

Before that, he spent 30 years in various senior insurance industry positions, including president, chief operating officer and director of the Travelers Corp, and executive vice-president and a director of The Phoenix Companies.

The Manhattan-based reinsurance broker has appointed the experienced Booth to its executive committee

The energy sector is provoking increased interest with a number of businesses announcing expansion plans

Energy interest on rise as new unit created at Energi

FURTHER evidence of the insurance industry's interest in the energy sector comes with Energi Holdings' creation of a specialist excess casualty unit.

The Massachusetts-based risk-management firm said the new unit would work with a number of insurance companies to provide energy firms with excess casualty limits of up to $100m.

Energi said it would cover a range of segments including: fuel distribution, co-operatives, energy construction, renewable energy, energy products manufacturers, exploration and production, and utilities.

Energi is the latest business to announce expansion plans in the energy sector with much of the attention focused on the offshore arena.

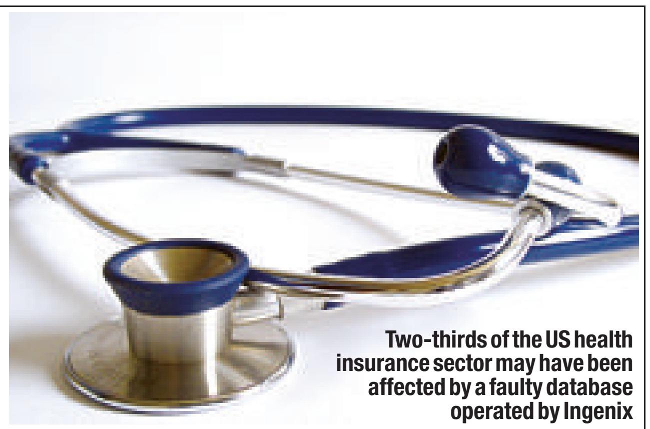
As part of the excess casualty launch, Energi has arranged a preferred relationship with what it describes as an "AM Best A-rated insurance company" for fuel distribution and energy construction firms. It aims to provide favourable pricing and coverage forms for those firms that implement industry best practice.

US companies: latest news in brief

CITIZENS Property Insurance Corporation, the Florida insurer of last resort, will be allowed to raise its rates by 10% a year for the next five years, beginning in 2010. A new Florida law will take effect today, ending a two-year rate freeze at Citizens.

NEW YORK insurance agency Wilder-Forsythe Inc has been sued by the state's attorney general for $374,000 to recover the costs that the state incurred for the clean-up of oil spills on the agency's property in Ogdensburg in upstate New York. Agency founders Donald Forsythe and Fred Wilder contend that the suit is unfounded, saying they are not responsible for oil spills that occurred on the site when a petrol station occupied the site before they bought the building in 1974.

INGENIX, a subsidiary of the US United Health Group, is alleged to have operated a faulty database that has been used by two- thirds of the US health insurance sector. The database is alleged to have overcharged patients if they visited doctors that were outside their own insurance network. The report asserts that the database was used by nearly 20 regional and national insurers. In January, Ingenix agreed to pay $350m to settle allegations that it reported rates inaccurately. The distortion allegedly entailed Ingenix receiving "low-ball" figures from insurers, which it then passed on as the going rate, therefore causing customers to have to pay more of their costs out of their own pockets.



Two-thirds of the US health insurance sector may have been affected by a faulty database operated by Ingenix

Catalina Holdings agrees deal for Alea Holdings UK

ALEA GROUP has agreed to sell Alea Holdings UK to Bermuda's Catalina Holdings.

The Bermudian reinsurer, which stopped writing new business towards the end of 2005, said the UK operations would be sold at "a slight discount" to the book value carried over by Alea on December 31, 2008. Alea Holdings UK had total assets of $446.5m and total liabilities of $357.9m at that date.

Alea's chief executive, Mark Cloutier, said the transaction represented "both an opportunity to crystallise the value embedded in Alea London and to align our London team with an established run-off acquirer".

Alea hopes to complete the deal by the end of the year. "We are hopeful the deal will complete by year-end," Cloutier said. "Meanwhile, we remain focused on managing the orderly run-off of the group's balance sheet."

Alea's London operations have been in run-off since December 2005.

Alea London was created when Alea, which changed its name from Rhine Re in 2000, bought Imperial Fire & Marine Re in the same year.

Cloutier, who has already announced that he will step down as chief executive on March 31 next year, said the transaction, once completed, will provide additional financial flexibility for the group.

Completion of the transaction is contingent on customary closing conditions and the required regulatory approvals and notices.

Catalina was co-founded by Chris Fagan in September 2005, a couple of years after his resignation as head of then-London market insurer Goshawk.

Last October, Catalina agreed to buy Quanta Capital Holdings, having purchased Overseas Partners Re in 2005.

London: run-off business acquirer Catalina Holdings is buying Alea's UK operations at 'a slight discount' to the company's book value

Bryce: uncertainty over successor as IPC chief contributed to decision

AM Best outlook on IPC negative

THE REINSURANCE subsidiaries of Bermuda's IPC Holdings remain under review with negative implications by AM Best owing to uncertainty over the group's future.

The announcement affects the A financial strength ratings of IPCRe Ltd (Bermuda) and IPCRe Europe Ltd (Dublin).

AM Best said it made the decision following uncertainty with respect to the group's future ownership, following the IPC shareholder vote where the proposed merger agreement with Max Capital was terminated.

To a lesser extent, AM Best added, the under review status is owing to the pending retirement of IPC's long-standing chief executive, Jim Bryce, for whom a long-term successor is being sought.

Validus Holdings continues to be interested in a takeover of IPC and AM Best noted that IPC was being "actively pursued by an outside company whose intention is to acquire IPC with or without the approval of IPC's management or board of directors".

AM Best said it will maintain the ratings under review with negative implications until IPC's ownership position is stabilised and the agency completes its analysis of the company's strategic role as part of another organisation or as a standalone entity if no transaction is completed.

IPC remains subject to a takeover bid from Validus, which this week announced that shareholders representing 54% of IPC shares have submitted requisitions "showing strong support for Validus' acquisition of IPC".

Validus said this means the IPC board is required by Bermudian law to call a special meeting of IPC shareholders.

Everest Re's Irish unit wins licence for all of Europe

BERMUDIAN reinsurance group Everest Re's new Irish subsidiary has been granted a licence to operate as a non-life reinsurer in Ireland, enabling the company to access all insurance markets throughout the European Union.

Headquartered in Dublin, Everest Reinsurance forms a hub for the insurer's continental European operations and complements its existing operations in London and Brussels and new operation in Cologne.

The company starts with €200m ($282.5m) capitalisation and has attracted a financial strength rating of A+ from Standard & Poor's and AM Best.

Everest Reinsurance said it will concentrate on property, liability and motor classes, both direct and via brokers.

Mark de Saram, chairman of the Everest Reinsurance company, said the company "enhances our position in this important market" and will increase the group's operating flexibility.

Dublin is proving to be a popular location for insurers to form operations, with XL, Arch and Max Capital all setting up in Ireland's capital.

Catlin brings Meuli on board as CFO as Stooke set to leave

CATLIN, the Bermuda-headquartered and London-listed insurer, has appointed Benjamin Meuli as chief financial officer (CFO).

Meuli (*pictured*), who was once chief investment officer at Swiss Re, will join the Catlin board immediately as he prepares to succeed Christopher Stooke as CFO.

Earlier this month Catlin announced that Stooke, who had been with the company for more than six years, was to leave the group later this year to seek a new challenge.

Catlin has also announced Robert Gowdy has been added to the company's board, replacing Michael Eisenson.

Gowdy was previously president and chief executive of CGU Insurance but retired from his role at the US insurer in 2001.

A past chairman of the American Insurance Association, Gowdy was the founder and chief executive of American Sterling Insurance Company and also served as chairman and chief executive of Industrial Indemnity Company.

Eisensen, a non-executive director, has retired from the board with effect from today.

He was first appointed to the Catlin board in 2002 by Charlesbank Capital Partners, a private equity firm that was a primary investor in Catlin at the time.

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Insurance Day

WEDNESDAY 1 JULY 2009

Road to Copenhagen

THE ONLY way to reach the worldwide emission reductions that are necessary is through an ambitious global agreement to which all major emitters, from both developed and developing countries, must contribute.

That was the message from Stavros Dimas, the European Commission member responsible for the environment, as he launched the commission's Green Week in Brussels. "It is essential that the industrialised world as a whole takes the lead by committing to deep emission cuts and providing financial and technical support to developing countries. Only in this way can we expect the developing world to take meaningful action to limit its rapid emissions growth," he said.

Until now the biggest stumbling block in the path towards a unified commitment from the industrialised world has been the US but this week has provided further indications that the election of president Obama is bringing with it positive steps on the movement to change.

Last Friday the House of Representatives voted 219 to 212 to bind the US to cutting carbon emissions by 17% from 2005 levels by 2020 and by 83% by 2050. The US will also set up a national cap-and-trade system.

The Bill was hailed as a victory by Democrats but still needs to pass the key Congress vote. Environmental groups have also warned that the Bill has been severely diluted to get this far with some calling for Congress to reject the Bill in its existing form.

Greenpeace described it as a weak US climate Bill that does not meet scientific scrutiny. In a statement, the environmental group said: "The Bill has many shortcomings but perhaps most glaring is the weak short-term target for cutting emissions. The Bill calls for reductions of about 4% of 1990 pollution levels, compared to the recommended 40% that the Intergovernmental Panel on Climate Change recommends."

Greenpeace also criticised the world's largest industrialised countries and biggest polluters for once again failing to produce any firm commitments at this month's Major Economies Forum (MEF) in Mexico.

The MEF meeting was the last in the series that has been leading up to the MEF heads of state meeting, which will take place as part of the G8 meetings in L'Aquila, Italy, in two weeks' time.

"This MEF was more of the same – lots of talk without action," said Daniel Kessler of Greenpeace USA, in Mexico for the meeting. "While scientists continue to sound the alarm, politicians continue to make excuses."

Gordon Brown, who fights on as UK prime minister despite huge pressure over domestic issues, chose London Zoo as the setting as he attempted to seize the political initiative by calling on industrialised countries to pledge £60bn ($98.64bn) each year by 2020 to help the developing world cope with the effects of climate change. Brown's plan will begin in 2013 and, if his solution can be agreed in Brussels, this will move forward as part of a formal suggestion for December's Copenhagen negotiations.

At a time when he seemingly has to fend off criticism from all sides at all times, Brown's plan has received some support from environmentalists.

Greenpeace chief scientist, Dr Doug Parr, said: "Brown is right when he says the scale of the money on the table for the developing world will make or break Copenhagen. By becoming the first major leader to put a figure on how much money is needed he has shown signs of leadership on climate change that have so far been sorely lacking.

"At last a G8 leader is talking about the right order of magnitude, three-digit numbers and billions instead of millions. Without these kinds of sums there will not be a deal in Copenhagen and without a deal the world faces a grave future."

Scott Vincent

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JUNE was a particularly challenging month for US businesses selling summer products, according to Scott Bernhardt, chief operating officer at Planalytics Business Weather Intelligence. For the first three weeks of the month, cooler and wetter conditions dominated, but it was the sheer frequency of the rain that Bernhardt said was remarkable. New York City had rain in 21 days of the month, smashing the record of 17 set back in 1972. Other cities suffering a large number of wet days included Salt Lake City (16 days), Boston (15 days), Chicago (15 days) and Philadelphia (14 days). These pedestrians do their best to brace against the wind and rain as they cross an intersection in Brooklyn, New York, in mid-June.

AP PHOTOS/BEBETO MATTHEWS

NEWS IN BRIEF

PICC Life capital lift

SHAREHOLDERS are looking to double the registered capital of PICC Life Insurance Company by pumping in an extra Yuan2.7bn ($395.2m). PICC Group itself, the majority shareholder, is contributing the lion's share of nearly Yuan2.2bn, with other investors, including Asia Financial Holdings, Sumitomo Life and Thailand Bangkok Bank, paying in between Yuan135m and Yuan271m. As a result, Asia Financial Holdings and Thailand Bangkok Bank will each hold a 5% stake in the life insurer, while Sumitomo's holding will be 10%. PICC Group's holding in PICC Life Insurance will be 65.5%.

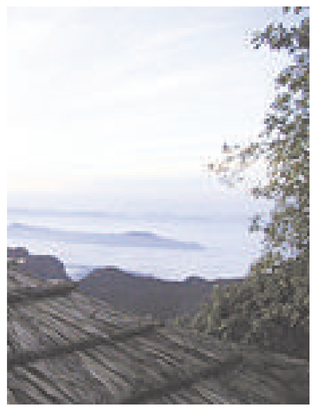
BLOOMBERG NEWS/NELSON CHING

Aon unveils carbon reduction PI protection

BROKER Aon has arranged new personal indemnity cover for companies who fail to comply fully with the UK government carbon reduction commitment (CRC) scheme. The scheme, which is due to launch in April next year, could lead to the prosecution of those companies that fail to comply fully with the scheme. Peter King, regional sales director for Aon, commented: "Most organisations want to be good corporate citizens and do their part to help fight climate change. However, CRC is an extremely complex scheme, particularly in how it dovetails with the European Union scheme, and unless specialist expertise is available mistakes could be easily made. We estimate that up to 25% of companies required to submit evidence packs about their current and planned carbon usage will be audited. Should the information submitted be incorrect, not only is the company liable, but individuals responsible for these estimates are personally liable for prosecution too. This is not something you want to chance." The new cover from Aon is part of a wider product known as QUEST. Developed in partnership with RSA, QUEST is designed to assist the approximately 20,000 businesses that may have to participate in the CRC scheme. It will create a strategy to manage a company's carbon footprint and potentially even profit from it, said Aon.

Bharti AXA life names chief investment officer

SANDEEP NANDA has been confirmed as the new chief investment officer at India's Bharti AXA Life Insurance. Previously, Nanda served as head of investment research at Bharti AXA Investment Managers. In his current role he will head the investment research team at Bharti AXA Life. In January this year, Axa and Bharti's non-life joint venture, Bharti Axa General Insurance, received a Rupee600m ($12.4m) capital injection, increasing its capital to Rupee1.9bn. At the time Bharti Axa General Insurance chief executive, Milind Chalisgaonkar, said the company planned to add up to 2,500 agents in the next few months. It now has around 300 agents and 500 staff.



Seylan Bank bail out

NEWLY renationalised Sri Lanka Insurance Corporation (SLIC) is expected to take a large stake in the country's Seylan Bank, which is in need of a bail out. A run on the bank prompted Sri Lanka's Central Bank to put Seylan under the control of the Bank of Ceylon. According to the regulator, Seylan Bank needs a capital injection of around Rupee3bn ($26m). SLIC is expected to take up the largest share of the bank, with Bank of Ceylon and National Savings Bank (NSB) taking on smaller stakes, local reports suggest.