Reactions the Review
EVERY WEDNESDAY • ISSUE 9 · 13 AUGUST 2014
Business intelligence for the global insurance market

Von Bomhard warns on rates


Nikolaus von Bomhard

Munich Re has confirmed its profit target of €3bn for 2014 after booking a first-half profit of €1.69bn, up from €1.51bn in the same period last year. Gross premiums written were down 5% year on year to €24.8bn, from €26.1bn, mainly because of currency translation effects.

Chief executive Nikolaus von Bomhard said that there had been "fiercer competition between established market players in the first half of 2014, while pension funds and hedge funds are increasingly also breaking into the market". He noted that the appreciably greater supply side was coming at a time of falling demand on the buy side.

Bomhard predicted that "it is only a question of time before insurers have to shoulder the consequences of their underwriting policies", but said that he was "astounded" at the number of companies in the insurance industry who were pursuing a growth strategy at this point in the cycle.

He also noted that, although all market participants wanted to earn more than their cost of capital, "if they are lucky, insurers can get away with inadequate prices for risks that are likely to occur only rarely – although they result in enormous losses when they do". On the long-tail side, "a less conservative reserving policy allows insurers to avoid having to face up to reality for the moment".

Munich Re said that in reinsurance it had been able to shift capacity from strongly non-proportional natural catastrophe business into "other areas that are not so dominated

Continued on page 4 >

Hannover Re and Axa sign longevity swap

AXA France and Hannover Re have announced the conclusion of what they described as "the first longevity swap on the French market". Hannover Re said that the treaty covered "more than 22,000 insured, with associated pension liabilities which represent nearly €750m".

Axa France chief executive Nicolas Moreau said that the French insurer "innovates by securing a significant part of commitments associated with longevity through reinsurance. We are the first insurer in France to transfer such liabilities".

Hannover Re chief executive Ulrich Wallin said that he was "pleased that with our latest block transaction we have been able to demonstrate that our expertise in reinsurance products for the longevity risk also extends to the French market".

Continued on page 5 >

ALSO IN THIS ISSUE: BIG THREE BROKERS' REVENUES GROW BUT MARSH IS THE STAND OUT PERFORMER. *page 19*

2 EDITORIAL COMMENT
- Write more, write less

5 TOP STORIES
- Failed Aspen bid costs Endurance $13.7m

9 TOP STORIES
- Reduce whiplash claims to cut motor premiums: ABI

14 TOP STORIES
- RSA back to H1 profit

21 NEWS ROUND UP
- Nationale Suisse backs Helvetia offer

26 PEOPLE MOVES
- Lloyd's McGovern reappointed to US insurance board

Reactions Corporate Trial Access

Interested in a free companywide trial to Reactionsnet.com?

Reactions specialises in delivering bespoke, multi-user corporate access. For a limited time we will provide you and your team or firm with full online access free of charge.

There is no hitch; we just want to offer you the chance to get to know the site and find out if corporate access is right for your company. And we will set everything up on your behalf.

How it works?

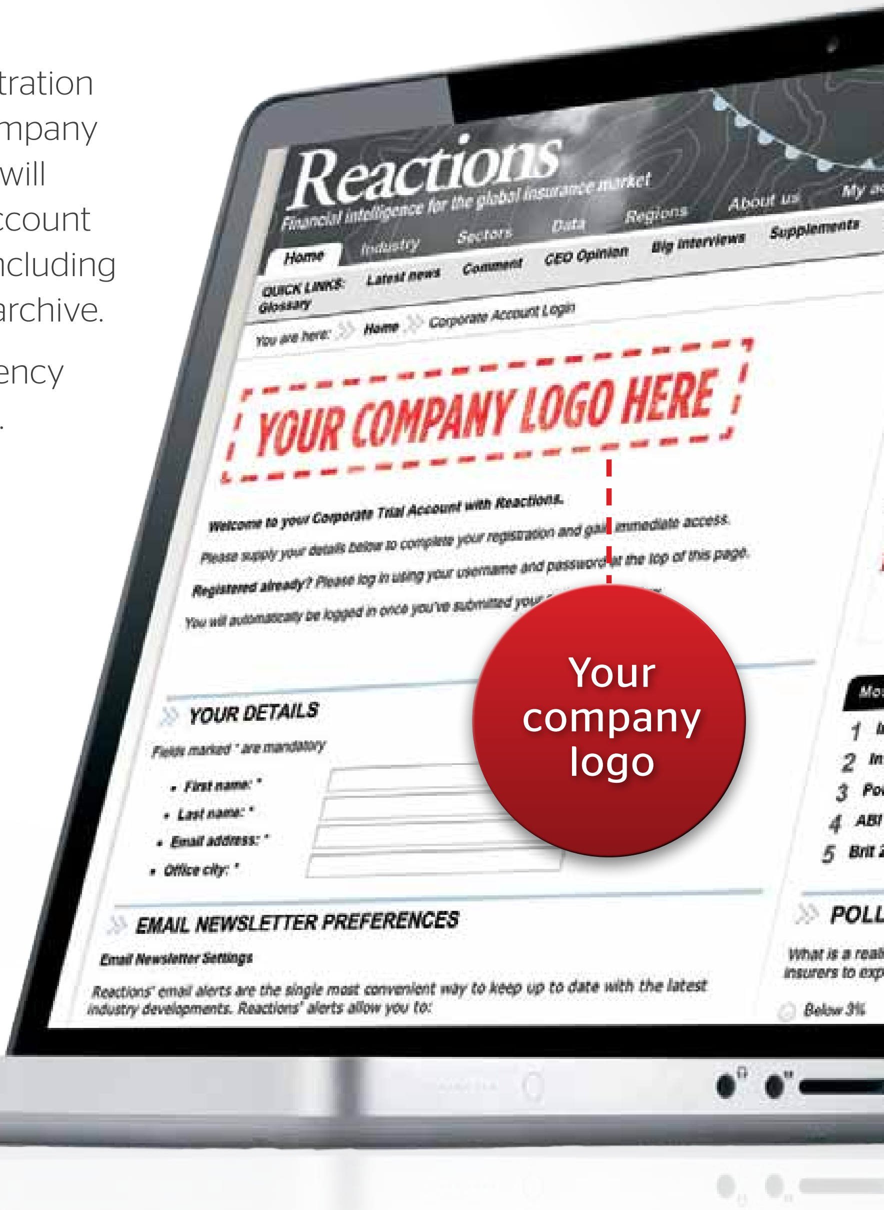
We will create a branded corporate registration page that will allow all staff within the company to sign up and register for our service. It will give each user their own personalised account allowing staff full access to the website including our daily email alerts and the full online archive.

They will also be able to select the frequency of email newsletters they wish to receive.

- Breaking news
- Daily news briefs
- Weekly round up

Add our content to your site:

If you would rather integrate our news stories into your company intranet or internal newsletter this is also something we can offer for a limited time.



Start your companywide access today:

To set up or discuss your corporate trial please contact Nicola Baker on
+44 (0) 20 7779 8754 or email nbaker@euromoneyplc.com

Editorial comment

Write more, write less

The four major European reinsurers have now reported their first-half results. What conclusions can be drawn from the numbers released? On the group top line level, Swiss Re and Scor expanded, while Munich Re and Hannover contracted.

Munich Re's Nikolaus von Bomhard was forthright in his criticism of the companies in the insurance industry – although he named no names – that were increasing their levels of writing. The other "contractor", Hannover Re's Ulrich Wallin, said that in non-life business it was clear that "the soft market trend with its associated rate reductions is continuing and will also likely prevail in the upcoming renewals". He said that Hannover Re was pursuing its profit-oriented underwriting policy in a disciplined manner, and that this result in "modest premium erosion".

"Profit-oriented underwriting policy" is something of a given. When do you recall seeing an insurer or reinsurer say that it was pursuing a loss-oriented underwriting policy?

In P&C reinsurance, Swiss Re reported significantly higher net earned premiums, but, as might be expected, the word "profitable" was not eliminated. The rules are as follows. If you are contracting, you say that prices are technically unsound and therefore you won't write them. If you are expanding, you say that, while rates are generally lower, there are pockets of opportunity for profitable growth.

For example, Swiss Re emphasised "profitable growth in US casualty", while the numbers indicated that it had walked away from some nat cat, and in particular, non nat-cat property.

Scor saw no need to mention that it was profit-oriented. It merely referred to "healthy Scor Global P&C renewals". In fact, Scor remained rather quiet on pricing. It's slightly difficult to interpret Scor's position on the matter, although the numbers would seem to indicate that they are nearer Swiss Re in terms of attitude than they are to Hannover Re and Munich Re.

Even when referring to "future developments", Scor chooses in its interim report to focus on macro-economic matters. Scor admitted that the prolonged low-yield environment would "continue to affect the performance of the Group's asset portfolio in 2014". But of oversupply, excess capacity, perhaps the changing fundamental nature of the industry, there is nary a mention. The emphasis appears to be on Scor's "Optimal Dynamics" programme, launched in 2013, and a belief that this plan is on track and under no threat from alternative reinsurance sources.

Differentiators:

Every reinsurer will insist, every quarter, that it is "different" from the others. It will then emphasise the area in which it has a particular strength.

Munich Re's von Bomhard said that the company was benefiting from a "broad business base". He gave as an example the fact that in reinsurance Munich Re was "able to shift capacity from strongly non-competitive non-proportional natural catastrophe business into other areas that are not so dominated by imprudent competition, such as businesses offering customised, specialised solutions".

Swiss Re stated that in H2 in P&C Re there would be a "strict focus on risk selection and portfolio management" and, perhaps more key, that Swiss Re would "differentiate through knowledge, expertise and services". The implication there is that pricing might on the whole be weak, but that Swiss Re is good enough to overcome that, selecting the wheat from the chaff.

Von Bomhard, careful not to point a finger in any particular direction, said that, "… if they are lucky, insurers can get away with inadequate prices for risks that are likely to occur only rarely – although they result in enormous losses when they do".

Denis Kessler has been emphasising Scor's Optimal Dynamics programme since it was launched, as well as the reinsurer's status as a "Tier 1" player. It is perhaps a matter of debate whether the "big four" in Europe are really "the big two and two halves", or any other neat compound sobriquet. But Scor is in no doubt that it is in the top Tier, and it is differentiating itself on service. This consists of its "strong franchise" and "high diversification". Also, it emphasises "relatively less cat exposure compared to peers". That, in a sense leads to comparisons with Munich Re's aims – bespoke solutions on a customer-by-customer basis, rather than by pricing or pure volume. This comes with one obvious downside – it doesn't come cheap, and the cost base has to be kept under control. ■

Peter Birks, Managing Editor, Reactions

Peter

Reactions *the Review*

EDITORIAL

Managing editor
Peter Birks
Tel: +44 (0)20 7779 8755
Email: peter.birks@euromoneyplc.com

Americas editor
Christopher Munro
Tel: +1 212 224 3473
Email: christopher.munro@euromoneyplc.com

Senior reporter
Victoria Beckett
Tel: +44 (0)20 7779 8218
Email: vbeckett@euromoneyplc.com

Senior reporter
Lauren Gow
Tel: +44 (0)20 7779 8193
Email: lauren.gow@euromoneyplc.com

Reporter
Samuel Kerr
Tel: +44 (0)20 7779 8719
Email: samuel.kerr@euromoneyplc.com

Contributing editor
Garry Booth
Email: garry.booth@euromoneyplc.com

Design & production
Antony Parselle
Email: aparselledesign@me.com

ADVERTISING AND EVENTS SALES

Commercial director and publisher
Gary Parker
Tel: +44 (0)20 7779 8171
Email: gparker@euromoneyplc.com

Publisher (Americas)
David Samuel, Tel: +1 212 224 3466
Email: dsamuel@euromoneyny.com

Deputy publisher
Goran Pandzic
Tel: +1 212 224 3711
Email: gpandzic@euromoneyny.com

Head of business developments, events
Aza Benyatov-Dennis, Tel: +1 212 224 3430
Email: aza.benyatov@euromoneyny.com

SUBSCRIPTION SALES

Subscription sales executive
Nicola Baker, Tel: +44 (0)20 7779 8754
Email: nbaker@euromoneyplc.com

Office manager/reprints
Christine Jell, Tel: +44 (0)20 7779 8743
Email: cjell@euromoneyplc.com

Managing director
Stewart Brown, Tel: +44 (0)20 7779 8184
Email: sabrown@euromoneyplc.com

Divisional director Roger Davies
Reactions, Nestor House, Playhouse Yard,
London EC4V 5EX, UK

Website: www.reactionsnet.com

Reactions printed by: Wyndeham Grange, UK

Annual subscription rates:
Standard multi-user: £1,000 / €1,250/ US$1,605
Premium multi-user: £1,500 / €1,875/ US$2,212
Single user: £920 / €1,150/ US$1,475

Subscription hotline:
London: +44 (0)20 7779 8999
New York: +1 212 224 3570
Back issues: Tel: +44 (0)20 7779 8999
Subscribers: £27.50; Non-subscribers: £45.00

ISSN 0953-5640

Customer services: Tel: +44 (0)20 7779 8610
Reactions is a member of the Audit Bureau of Circulations.

Reactions (ISSN No. 002-263) is an online information service supported by a print magazine published by Euromoney Institutional Investor PLC.

Von Bomhard warns on rates

< Continued from page 1

by imprudent competition". This included business that offered "customised, specialised solutions".

In the life reinsurance segment there was an 11.1% H1 decline in GPW (minus 4.1% at constant exchange rates), to €4.94bn, from €5.56bn in the corresponding period last year. The consolidated result rose a fraction of a percent to €235m. Munich Re said that the reduction was mainly attributable to existing major treaties, which it was able to renew, "albeit in some cases with a reduced volume". Munich Re said that these treaties generally served as a capital substitute for its clients, and generally run for a period of several years. Although growth in Asian markets is still helping Munich Re's premium levels, the primary side was impacted by the weak economy, which had a knock-on effect on the demand for reinsurance.

In reinsurance the investment result for the first half was up to €432m, from €362m in the same period last year.

In the property-casualty reinsurance segment for the first half, GPW was down 0.6% year on year to €8.48bn (up 3.6% at constant exchange rates)

The consolidated result improved to €1.15bn, from €961m in the same period last year. The combined ratio rose to 94.1%, from 92.4%.

Munich Re noted that its January 1 renewals this year were positive, with premium volume of about €8.7bn up for renewal and premium growth of 2.7% being recorded on overall price declines of 1.5%. By contrast, the April 1 renewals were only about €800m of premiums, much of which was property catastrophe business in Japan and North America. Munich Re said that premium volumes remained roughly constant, although prices were down by about 8%.

Munich Re said that, although there was a decline in pricing in Japan and North America, a fundamental difference was that in Japan the declines were a return to more normal pricing following the 2011 earthquake and subsequent tsunami.

Overall major loss expenditure in property-catastrophe was €656m (€711m in H1 2013), of which €617m was attributable to Q2.

For the first half, Munich Re noted that major-loss expenditure in H1 was slightly below average, with a significantly below average loss in Q1 and a slightly above average loss in Q2, when high levels of man-made losses and the winter storm in Japan (impact on Munich Re, €180m) affecting the technical result. Although the Japan event took place in Q1, the figure is represented in the Q2 numbers because of late-reported claims.

Although the technical result declined, the operating result and consolidated result improved, helped by an improved investment return, backed up by gains on disposals.

Munich Re said that, although there was a decline in pricing in Japan and North America, a fundamental difference was that in Japan the declines were a return to more normal pricing following the 2011 earthquake and subsequent tsunami.

Other natcat events that impacted the reinsurance sector were an earthquake off the northern coast of Chile in April, (impact on Munich Re an estimated €50m) and flooding in May in Serbia, Bosnia-Herzegovina and Croatia, (impact on Munich Re an estimated €40m).

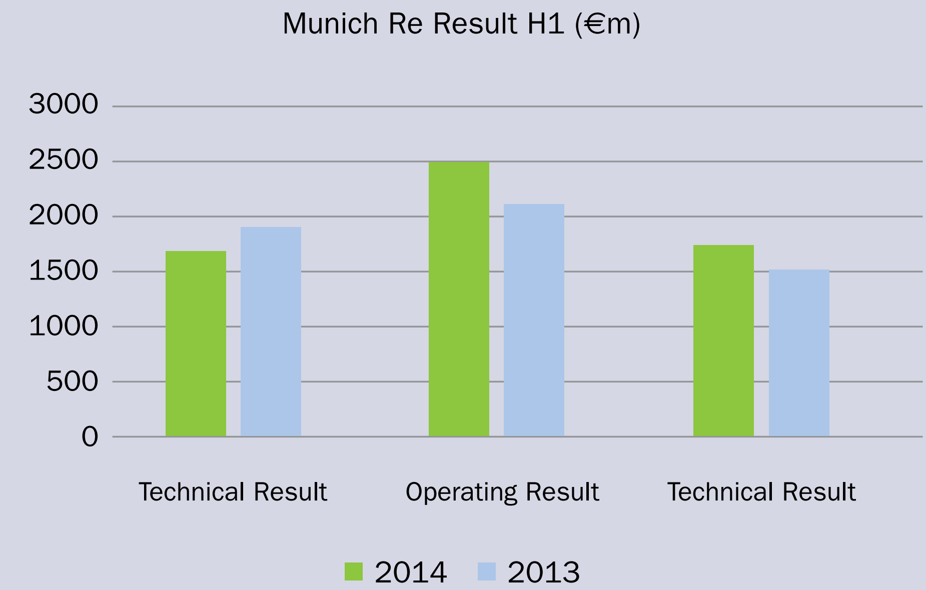
Unusually, man-made losses made up a significant part of insured losses in the half, with €326m of the €329m being incurred in Q2. The largest claim for Q2 was a fire loss "in the low three-digit million euro range". A liability claim cost €65m. Reserve releases on prior years came to €180m.

In the primary sector, consisting mainly of Ergo, premium volume for the first half was flat at €9.3bn. The combined ratio improved fractionally, to 95.5%, from 96.0%. There was a strong improvement in the investment result, up to €3.1bn for the half, from €2.5bn in H1 2013. This was due to €1.6bn in write-ups of derivatives in the second quarter. The consolidated result for H1 was €258m, down from €266m.

In April Munich Re pooled the life, health and travel insurance divisions in Germany into a single division, "insurance of the person". The previous five tied agents' organisations have been merged into two homogeneous organisations.

In primary property-casualty during H1 there was a 2.5% decline in GPW to €3.02bn, from €3.09bn in the same period last year. The consolidated result fell to €97m, from €139m in the same period last year.

Of major losses, at the beginning of June there was bad weather across much of Western Germany. Munich Re said that Ergo's initial estimate for losses as a result of this event was €21m.



Failed Aspen bid costs Endurance $13.7m

Endurance's failed hostile takeover bid to acquire Bermudian rival Aspen cost the company $13.7m during the first six months of 2014, figures from its second quarter results show.

Of this sum, the vast majority - $12.8m - was spent during the second quarter.

The company's high profile bid to purchase its competitor came to an end last week when the John Charman-fronted business announced it would no longer pursue its attempt to acquire Aspen (www.reactionsnet.com July 31, 2014).

That came after Aspen's shareholders overwhelmingly rejected two authorisation proposals which, had they passed, would have facilitated the takeover bid put forward by Endurance.

Endurance's attempt to acquire Aspen first came to light in April when it made an offer valued at $3.2bn for its rival. That bid was rejected immediately, with Aspen stating that "Endurance has a mixed operating track record, new leadership, an unproven strategy and no experience with large acquisitions".

That prompted months of bad blood between the firms, with Endurance's chairman and chief executive Charman exchanging barbed comments with Aspen's group chief executive Chris O'Kane in a series of announcements from the two companies.

Indeed, Endurance's announcement that it was not continuing with its takeover attempt contained another pointed remark from Charman:

"The current Bermuda corporate governance laws, Aspen's focus on defensive self-preservation tactics rather than value creation and the unwillingness of Aspen's shareholders to take a stand, make it impractical at this time for Aspen shareholders to realise the compelling value of our offer," he said.

In response to Endurance's decision to withdraw its bid, O'Kane praised Aspen's shareholders for their support.

"We thank our shareholders for their input, our valued customers and brokers for their loyalty and business, and especially thank our employees for their hard work, focus and ongoing dedication to the highest levels of service in our industry," he said in a statement.

"We remain intensely focused on the continued successful execution of our strategic plan, building value for our shareholders and serving our customers." ■

"We thank our shareholders for their input, our valued customers and brokers for their loyalty and business, and especially thank our employees for their hard work, focus and ongoing dedication to the highest levels of service in our industry," *– Aspen's group chief executive Chris O'Kane*

Hannover Re and Axa sign longevity swap

< Continued from page 1

Hannover Re has been active on the longevity risk market since the mid-1990s. The largest market to date for this form of risk transfer has been the United Kingdom, although companies across Europe are increasingly expressing a need for such solutions.

Hannover Re's most recent major longevity deal was with Legal & General in the UK, back at the beginning of 2012, when it signed a £1bn (€1.26bn, $1.68bn) swap covering 11,500 retired employees of industrial firm Pilkington. ■

Endurance reaps rewards of transformation plan

Endurance continues to benefit from the transformation it initiated just over a year ago with the Bermudian re/insurer increasing gross premiums written by over a fifth during the second quarter.

Endurance registered $689.4m of gross premiums written in the three months to June 30, 2014, up 20.4% compared with the same period in 2013.

The company's reinsurance arm produced the strongest gross written premium growth, with the $367.9m it generated during 2014's second quarter an increase of 24.4% year on year. That is not to say Endurance's insurance segment did not record strong growth however, with this element of the business producing gross premiums written of $321.5m, up 16.1% over the prior year period.

On top of this, Endurance recorded a $6.8m year on year rise in investment income to $39.3m during the second quarter.

Endurance was left with a combined ratio of 88.1% for the second quarter, a figure which includes 11.3 percentage points of favourable prior year loss reserve development, 5.6 percentage points of catastrophe losses from 2014 events and 2.5 percentage points of expenses related to its attempted

acquisition of Aspen Insurance Holdings Ltd.

This hike in gross premiums written, along with the improved investment return, left Endurance with net profit of $75m for the second quarter.

For the first half of 2014, Endurance saw gross premiums written grow by 5.5% year on year to almost $1.85bn while net investment income actually fell by $1.5m over the prior year period to $80.3m.

This gave Endurance net profit of $171.3m for the first half of 2014, up from $144.9m for the identical stretch in 2013.

"I am very proud to report that Endurance has generated another solid quarter of financial results, demonstrating not only continuing profitable premium growth and broadly improved loss ratios across our expanded global businesses, but importantly strong growth in our book value per share," said John Charman, Endurance's chairman and chief executive.

"The transformation of Endurance that we began just over a year ago is clearly visible in our overall operating and financial performance. With the core of our global underwriting leadership team now firmly in place and coordinating well, I believe that these positive, strategic improvements will continue to translate into stronger, more consistent performance in the future." ■

News in brief

Indian bill suffers delay

The Congress opposition in India has continued to demand that the Insurance Amendment Bill to a select committee of the Upper House the Rajya Sabha.

Leaders of the governing BJP and opposition Congress made no progress to end the stalemate. The BJP-led NDA coalition had placed the Bill on the schedule for Friday, only for it to be postponed, first until Monday, then Tuesday, and

Arun Jaitley

now until an unspecified time in the future.

An All-Party meeting had been scheduled for Wednesday but that was cancelled. The Congress Party claims that the Bill, which is the Bill that they introduced during their last administration and which had been left "pending", had undergone several changes since they first tabled it. The NDA ministers claim that the Bill is essentially identical to the one put forward by the old administration.

The Congress opposition and other non-governmental parties hold a majority in the Rajya Sabha, but if they were to reject the bill outright, it would return to the lower house the Lok Sabha, where the BJP has an absolute majority. The BJP also has the option, if it requires, of calling a joint session, which could also pass the bill into law, given the BJP's absolute majority in the lower house and its considerably larger size. However, this is seen as something of a "nuclear" option that is hardly ever used in Indian politics and has never been used for a confrontational bill. It is also only possible if the Rajya Sabha either amends or rejects the bill.

For Congress, its best way to remain in favour with those who oppose the bill, including most left-leaning parties and all of the unions of employees in the Indian insurance industry, is to attempt to stonewall and filibuster rather than reject outright. That leaves the NDA coalition unable to convene a joint session. If it accepts the proposal of a select committee, there is a perceived danger that the opposition parties will attempt to slow progress to a crawl, preventing the matter ever reaching a vote in the main parliament.

The main impact of the Bill would be to increase the cap on foreign direct investment (FDI) in insurance to 49% from 26%, a move which Congress under the Singh administration attempted to get into law for several years. P Chindambaram strongly supported the move when Finance Minister with the previous administration, which new finance minister Arun Jaitley is now encountering similar problems.

Strong performance from Swiss Re P&C

Swiss Re has reported net attributable income of $802m for the second quarter of 2014, up from $786m in the same period last year. Premiums earned and fee income rose to $7.56bn, from $6.79bn in Q2 2013. Shareholders' equity rose by 2% year on year to $33.6bn.

In Property & Casualty Reinsurance net income was up 22% year on year, to $553m, on premiums earned up 12% year on year to $3.56bn. The combined ratio improved to 93.5%, from 101.1% in the corresponding period last year. Swiss Re attributed the improvement to a better claims experience and higher investment returns. The property combined ratio improved to 90.9%, from 110.3% in Q2 2013, when there was an impact from floods in Europe and Canada. However, the casualty combined ratio rose to 104.7%, from 101.3% in Q2 2013. Swiss Re said that this was due to lower net reserve releases, as well as a change in business mix towards more proportional business.

Swiss Re noted that property natural catastrophe rates remained under pressure, because of a lack of natural catastrophe events and excess capital from both traditional and non-traditional sources. "Our superior risk selection remains a key driver in a softening market", said Swiss Re.

The increase in premium volume in P&C was mainly a result of lower external retrocession volumes, plus an increase in business volumes in Asia and Americas from large quota share treaties written at the end of 2013.

Life & Health Reinsurance reported a 69% decline in net attributable income, to $49m, on earned premiums and fee income of $2.89bn, up 16%. The decline was attributed by Swiss Re to "non-economic realised investment losses in the current period from an interest rate hedge and foreign exchange impacts". The rise in premium income was attributed to a growth in health business in Asia and EMEA.

Looking ahead, Swiss Re said that growth in traditional L&H business was expected to be muted, "with cession rates decreasing as primary insurers retain more risk, in particular in mature markets". The reinsurer also conceded that the current low interest rate environment "continues to have an unfavourable impact on the growth of long-term life business for our cedants".

At Corporate Solutions, net attributable income for the quarter was up 20% year on year to $66m. Premiums earned rose 23% to $841m, and the combined ratio improved to 93.2%, from 96.9%. Swiss Re said that the 2014 Q2 result reflected "continued profitable business growth across all lines of business and benign natural catastrophe losses compared to the same period in 2013". This was partially offset "by a larger number of medium-sized man-made losses". The property combined ratio for the quarter improved to 84.5%, from 105.1% in the corresponding quarter last year, with both periods benefiting from favourable prior-year development. In casualty the combined ratio deteriorated by 9.2pp year on year to 116.4%. Swiss Re said that this was mainly due to unfavourable prior-year reserve development.

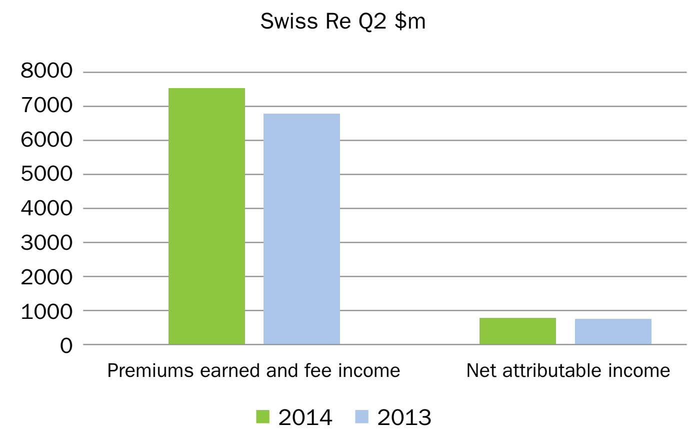
Swiss Re noted that pricing trends for commercial insurance were generally softening, although there were differences between geographies and types of business.

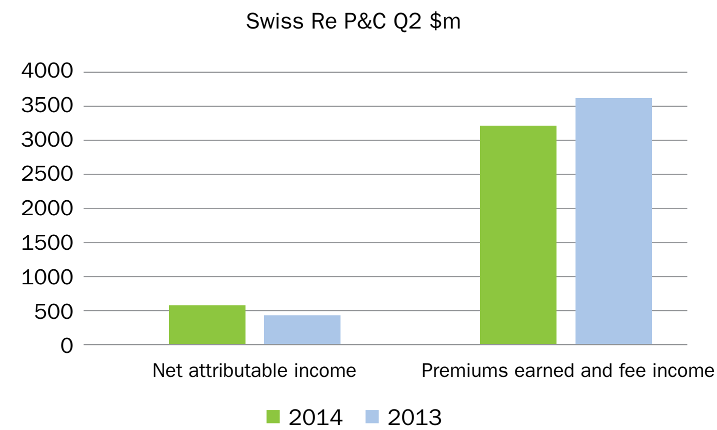
Finally at Admin Re there was a 7% rise in net attributable income for Q2, to $117m, on premiums earned and fee income of $264m, down 40%. The fall in premiums was mainly a result of the acceleration of premiums in 2013 from a block of business in the US. That in turn was offset by an increase in claims reserves. Swiss Re said that the result was driven by realised gains, profits recognised from a reinsurance agreement covering UK business acquired in June, and lower finance costs following the establishment of a credit facility in April 2014.

Admin Re continues to intend to generate some $900m in cash from 2014 to 2015, paying dividends to the group of the same amount.

In the letter to shareholders, chairman Walter Kielholz and chief executive Michel Liès said that there had been "a continued strong performance", but that "there are also some things we need to fix, such as the underperforming parts of the Life & Health Reinsurance business". Swiss Re said that management was "working hard to improve the underlying earning power of this segment, and the good news is: we are making progress here".

Looking ahead, Swiss Re reiterated that "by 2020 we expect (high-growth markets) to generate 24% of the world's direct insurance premiums, up from about 18% currently".





Kane issues two cat bonds

Kane SAC Ltd is quickly garnering a reputation in the small catastrophe bond space after the company unveiled two new issuances to add to the five it has already placed since August 2013.

The company, part of global insurance manager Kane, only launched its catastrophe bond operation a year ago, and including the two latest editions to its portfolio, has now placed seven of these insurance linked securities in the market.

The two new issuances of US$7,320,000 Series 2-2014 At-Risk Notes and $9,245,000 Dodeka III have been placed through the Kane SAC Limited Note Program, which serves as the firm's independent private catastrophe bond platform.

The Series 2-2014 notes are due on June 10 next year, while those for Dodeka III are due on July 31, 2015.

Robert Eastham, the managing director of Kane (Bermuda) Ltd, is proud of the firm's successful entry into the niche small catastrophe bond market so far.

"Our success in this relatively short period shows that the platform is becoming a market-recognised means of facilitating the flow of smaller, cost-effective transactions into the capital arena," he said.

Both of the new sets of notes have been placed on the Bermuda Stock Exchange.

As of August 4, 2014, the largest of the Kane SAC managed securities on the Bermuda Stock Exchange was the Series 1-2014 instrument. The due date of that is April 7 next year and is valued at $50.12m. That is almost double the second highest which is Dodeka IV.

That is valued at more than $25.54m and is due on December 17 later this year. ■

News in brief

Polish insurer PZU gets approval for Link4 takeover

The head of the Polish UOKiK consumer and competition watchdog has given the green light for the takeover of RSA's Link4 by Polish insurer PZU.

The announcement came on Thursday afternoon in a statement released by UOKiK.

"In none of the analysed markets will the takeover mean that PZU will strengthen its position, especially due to Link4's low market share," writes UOKiK chairman Adam Jasser in the statement. "Furthermore, PZU's position in the property and vehicle insurance markets has been systematically decreasing for some years due to heightened competition," the statement continues.

The announcement came after PZU filed a motion for the Link4 takeover bid with UOKiK in May 2014.

The company announced the takeover from RSA Insurance in April.

RSA group chief executive (CEO) Stephen Hester said at the time that the disposal of its Baltic assets were in line with the company's stated aim of focusing the Group's geographical spread onto its core businesses in the UK and Ireland, Scandinavia, Canada and Latin America.

He also noted that the total sale proceeds represented "significant progress against our overall target of at least £300m of disposal proceeds set for 2014, and also demonstrate the strong underlying value that exists within RSA.

Transamerica to rebrand insurance units

Transamerica is merging and renaming some of its statutory insurance companies to improving its branding.

Monumental Life Insurance Company will change its name to Transamerica Premier Life Insurance Company.

Western Reserve Life Assurance of Ohio will be merged into the new Transamerica Premier Life Insurance Company.

Transamerica Advisors Life Insurance Company of New York will be merged into Transamerica Financial Life Insurance Company.

Stonebridge Casualty Insurance Company will change its name to Transamerica Casualty Insurance Company.

"In recent years, we have brought together our businesses in order to enhance efficiencies and better serve those who depend on our core insurance and retirement products and services," said Gregory Tucker, senior vice president of corporate communications.

Coverage and benefits provided under customers' policies and contracts underwritten by the insurance entities impacted by these activities will not be affected.

Arig Q2 profits hit by subcontinental claims

Arab Insurance Group (Arig) has posted a net profit of $4.7m for the first half of 2014, down from $5.2m for the comparable period in 2013.

The Bahrain-based insurer suffered a series of claims relating to Indian losses, as well as negative impact from Re-Takaful interest which pushed the group's combined operating ratio up by 4.8 points to 90.8% and lowered underwriting returns by 88% to 0.5m (H1 2013: $4.2m)

The company's net profit for the second quarter dipped to $ 1.9m, down from $3m year-on-year.

Gross premium income over the six months increased by 5.6% to $236.8m (H1 2013: $224.3m) helped by increased premium derived from Arig's engagement in overseas markets as well as the parent company's interests in specialty and life.

Arig chief executive Yassir Albaharna, said: "We knew that 2014 would be a challenging period for reinsurers as global over-capacities are showing their effect. On the other hand, Arig is writing a well-balanced portfolio and we are strongly reserved. We remain highly confident on our ability to live up to current conditions."

Reduce whiplash claims to cut motor premiums: ABI

The UK government must tackle the costs of whiplash claims if motor premiums are to stay low, says the Association of British Insurers (ABI).

The association's latest quarterly average private comprehensive motor insurance premium tracker was released on August 6.

The tracker shows that while the price paid for the average private comprehensive motor premium in the second quarter of the year rose slightly by £2 to £361 over the previous quarter; premiums have fallen by 5% over the last year, with insurers passing on cost savings of £378m in lower premiums to motorists during the period.

However premiums are being affected adversely by the high number of whiplash claims, says the ABI.

"UK motorists are continuing to get the best deals from a highly competitive motor insurance market. Everyone wants to see lower premiums, but government figures show that whiplash type claims have risen by 21% since 2010, while road accidents have been falling," said James Dalton, the ABI's head of motor and liability.

"With whiplash claims costing motorists over £2 billion a year, the Government needs to press ahead with its much-needed plans to tackle the UK's whiplash epidemic, including introducing reforms to medical reports used for these claims and increasing the Small Claims Track Limit to £5,000."

British insurer Aviva added its voice to the whiplash debate recently when it published a report in July calling on the government to reform the whiplash claims system.

"We believe that the current system offers financial incentives for personal injury lawyers, claims management companies and fraudsters, which inflates the cost of motor insurance. Aviva's recommendations for reform would ensure that genuine, minor injuries are treated while further reducing motor insurance costs and combating fraud for the long term," said Maurice Tulloch, chairman, Global General Insurance and CEO UK & Ireland General Insurance, Aviva.

More than 475,000 whiplash claims were made in 2013 costing around £90 on the average motor insurance premium (ABI) said the insurer.

Aviva's claims data for 2013 shows that 94% of all personal injury claims from a motor accident are for minor whiplash-type injury claims. By comparison in France, it is estimated that whiplash accounts for just 3% of personal injury claims. ■

News in brief

Allianz H1 net income rises to €1.76bn

Europe's largest insurer, Allianz, has reported a second quarter profit rise of 11% following lower-than-expected natural disaster claims.

Net income for the Munich-based insurer jumped to €1.76bn, from €1.59bn in the previous comparable period in 2013.

Reuters-surveyed analysts had previously estimated net income of €1.55bn.

Allianz said natural catastrophe claims dropped to €172m in the second quarter, comparable to €549m year-on-year. The insurer said this positive result was fuelled by increasing operating profits in the insurer's property and casualty units.

Allianz said the upper end of its full-year operating profit target of €9.5bn to €10.5bn was "in reach" as half-year operating profit climbed 6.4 percent to 5.49 billion euros.

Steadfast partners with reinsurance broking business

Steadfast Group has agreed to take a 50% equity interest in Steadfast Re, said the company in a statement.

Steadfast Re is the former Australian & New Zealand reinsurance broking business of Beach & Associates with forecasted FY15 EBITDA of approximately $1m.

Steadfast managing director, Robert Kelly, said: "Steadfast Re will be the only Australian-owned reinsurance broker supporting Australian and New Zealand insurers, and it will have the endorsement of Steadfast and an international reinsurer broker Beach & Associates."

Kelly added: "Our joint venture with Steadfast Re introduces a further complementary business to our distribution channel of insurance products and services. We plan to help Simon and his team develop the business by providing them with access to our network of 311 broker businesses and enhancing their relationships with our Strategic Partners."

News in brief

AIA Berhad to make MH17 ex gratia payments
AIA Berhad, the Malaysian offshoot of AIA, said that it would be making ex-gratia payments to the next-of-kin of MH17 passengers who are customers of the company, regardless of any special restrictions.

The company's chief executive (CEO) Bill Lisle said that the insurer had on an exceptional basis decided to waive all special restrictions or exclusions for death due to terrorism, war, or warlike situations, in the policies, as it knew that any claims it received would be genuine.

"In the aftermath of the unfortunate MH17 tragedy, we stand ready to provide any assistance to the families of those on board the flight," he said in a statement Monday.

Lisle commented that policyholders' personal accident policies would also be payable in this instance.

The company said it has contacted family members to offer help as well as make delivery of the claim cheques and gather details on the beneficiaries, where required, over the past two weeks.

Nepal hikers' insurance rate hikes
Insurance rates hikes are expected for hikers covering Sherpa guides in any Himalayan peak in Nepal, the government said.

Of Nepal's Himalayan peaks, 414 are open to foreign climbers.

An ice avalanche on Mount Everest in April killed 16 Sherpa guides was the mountains biggest disaster and highlighted the fact that the Sherpa guides take on huge risks for little pay.

Guides' insurance was raised to $15,000 from $10,000 and medical insurance for each guide has also been increased to $4,000 from $3,000, the official tourism body said.

The new rates will come into force next month, Dipendra Paudel, a Tourism Ministry official, told Reuters.

This is expected to meet Sherpa's demands for better compensation.

Sherpas have also asked for a climbing ban to respect for their fallen colleagues, which caused 334 foreign climbers to cancel Everest treks this year.

Hannover Re sees H1 GWP and net income contract

Hannover Re chief executive Ulrich Wallin has said the company is "very satisfied" with the first half results, despite contractions in gross written premiums and group net income.


Ulrich Wallin

The German reinsurer's group GWP contracted 2.2% in the first half to €7.1bn, down from €7.2bn in the previous comparable period. Net premiums earned fell by a more marked 5.7% to €5.8bn, from €6.2bn in the first half of 2013.

Group operating profits of 683.7m fell "somewhat short" of the H1 2013 figure of €693m, said Wallin, owning in part to reduced gains in the Forex market. Group net income, however, improved 4.9% to €444.4m owing to lower interest charges and a drop in the group's tax ratio.

The non-life reinsurance division experienced a premium decline at the 1 April renewals that Wallin attributed to price erosions from over supply of capacity in a soft market.

Total GWP for the non-life division fell 0.5% in the first six months of the year, as did the division's operating profit, down to €521m from€549.1m in the previous comparable half.

"In view of the soft market conditions Hannover Re is concentrating solely on preserving the profitability and quality of its portfolio in non-life reinsurance. The premium volume for 2014 should remain broadly stable after adjustment for exchange rate effects," said Wallin. ■

Zurich reports Q2 net profit of $837m

Swiss insurer Zurich has reported a 6% year-on-year rise in net profit of $837m from $789m in the second quarter but fell short of analysts' forecasts.

Group combined operating ratio for the insurer improved 3.4 points to 95.7% in the second quarter which Zurich said was "reflecting commitment to select and write business for long term profit."

First half global operating profits rose to $2.6bn, up 15% year-on-year while second quarter operating profits also rose, up 32% to $1.2bn.

Zurich chief executive officer Martin Senn said the insurer is on track having largely completed its restructuring program. "While still early in our three year plan, we are on track for our 2014 to 2016 targets," Senn said in a statement.

The firm was expected to report a quarterly net profit of $953m according to a Reuters poll of banks and brokerages. ■


Martin Senn

Aviva H1 operating profit £1,052m

Aviva's combined operating ratio was 95.5% for the first half of 2014 with an operating profit up 4% at £1,052m.

The insurer faced several challenges of the six months including an overhaul of the UK annuity market, a harsh winter in Canada, UK floods and a stronger Sterling.

"The half year results show that momentum in Aviva's turnaround continues. All of our key metrics have improved, operating earnings per share are up 16%, and book value has increased 7%," said Mark Wilson, group chief executive officer (CEO).

"We have reduced our debt, decreased expenses and increased profit – this is just good business. Aviva remains a work in progress, and these results are a step in the right direction," he said.


Mark Wilson

Value of new business grew by 9% to £453m. Poland, Turkey and Asia grew 54% and contributed 25% to the group's value of new business.

"We have been resolute in improving efficiency and our results are starting to reflect this. Operating expenses are £129m lower, at £1,399m," said Wilson.

This implies an annualised expense reduction of £568m by the end of 2014, ahead of Aviva's £400m target set in 2012.

"'Below-the-line' integration and restructuring expenses of £42m are 74% lower year-on-year. Higher profit and lower operating expenses have resulted in an operating expense ratio of 52.1%," said Wilson.

"This is adequate progress towards our target of achieving an expense ratio of below 50% by the end of 2016," he added.

The insurer announced an interim dividend per share up 4.5% at 5.85p.

Chris Wei was appointed CEO of global life insurance in the second quarter who was previously CEO of Great Eastern Holdings in Singapore.

Aviva said it plans to continue to campaign on major issues of importance to our customers such as motor insurance reform, insurance fraud and addressing the savings gap.

We have reduced our debt, decreased expenses and increased profit – this is just good business. Aviva remains a work in progress, and these results are a step in the right direction," said Wilson.

The markets responded well to the numbers, pushing Aviva's share price up by more than 2.5% to 430.3p at lunchtime, in a slightly falling market.

News in brief

1.6m evacuated as Typhoon smashes into Japan

Japan has ordered the evacuation of 1.6 million of its citizens as Typhoon Halong smashed into Japan over the weekend.

Authorities issued a red typhoon alert, the highest typhoon alert, and landslide warnings as the Halong produced over a metre of rain in an hour, and caused widespread disruption to travel at the beginning Japan's summer holiday season. While moving across southern Japan, Halong weakened due to the interaction with land and a lack of warm water to fuel the storm.

Despite weakening, Halong still caused damage across the islands of Shikoku, eastern Kyushu and southern Honshu.

According to weather service Accuweather, from Saturday into Sunday more than 900 mm (35 inches) of rain fell at the Yanase observation site in Kochi Prefecture. During a 9-hour time span Saturday night, 800 mm (31 inches) of rain fell. Not far away, over 600 mm (24 inches) of rain fell in Torigatayam.

Kochi Prefecture is the same region that saw extreme rainfall just a week ago from Tropical Storm Nakri. One location in Kochi Prefecture measured a record 1,186 mm (46.69 inches) in 72 hours, ending on Tuesday, according to information from the Japan Meteorological Agency.

There was extensive travel destruction as more than 200 flights were cancelled and some bullet trains also suspended services, leaving people setting off for "o-bon" summer holidays stranded at airports and stations.

Accuweather reports that, along with the extreme rainfall hitting Japan, destructive winds also swept across the region.

Near the centre of the storm at landfall, wind was sustained at 145kph (90mph) at the Muroto-misaki observation site. In Tokushima wind gusted to 155kph said the weather service.

The Japan Times reported that as of Sunday, at least 9 people had been killed as a result of the tropical storm, two others are missing and many have been injured.

The storm has now moved north of the country but Accuweather warns that the after effects of the typhoon could still cause disruption.

"While the worst of the conditions are in the past for Japan, it will still be windy on Monday across the northern island of Hokkaido, with gusts as high as 50mph expected," said Accuweather. "This could cause sporadic power outages and minor damage. Showers will cross the island, but rainfall should not be heavy enough to cause any additional flooding."

AIG numbers the last from Benmosche

New York-based insurer AIG has reported year-to-date net income attributable to shareholders of $4.68bn, compared with $4.94bn in the same period last year, on first half premiums of $18.50bn, fractionally down from the $18.57bn recorded in the first half of 2013.

New York-based insurer AIG has reported year-to-date net income attributable to shareholders of $4.68bn, compared with $4.94bn in the same period last year, on first half premiums of $18.50bn, fractionally down from the $18.57bn recorded in the first half of 2013.

For Q2, net attributable income was $3.07bn, up from $2.73bn in Q2 2013, on premiums of $9.46bn, up from $9.20bn.

Non-life business now makes up the vast majority of AIG's business, with property-casualty recording net premiums written (NPW) of $17.55bn, down a fraction from the $17.7bn recorded in H1 2013. Pre-tax income in the division was down to $2.80bn, from $2.82bn.

Chief executive Bob Benmosche, in his last report as chief before handing over to Peter Hancock, said that the results in Q2 were "solid". He noted that "in many ways, this quarter, my last as President and CEO of AIG, was punctuated by two significant milestones: the completion of our sale of ILFC to AerCap, which marks the last disposition of AIG's non-core businesses, and the appointment of Peter Hancock to succeed me as AIG's next president and chief executive officer".

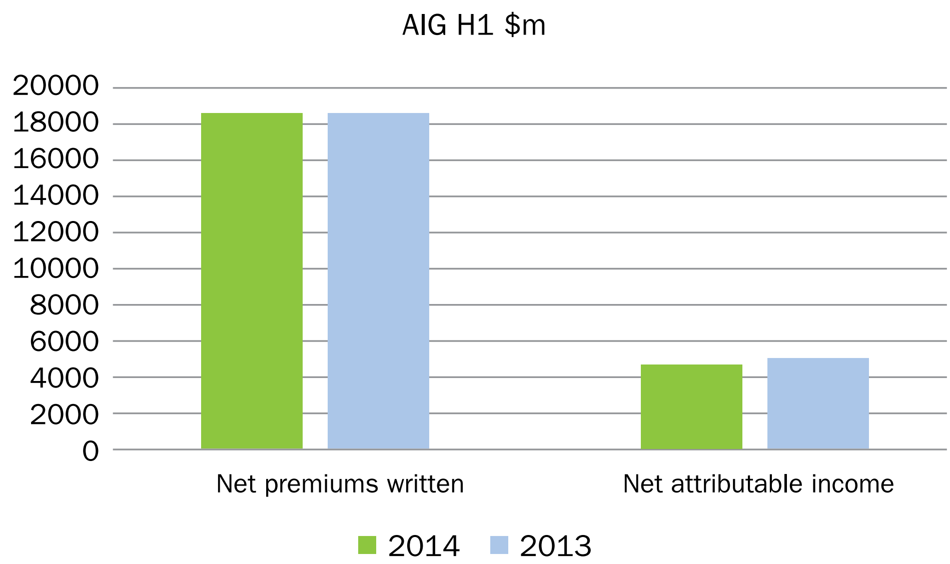
The 12.5% year on year rise in quarterly profit was ahead of analysts' expectations.

Meanwhile, AIG said that on July 15 settled a 2008 class action for a cash payment of $960m. The mediator will retain authority to resolve any disputes, if they arise, with respect to the finalisation of the settlement documentation. The agreement also remains subject to completion of definitive settlement documentation, notice to the class, and approval by the Court.

The AIG investors had asserted that they were misled about the company's true financial status between 2006 and 2008.

Nine individual securities litigations (ISLs) that were brought between November 2011 and September 2013 had been stayed pending a decision in Halliburton v Erica P John Fund. That decision was issued on June 23 and proceedings in the ISLs have resumed. ■


Bob Benmosche



AIG acquires Ageas Protect from Ageas Group

AIG is acquiring Ageas Protect from Ageas Group insurer in a £181m ($305m) deal.

UK life insurer, Ageas Protect, was launched in July 2008 and today has a 4.8% share of new protection business across the UK market, and an 8.4% share of the important UK Independent Financial Advisor ("IFA") channel.

The company produced premiums of £91.8m in 2013, employs approximately 220 people in the UK, and has over 300,000 customers in the UK, Channel Islands, and Isle of Man.

The transaction is expected to close in the fourth quarter of 2014.

"UK life protection is an attractive market for AIG," said Kevin Hogan, chief executive officer (CEO) of Global Consumer Insurance, AIG.

Ageas Protect will become part of AIG's Global Consumer business, which in the UK offers personal accident, health, and travel insurance coverage to consumers, as well as customised insurance solutions for high net worth individuals through AIG Private Client Group. ■

Novae reports H1 89% underwriting improvement

Novae reported a 90.8% combined ratio for the first half of 2014, down from 95.8% in H1 2013, and had a "significant improvement" in its underwriting performance.

The company's underwriting contribution increased by 89% to £19.7m, up from £10.4m in the first half of 2014.

Gross written premium hit £362.6m a 6% growth at constant rates of exchange. Net earned premium was £217.0m, down from £249.7m. The reduction reflects an increase in the amount ceded to reinsurers, up to £75.6m, from £65.9m in H1 2013.

That increased cession reflected in particular greater expenditure on property reinsurance, "capitalising on the favourable rating environment".

Novae said that across the syndicate, rates on renewal business declined by 2.7% year on year on a risk-adjusted basis. Rate decreases were greatest on reinsurance business across all divisions. However, Novae noted that these were balanced by "continued improvements in areas of property and liability insurance business".

The company saw a significant increase in operating costs in H1, to £38.2m from £33.7m. Novae said that this was due to "increased employment cost as a result of the improved underwriting performance in the year to date", plus non-recurring professional fees incurred "in respect of a potential acquisition at the beginning of 2014".

"Novae has reported its interim results highlighting a significant improvement in underwriting performance," said Sarah Lewandowski, an Espirito Santo Investment Bank analyst.

"Targets continue to be achieved with the claims ratio particularly impressive at 49%, down from 58%. The underlying pre-tax return on equity was 13.8% on an annualized basis, within the target range of 13-15%.

"However, as expected, rates were down across the portfolio, -2.7% in total with larger reductions in catastrophe-exposed classes; US catastrophe reinsurance rates were down 14%.," Lewandowski added.

Despite Novae's strong performance in a tough market, Lewandowski says she see no reason to change the neutral rating.

Net investment income of £7.4m is an improvement on £4.4 mi in the first half of 2013.

Profit before tax and foreign exchange reached £22.6m and the company announced an interim dividend up 10% to 6.6p per share.

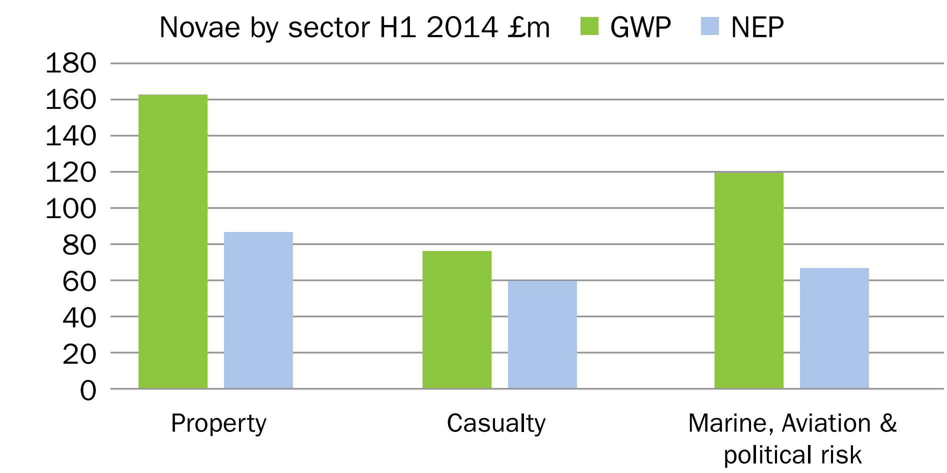
Matthew Fosh, Novae's group chief executive, said: "The group produced an impressive performance in the first half of the year, delivering 6% organic growth and an improved claims ratio.

"We continue to invest in the business, attracting talented people and developing new opportunities, leaving us well placed to build on the good progress we have made."

Novae reported an exposure to the Malaysian Airlines flight MH370 loss in March and the Korean ferry accident; however Lewandowski said losses for these events remain within normal risk appetite.

Novae also has exposure to the Malaysian Airlines flight MH17 over the Ukraine in July. Based on initial loss reports, Novae's loss is within expectations, she said.

The market was pleased with the figures, pushing Novae up by 1.25% to 526.5p in mid-morning trade. ■



Catlin doubles H1 profits


Stephen Catlin

Bermuda-domiciled re/insurer Catlin recorded strong H1 results as the company benefited from better investment returns and resilient pricing environments in the Europe, Asia and the US.

Catlin improved its net premiums earned by 6.5% to $2.04bn in the first six months of the year, despite average rates decreasing.

"Our strategy is delivering excellent results. During the first half of 2014, profits before tax increased by 118%, while our annualised return on net tangible assets was 21.3%," said Stephen Catlin, chief executive of Catlin Group. "Net underwriting contribution reached an all-time high, while the attritional loss ratio remained low, reflecting Catlin's underwriting discipline.

"All areas of the business performed well. Average weighted premium rates decreased by 3.2% across our portfolio, with rating conditions remaining more resilient in our US, Europe, Asia-Pacific and Canada hubs than in the London and Bermuda markets. We continue to see opportunity for further profitable growth, thanks to our investment in our hubs worldwide.

"Our global footprint gives us the access to a wide range of business, both by class and by geography. Our reputation for underwriting and claims excellence is increasingly recognised by brokers and clients, supporting our leadership position in the marketplace and enhancing business retention."

Shore analyst Eamonn Flanagan said that the first half of the year had been positive for the insurer and that its losses from July had been limited despite a number of events.

"The company is much less negative on the rating environment than many of its peers, correctly (in our view) highlighting that despite the well publicised reductions in rates there are still good margins to be had within many lines," said Flanagan. "We suspect the shares will trade higher this morning, following a c12% fall in the past month, more from relief that its expected claims from July losses within aviation related areas (Malaysian airline and Tripoli airport) should not reach more than $50m…however we see no reference to Costa Concordia which could well be a feature of H2 2014 losses." ■

Alleghany earnings rise

US insurance holding company Alleghany has recorded net attributable earnings of $353.9m for the first six months of 2014, up from $310.0m in the same period last year. Net premiums earned rose a fraction, to $2.15bn from $2.14bn.

President and chief executive Weston Hicks said that a solid underwriting performance at TransRe and RSUI, plus strong investment results across the company, helped increase Alleghany's book value per share by 9.4% in the first half.

"Despite increasingly difficult market conditions TransRe … generated an underwriting profit of $74.8m in the quarter and a 91% combined ratio". that compared with a $60.5m profit and a 92.8% ratio in the same period last year..

For H1 TransRe booked underwriting income of $164.7m and a combined ratio of 89.9%. That compared with underwriting income of $191.9m and a combined ratio of 88.6% for the same period last year. Net premiums written increased by 3.5% year to date, with TransRe having "success increasing its participations with some key clients in the first half of 2014".

Hicks noted that the previous first half's underwriting income benefited because of purchase accounting effects, plus superior prior year development in H1 2013.

The growth in TransRe's net premiums written was due primarily to an increase in its participation in the reinsurance programmes of certain long-term clients.

In the primary sector, underwriting results suffered because of higher non-cat property losses at RSUI and CapSpecialty due to large fire losses in the US.

RSUI's net premiums written increased by 0.6%, CapSpecialty's net premiums written increased by 18.4% and PacificComp's net premiums written increased by 71.3% in the first six months of 2014.

The net investment performance for Alleghany was $224.7m for the first six months, a 2.5% improvement on H1 2013. A strong performance in Q2 (yield up 13.6% year on year) reflected "an increased allocation of the debt securities portfolio to higher-yielding securities, as well as more favourable reinvestment rates". This improvement was partially offset by the disappearance of any gains from Homesite, sold by Alleghany at the end of last year. ■

Alleghany County, North Carolina

RSA back to H1 profit

Insurance group RSA has returned to profit in H1 2014 as a result of its action plan to turn the company around, chief executive (CEO) Stephen Hester announced.

The insurer recorded a pre-tax profit of £69m ($116.2m) a stark improvement from the loss of £494m it recorded a year earlier.

The company was hit last year by a spate of weather-related losses and accounting irregularities at its Irish office. Hester, who was recently appointed as CEO, has set about raising money to fix the firm's balance sheet and is also selling off its non-core assets.

"RSA made pleasing progress during the first half of 2014 in addressing the challenges that had accumulated over some years and culminated in the Group's Irish write-downs," said Hester. "We remain confident that the action plan laid out in February can be successfully accomplished; indeed progress is ahead of our expectations so far."

Net written premiums for the insurer fell to £3.9bn in the six months to end-June, down 9%, or 3% on an underlying basis.

These results were affected by the company's trimming of its business in the UK and Western Europe to improve its loss ratio.

Premiums in Scandinavia rose by 2%, in line with the company's expectations, while its Canadian premiums fell by 2%.

Stephen Hester

"Determined action to improve the sustainability of our insurance portfolio and its expected loss ratios is another major feature of our work," said Hester. "In the current year this means re-pricing or trimming business we cannot make sense of. Overall premium income is reduced as a result. From this new sounder base we expect to grow again but with better underlying loss ratios.

"Pleasingly, our business retention levels remain stable and healthy in the areas we target, a testimony to the enduring competitive strength of our business." ■

Weather claims slam RSA Ireland H1 profits

Weather-related claims from RSA Insurance's Irish arm rose threefold in the first six months than in the same period last year, on a percentage basis.

Poor weather in the first quarter of the year, including heavy storm damage and flooding, contributed to a tough first half of 2014 for the insurer which yesterday reported interim underwriting losses for its Irish business of £64m (€80.6m).

Of this total, £35m relates to current year losses with a prior year loss of £29m accounting for the remainder.

The UK-based insurer said the H1 2014 losses were made up of £15m of expected underwriting losses, £13m of adverse current year claims experience, and weather costs of £7m.

Accounting for 8.6% of total first-half claims, the weather losses were more than three times that of the same period in 2013 and ahead of the five-year average of 5.8%.

RSA said its "remediation work" was ongoing and expected the measures to restore the business in this country to profitability in 2015.

"On pricing we have applied strong rate increases during 2014 in key lines requiring remediation, with year-on-year rate increases of circa 20% in motor and circa 15% in liability.

"As a result of this focus, premiums in the first half were down 16%," said the insurer in an interim report.

RSA group reported a pre-tax profit of £69m across its operations and said the "modest profits" of the opening six months reflected further balance sheet and reserve clean-up, as well as above normal weather costs. ■

Argo books improved gain for H1

Bermuda-based re/insurer Argo has recorded net income of $78.8,m for the first half of 2014, up from $64.4m in the same period last year, on Gross Written Premiums of $983.2m, up fractionally from the $980.4m in H1 2013.

For Q2, net income rose to $38.6m, from $31.7m in the corresponding period last year. GWP declined to $520.1m, from $542.2m in the same period last year.

Estimated pre-tax catastrophe losses were $8.4m, equal to 1.3pp of the combined ratio, compared to $11.6m, or 1.9pp for the first half of 2013.

Net favourable prior-year reserve development was $23.3m – reducing the combined ratio by 3.5pp – compared with $17.3m positive reserve development in H1 2013 – which benefited the combined ratio by 2.8pp.

Argo has four main segments: Excess & Surplus Lines, Commercial Specialty, International Specialty and Lloyd's Syndicate 1200.

At E&S Lines H1 income was up to $48.3m, from $30.6m, on GWP of $315.8m, up from $303.4m. The combined ratio improved to 86.3%, from 94.4%.

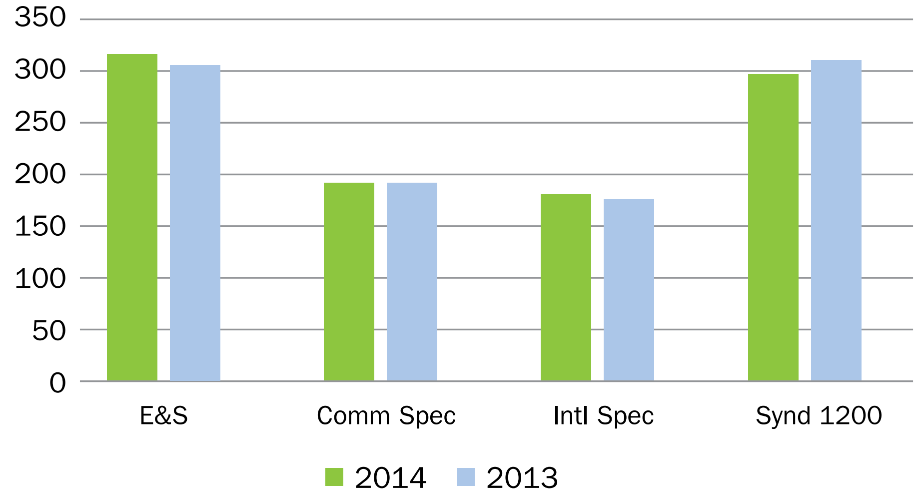
At Commercial Specialty there was a gain of $1.2m, down from $7.2m, on GWP of $189.5m, down from $191.7m. The combined ratio rose to 102.5%, from 101.2%.

At International Specialty, pre-tax operating income was $12.4m, up from $7.6m, on GWP of $180.6m, up from $174.3m. The combined ratio for the half was 86.5%, down from 92.1%.

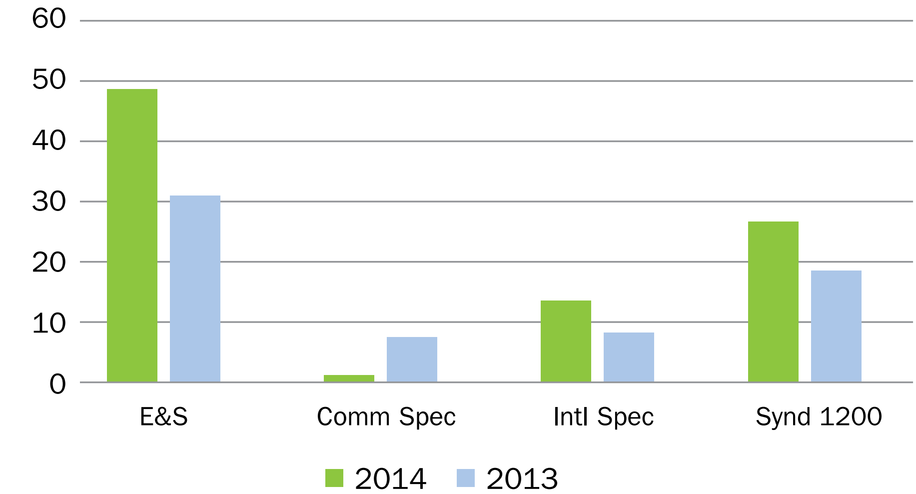
Finally, at Syndicate 1200, pre-tax operating income rose to $25.9m from $18.2m, on GWP of $297.1m, down from $311.0m. Argo noted that the current accident year included greater than expected non-cat-related losses in the Offshore Energy and Aerospace accounts.

Argo Group chief executive Mark E Watson said that the company had "delivered another quarter of solid results despite the challenges of an increasingly competitive market environment". ■

Argo GWP by sector GWP $m



Argo by sector H1 Operating Income $m



News in brief

Heritage reports Q2 net income decline

US-based property and casualty insurer Heritage Insurance Holdiings has reported a decline in net income to $9.56m in the second quarter of 2014, from $21m in the comparable period in 2013 due to the one-off occurrence of a $26m retroactive reinsurance agreement with Citizens Insurance.

The firm, which was instated in the beginning of 2013, reported gross written premiums had more than doubled to $44.3m in the second quarter, compared to $21.6m in the same period in 2013.

Heritage also reported a 73% rise year-on-year to $168.2 m (H1 2013: $97.4m) in GWP across first half results.

Combined ratios for the second quarter rose marginally to 79.9% from 73.9% for the second quarter of 2013.

Heritage Insurance chief executive said of the second quarter: "We successfully completed two catastrophe bond transactions, closed our IPO, launched our commercial residential program, and completed our acquisition of Sunshine State Insurance policies.

"Additionally, we improved on our first quarter results by increasing gross written premium by $30.4m, increasing net income by 21.3%, and lowering our loss ratio by almost 4 points. We have positioned Heritage for a great future."

First Caribbean countries buy rainfall cover

The first eight countries have purchased excess rainfall insurance coverage for the 2014/2015 policy year from The Caribbean Catastrophe Risk Insurance Facility (CCRIF).

Developed by CCRIF and Swiss Re, the excess rainfall product is aimed primarily at extreme high rainfall events of short duration (a few hours to a few days), whether they happen during a tropical cyclone or not.

Like CCRIF's tropical cyclone and earthquake insurance, the excess rainfall product is parametric and estimates the impacts of heavy rain using satellite rainfall data from the Tropical Rainfall Measurement Mission (TRMM) and exposure from CCRIF's risk estimation database.

Because the excess rainfall product is parametric, a payout can be made within 14 days after rain that triggers a country's policy, without waiting for time-consuming damage and loss assessments on the ground.

"The new excess rainfall product has been eagerly awaited by Caribbean governments as we all realize that considerable damage in the region is caused by rainfall and flooding," said Isaac Anthony, CCRIF chief executive officer.

"This product complements CCRIF's hurricane coverage which determines losses based on wind and storm surge," he added.

Martyn Parker, chairman of Swiss Re's Global Partnerships said: "Securing excess rainfall insurance protection demonstrates that Caribbean countries are taking a proactive approach to manage the contingent risks posed by climate change. Swiss Re is proud to support them in their efforts to ensure fiscal stability after a disaster."

The excess rainfall product is independent of the tropical cyclone product and if both policies are triggered by an event then both payouts are due.

For the 2014-2015 policy year, CCRIF offered two one-off premium discount options due to a third successive year in which none of the policies held by member countries were triggered by an event.

The two discount options were: a 25% discount on tropical cyclone and earthquake policy premium if no excess rainfall policy is purchased; and up to a 50% discount if applied to an excess rainfall policy.

CCRIF lowered the premiums because of the increasing vulnerability of these countries to weather-related losses.

Also, as done previously, for 2014/2015 policies, CCRIF allowed 50% of the total premium to be held as paid-in participation fee (the one-time fee paid when a country joins the facility), with the excess therefore being available to co-fund premium, providing an opportunity to further reduce current expenditure on policy premiums. ■

Ageas UK reports 100.7% H1 combined ratio

Ageas UK's net profit of £26.3m for the first half of 2013 compared to £49.1m in the prior year half. Second quarter profits hit £30.8m.

The combined ratio was 100.7% reflecting bad weather, but improved from 106.1% in the first quarter 2014.

The second quarter combined ratio was 95.5%.

Total income grew by 0.4% to £1077.5m and non-life gross written premiums (GWP) was also up 0.4% at £940.4m.

However, total inflows from retail businesses went down 9% to Â£84.6m because of market competition.

Protection GWP grew 20.2% to £52.5m.

Strong capital positions were maintained in Ageas Insurance, Ageas Protect and Tesco Underwriting.

"Following the impact of the severe weather events on the first quarter result, I'm pleased to report that we have recovered well in the second quarter," said Andy Watson, chief executive of Ageas UK.

"The Motor market remains competitive and challenging, but our focus is on profitable growth through a disciplined underwriting approach.

"At the same time, responding to the very competitive market conditions, action is being taken to improve expenses and build long term growth within our retail business," said Watson.

Following the implementation of IFRS 10, Ageas will no longer consolidate Tesco Underwriting, but will report it as a non-consolidated partnership from the first quarter of 2014 and therefore will not include the Tesco Underwriting result in the combined ratio.

All historic data has been restated accordingly. The management and operation of the partnership remain unchanged, said Ageas.

This news breaks as Ageas and BNP Paribas Cardif have also made a €75m deal with UBI Banca to acquire the remaining 50% minus one share in the share capital of UBI Assicurazioni (UBIA).

This transaction completes the 2009 joint acquisition of the majority stake in UBIA, an Italian non-life bancassurance firm.

On completion, BNP Paribas Cardif and Ageas will jointly own 100% of UBIA with Ageas holding 50% + 1 share, and BNP Paribas Cardif 50% minus one share.

Both buyers have agreed to expand UBIA's Italian activities to continue developing non-life insurance products and services, including car and household insurance. At the same time, UBI Banca has agreed to renew and extend its long term distribution agreement with UBIA.

This transaction is subject to regulatory approval and is expected to close in 2014.

In 2013, UBIA collected GWP of €211m and €15m in profits.

Bart De Smet, CEO of Ageas, said: "This transaction aligns with Ageas's Vision 2015 strategy to expand its non-life business and to capture growth opportunities in its existing markets.

"While UBI Banca continues to be a major distribution partner for our insurance products, this new set-up allows UBIA to team up with other distributors also providing additional growth opportunities for the company." ■

H1 net income down at Third Point

Bermuda's Third Point Re has reported net income of $71.1m for the first half, down from $100.7m in the first half of last year, on gross written premiums (GWP) of $233.1m, up from $194.2m in the corresponding period last year. Net premiums earned (NPE) rose to $152.0m, from $95.8m. The net underwriting loss was flat at $7.2m, although the increase in GPW meant that the combined ratio dropped to 104.9%, from 107.7% in the same period last year.

The return on beginning shareholders' equity declined to 5.1%, from 11.6%.

For Q2, GPW rose to $145.5m, from $98.2m in Q2 2013, with NPE rising to $78.8m, from $62.3m. The combined ratio improved to 102.7%, from 105.5%. Net income improved to $31.3m, from $26.2m.

Third Point Reinsurance Investment Management Ltd, which operates Third Point Reinsurance Opportunities Fund Ltd, reported net income of $0.1m for the first half, up from a loss of $0.1m in the same period last year. Net assets under management were $11.4m as of June 30 2014.

Chairman, chief executive and chief underwriting officer John Berger said that "our combined ratio dropped to 102.7% from 105.5% in the prior year's second quarter as we continue to gain scale and Third Point LLC, our investment manager, successfully navigated market volatility through selective investments in securities and market hedges". Berger noted that Third Point had managed to maintain its underwriting margins so far in 2014, "despite challenging market conditions".

Third Point Re depends significantly on investment income from its float of $1.69bn. The return on investment was 5.5% for the first half, down from 12.2% for the first half of 2013. The reinsurer noted that performance in the investment portfolio "continued to be driven primarily by positive returns in both the corporate and structured credit portfolios during the second quarter of 2014".

Third Point Re said that its equity portfolio was well-diversified and that successful positions in Energy and Industrials & Commodities more than offset losses in the Technology, Media & Telecommunications and Financial sectors.

Third Point Re is backed by hedge fund Third Point LLC, run by Dan Loeb. Third Point operates a so-called "total return" strategy, compensating what can be a poorer technical underwriting performance with strong investment returns.

Third Point makes a point of emphasising that it marks to market its entire investment portfolio (managed by Third Point LLC) "and therefore, our investment results can vary significantly from period to period". ■

Big three brokers' revenues grow but Marsh is the stand out performer.

Marsh & McLennan was the best performer of the big three brokers in Q2 2014 beating the expectations of several analysts by recording organic growth of 5% compared with 4.5% at Willis and 2% at Aon. Sam Kerr reports.

The second quarter of the year brought with it good fortunes for Marsh & MacLennan as the broker recorded strong organic growth.

Results were particularly goof for its reinsurance division Guy Carpenter which saw 2% revenue growth despite challenging market conditions.

Consolidated revenue for Marsh in the second quarter of 2014 was $3.3bn, representing a total growth increase of 7%, or 5% on an underlying basis, compared with the second quarter of 2013. Operating income rose 12% to $647m, compared with $577m in the prior year.

Marsh outperformed both its major competitors despite all the big three having a profitable quarter.

Aon which saw positive organic growth of 2% in the second quarter, recording net income of $313m for the quarter compared with $252m in the prior year quarter. However its reinsurance division Aon Benfield saw a decline in its revenue of over 4%.

The quarter was not as positive for Willis as the broking group reported net income of $47m, in the second quarter of 2014 a drop from the $105m recorded in the prior year quarter.

Willis reports that its second quarter 2014 earnings were reduced by non-operating items including adverse foreign currency movements, together with non-cash tax adjustments that caused a higher tax rate and a small charge related to its operational improvement program.

On the face of the results it seems that one of the defining factors behind Marsh's success was its reinsurance results. Guy Carpenter, Marsh's reinsurance broking unit, reported organic growth of 2% a stark contrast from the 4% drop in premiums at Aon Benfield and the flat revenue growth seen at Willis.

In a conference call with analysts following the release of Marsh's results, company executives dwelled on Guy Carpenter and the reinsurance market during the Q&A session, acknowledging that rates are under pressure in general.

However Marsh CEO Dan Glaser said while it would not be a "banner top-line year" for Guy Carpenter, he does expect to see growth over the entire year.

Glaser added that his team were used to operating in a competitive rate environment.

When asked how Guy Carpenter had recorded positive growth when its competitors had not Guy Carpenter's President and CEO Alexander Moczarski responded that the reinsurance broker saw had seen positive new business in the quarter by offering the right products and finding the right clients.

He added that retention had been good over the quarter.

Willis Re, unlike Aon and Marsh's reinsurance broking subsidiaries, does not report separately but the company reported reinsurance growth of "less than 1%".

Willis said that good new business generation and strong retention rates had been largely offset by difficult market conditions. Growth in Willis Re North America was counterbalanced by declines in Willis Re International and Willis Re Specialties said the broker.

CEO comment

Marsh president and CEO Dan Glaser expressed is delight at results declaring it one of Marsh's strongest quarters in recent years.

"The company delivered another quarter of excellent financial results," said Glaser. "We produced revenue growth of 7% with underlying revenue growth of 5%. This was our strongest quarterly revenue performance in two years, with all operating companies contributing.

"Adjusted operating income grew 11%, with margin expansion of 60 basis points to 19.8%.

"For the six months of 2014, we achieved outstanding results, with 4% underlying revenue growth, an 11% increase in adjusted operating income and margin improvement of 100 basis points to 20.4%."

Willis's CEO Dominic Casserly expressed pleasure at the group's revenues for the quarter despite a number of non operating factors diminishing its earnings.

"Willis grew revenues strongly in many of its businesses and even saw modest growth in reinsurance where the market faces significant rate pressure," said Casserly. "This is testament to our diversified strength across geographies, sectors and business lines and reflects the cumulative investments for growth we have made, including in the second half of last year, in revenue-producing talent and client service and risk management capabilities."

"A number of non-cash and non-operating items significantly reduced our reported earnings this quarter but that should not detract from the performance of our business. We have maintained our first half underlying EBITDA at a level consistent with last year against a backdrop of more challenging market conditions and significant investments for growth by us over the past twelve months," he continued.

At Aon Greg Case said that the results had still been strong despite fluctuations in the FX market and difficult market conditions.

"Our second quarter results reflect strong earnings per share growth of 13%, including organic growth in each segment, underlying operational improvement and effective capital management, despite challenges from both foreign currency translation and market impact," said Case. ■

Nationale Suisse backs Helvetia offer

Swiss insurer Nationale Suisse has strongly recommended that its shareholders accept the takeover offer from locally based rival Helvetia.

The company said that it had analysed the takeover offer published late last week and that, based on a fairness opinion prepared by Bank J. Safra Sarasin, the Nationale Suisse board "judges the offer price to be reasonable and therefore unanimously proposes the acceptance of Helvetia's offer by the shareholders".

The CHF1.8bn deal was announced on July 7. On completion the enlarged company will be the third-largest insurer in Switzerland in terms of premiums written.

The combined operation will have annual premiums of about CHF9bn, while Helvetia has predicted annual cost savings of between CHF100m and CHF120m.

Nationale Suisse said that the foreign operations of the two companies "complement one another well" and would have a combined premium volume of around CHF3bn "in the most important European retail markets".

Helvetia is an all-lines insurer with annual premiums of about CHF5bn. The Swiss market will remain the main pillar of the merged group, with a balance of life and non-life business.

Under the agreement, Nationale Suisse Specialty Lines operation will continue as an independent business, to be strengthened through the integration of selected business lines from Helvetia. David Ribeaud will be head of the new Specialty Lines business area. He will become a member of the Helvetia Group's management.

The Specialty Lines unit will bring together marine/transport insurance, engineering, art and the active reinsurance divisions of Helvetia and Nationale Suisse. That includes the current Helvetia France. The new enlarged operation will have premium volume of about CHF1bn a year.

The life business and international specialty lines will be managed from Basel. A regional non-life hub will also be created in Basel.

Nationale Suisse's current management team "will mostly be integrated within the new organisation".

Andreas von Planta, Balz Hösly, Peter A. Kaemmerer and Gabriela Maria Payer from Nationale Suisse will become members of the Board of Directors of Helvetia. Hans Künzle will hold the post of second Vice-Chairman of the Board of Directors.

Greenlight Re reports GWP fall for Q2

Greenlight Capital Re gross written and earned premiums "decreased significantly" in the second period of 2014 as the insurer continued to work towards withdrawing from unprofitable businesses.

The firm reported gross written premiums of $33.7m, compared to $135.2m in the second quarter of 2013, as well as net earned premiums of $87.9m, a decrease from $133.0m reported in the prior-year period.

Underwriting income also fell to $5.6m, compared to underwriting income of $11.7m in the second quarter of 2013.

Greenlight Re reported net income of $109.6m for the second quarter of 2014, compared to net income of $28.5m for the same period in 2013.

The insurer also reported a composite ratio for the first six months of 93.9%, compared to 94.3% for the prior year period. The combined ratio for the period was an unprofitable 100.7%, compared to a profitable 98.3% for the prior year period.

Greenlight Re chief executive Bart Hedges, said: "Our written and earned premiums decreased significantly compared to the prior year period. The decrease is mainly attributable to our decision, at the end of 2013, to exit some business that no longer met our return hurdles, as well as reduced shares, in 2014, on renewal transactions with clients that decided to retain more of their business.

"The competitive market conditions are making it challenging to find new business that meets our return hurdles, but we have a pipeline of attractive opportunities that we hope to underwrite over the intermediate term."

Stonebridge fined £8.3m by FCA

Stonebridge International Insurance is being fined £8.3m for making it difficult to cancel policies and misinforming more than half a million customers across Europe.

Stonebridge, part of insurer Aegon Group, was said by the UK's Financial

Conduct Authority (FCA) to have made it hard for customers to cancel policies despite some people attempting to do so over several years.

Stonebridge agreed to settle early, thus avoiding a £12m fine. Despite acknowledging the watchdog's complaints, Stonebridge said it remained a solvent trading company which will continue to operate.

The firm has voluntarily stopped selling the products in question and has replaced senior management to change how it was run.

Stonebridge targeted low- and middle-income customers without degrees or professional qualifications, with its personal accident, accidental death and accidental cash plan insurance products between April 2011 and December 2012 according to the FCA.

“Outsourcing companies sold policies over the telephone, with those responsible for sales, encouraging people to buy more expensive products, whilst companies responsible for post-sale support actively discouraged customers from cancelling their policies,” the FCA said.

Policies worth £94m were sold in Britain, Germany, France, Italy and Spain, and Stonebridge's business partners provided details of potential customers including catalogue sales firms, online retailers, banks and credit card companies.

Stonebridge gave contributing partners a percentage of monthly premiums, which ranged from £6-13.

Stonebridge initially rejected the FCA’s accusations but an independent law firm review commissioned by Stonebridge found that 486,444 customers across the EU could be affected.

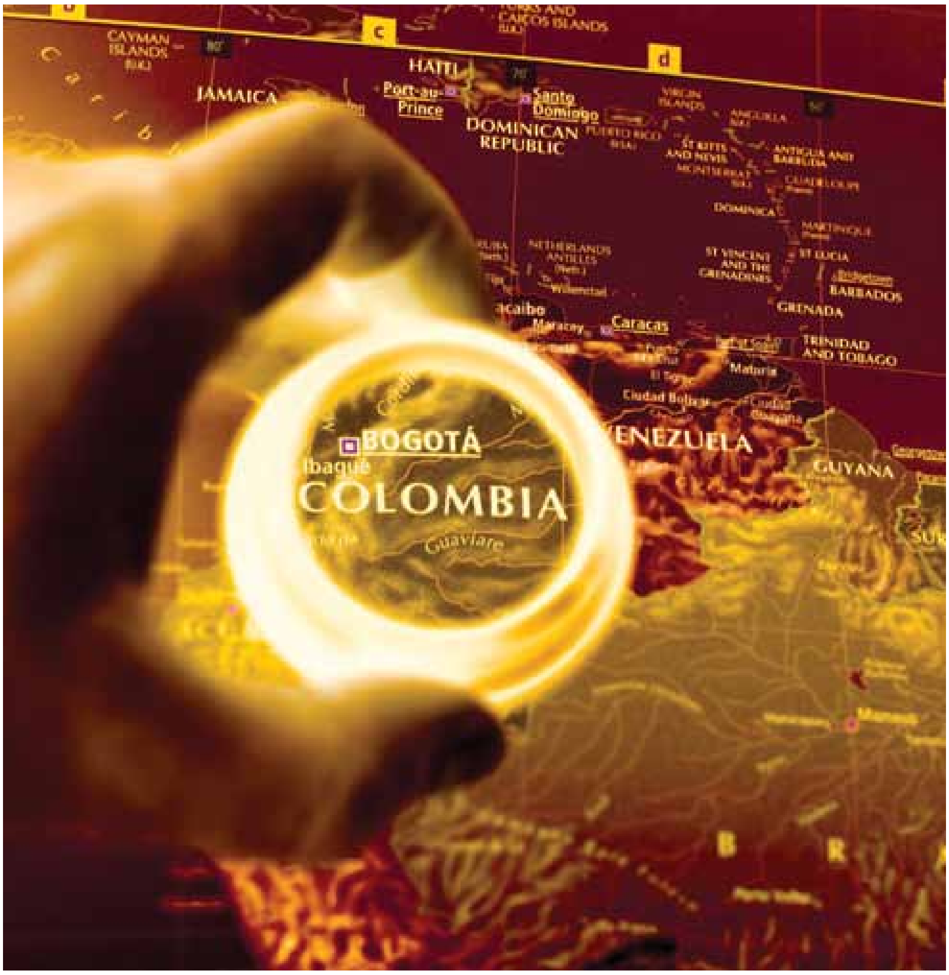
The FCA then told Stonebridge to pay another independent firm for a more in-depth study. That investigation found that Stonebridge had sometimes told costumers false or misleading information about policies.

The company has already paid out £400,000 in compensation.

One customer had unsuccessfully tried to cancel his policy since 2004 the FCA said.

Moody’s upgrades Colombian insurer

Moody’s Investor Services has upgraded the global local currency and global foreign currency insurance financial strength (IFS) ratings of Seguros Generales Suramericana, S.A. and Seguros de Vida Suramericana, S.A. to Baa2 from Baa3.



The ratings agency said that the rating upgrades of the two Suramericana's insurance companies was driven by the companies' continued strong and improving financial performance in terms of sales, profitability, and capital adequacy, as well as the recent upgrade of the Colombian sovereign rating (to Baa2 from Baa3).

"Both insurers' affiliation with Grupo Sura is an important consideration with respect their credit profiles", said Jose Montano, Moody's analyst.

"Furthermore, these insurers benefit from their diversified insurance product portfolios and to a degree also from shared distribution arrangements with the Bancolombia, whose extensive branch network provides a cost-efficient platform for the sale of life and general insurance products."

Moody’s said that the recent upgrade of the Colombian sovereign rating benefits the asset quality and financial flexibility profile of the Suramericana insurers, and supports their upgrade to Baa2 from Baa3.

In addition, Moody's noted the Colombian operating environment has generally continued to strengthen in recent years, through both increasing development of the insurance markets within Colombia's economy, as well as fundamental improvements in key sovereign credit characteristics.

Moody’s said that a number of factors that could result in a further upgrade of Seguros de Vida Suramercana included: A further upgrade of the Colombian government bond rating, coupled with an improvement in the country's operating environment; improved capital adequacy; and general improvement in the credit quality of its investments and consequently also improvement in its liquidity.

The ratings agency also said that factors that could lead a rating downgrade included: A downgrade of Colombia's government bond rating and/or deterioration in Colombia's operating environment; sustained and significant decline in capital adequacy metric; greater volatility or deterioration of earnings, with return on capital consistently below 10%; and lower integration with or divestiture from Grupo de Inversiones Suramericana.

Moody’s said that the recent upgrade of the Colombian sovereign rating benefits the asset quality and financial flexibility profile of the Suramericana insurers, and supports their upgrade to Baa2 from Baa3.

Australian GI 'peak profitability' to expand

Australian general insurers are expected to enjoy longer periods of top-level profitability due to delays in reinsurance costs.

Actuarial consultant Finity's latest Pendulum report, compiled with Deutsche Bank, reported a cyclical turn is building in the Australian general insurance market, but has been delayed by significantly lower reinsurance costs.

The firm had previously predicted the insurance cycle would peak in 2013, but now expects peak margins will be maintained until mid-2015.

"We believe this period of 'extra time' will prove short-lived, with emerging top-line pricing pressure likely to accelerate in commercial and turn negative in personal lines where challenger brands and banks continue to take share," the report said.

"Nevertheless, upgraded earnings expectations for the year ahead for the listed domestic [general insurers] will likely see investor sentiment remain stronger for longer, especially given the appealing dividend yields on offer."

"Falling reinsurance rates will help offset the impact of slowing top-line growth, meaning peak performance seems set to continue for another year," the report's lead author, Andy Cohen said.

"We saw reinsurance rates dropping, but the strength of the fall is more than we would have thought. There are good times here at the moment, but insurers need to expect to come off that peak and it is important for them to manage that retreat.

"There is competition, but it is rational. You would therefore expect that we wouldn't go into a period of loss making."

New Zealand earthquakes payouts top NZ$12bn

Insurance payouts for Canterbury earthquake claims have surpassed NZ$12bn (US$10.1bn) said the country's insurance council. The figures are in line with previous predictions by insurers and 2014 looks set to be a watershed year for the Canterbury earthquake insurance claims.

The New Zealand Insurance Council reports that 80% of commercial claims and 66% of all residential claims (over cap and out of scope) have now been fully settled. At the end of June 2014, private insurers had paid out NZ$7.7bn in commercial claims and NZ$4.4bn in settling residential claims, totalling NZ$12.1bn said the council.

"Insurers are currently paying out NZ$11m a day to get Cantabrians back into their homes and enabling businesses to move forward," says Insurance Council chief executive (CEO) Tim Grafton.

He commented that last quarter saw a major ramp up in progress with 1,517 over cap claims settled, double the previous quarter. At the end of the June quarter, insurers had 22,739 dwelling claims over the NZ$100,000 plus GST EQC cap, according to the Canterbury Earthquake Recovery

Authority (CERA) survey, 284 more than the March quarter.

"Private insurers have reached the halfway mark by fully settling 11,392 over cap dwelling claims, including the completion of 2,203 rebuilds and major repairs," says Grafton.

The Insurance Council says that of the 11,347 over cap claims remaining, 8,110 insurer-managed rebuilds and repairs are in progress: 1,611 (20% of 8,110) are currently under construction; 442 (5%) in consenting with a local authority or government agency; 1,089 (13%) under contract (when a building contract has been signed by the customer but work on site has not yet started).

The balance of insurer-managed major repairs and rebuilds are in pre design (scoping or collection of technical data), detailed design (with a designer/architect) or pricing (tender or pricing for construction), said the council.

The councils said that of the 11,347 over cap claims still to be fully settled, 1,218 are customers still undecided about their settlement offer and 1,169 have yet to be given a settlement option. In the previous quarter there were 2,876 in these categories.

AJ Gallagher acquires Denman Consulting Services

Pat Gallagher

Arthur J. Gallagher has acquired Denver–based Denman Consulting Services for an undisclosed sum, the firm said in a statement.

Founded in 1987, Denman Consulting Services offers employee benefit brokerage and consulting services throughout the western US.

The firm specialises in group health and welfare, voluntary benefits and wellness plans with an emphasis on planning, design, implementation, regulatory compliance and cost containment for group businesses.

According to the statement, William Denman, James Breitbach and their associates will continue to operate in their current location under the direction of Norbert Chung, head of Gallagher's Western employee benefit consulting and brokerage operations.

"Over the last 27 years, Denman Consulting Services has developed a strong team with the experience and expertise in providing the latest solutions for their clients' employee benefit needs," said Gallagher chief executive Patrick Gallagher Jr.

"This team's solid growth is a tribute to their entrepreneurial culture and their focus on quality client service. They will be a wonderful complement to our employee benefits operations, and we are pleased to welcome Bill, Jim and their colleagues to our growing Gallagher family of professionals."

Arthur J Gallagher's brokerage segment reported an $11m [£6.5m] jump in acquisition integration costs in the second quarter of 2014.

The broker completed 17 acquisitions during the quarter, including the purchases of Oval and Oamps, and saw integration costs increase from $5m in the second quarter of 2013 to $16m in Q2 2014.

Rammasun costliest weather event of 2014

Super Typhoon Rammasun, which made landfall in both the Philippines and China, was the costliest weather event of 2014, causing economic losses of $6.5bn, according to the July catastrophe report released by Aon Benfield Impact Forecasting.

Rammasun killed at least 206 people and injured hundreds more.

In the Philippines, total economic damages across the agriculture and infrastructure sectors were listed at PHP10.8bn ($250m), while in China, the Ministry of Civil Affairs (MCA) noted that 272,000 homes had been damaged amid total economic losses listed at CNY38.5bn ($6.25bn), according to the report.

Impact Forecasting said that additional flood and wind damage from the super typhoon was reported in Vietnam, leading to total economic losses of VND125bn ($6.2m).

As of July 31, Rammasun had caused an overall economic damage total of $6.5bn, making it the costliest weather event of 2014.

Along with Rammasun, Typhoon Matmo also made separate landfalls in Taiwan and China after first passing by the Philippines, resulting in at least 15 deaths.

In Taiwan, economic losses from the typhoon totalled TWD595m ($20m), while in China total economic losses were listed at CNY3.4bn.

Torrential rains in China throughout July caused heavy flooding which left 102 people dead or missing according to Impact Forecasting.

China's Ministry of Civil Affairs (MCA) noted that a combined 90,000 homes were damaged by the floods, with total economic losses listed at nearly CNY11bn.

Outside of Asia there was also heavy flooding across Europe in the latter half of the month, says the report, there were three fatalities as thunderstorms hit Bulgaria, Romania, the Netherlands, the UK, Switzerland, Slovakia, and Croatia. Overall economic losses across the continent were expected to exceed €100m ($135m), and preliminary insured losses were listed at nearly €15m says Impact Forecasting.

"Flood is consistently one of the most costly natural perils for insurers, reinsurers and economies worldwide, with three of the past five years experiencing global economic losses from flood that were far higher than the 10-year average of $47bn," said Adam Podlaha, head of Impact Forecasting. "Impact Forecasting has built numerous flood models to quantify clients' regional exposures to flood risk, with a particular on central and Eastern Europe, the US and more recently Asia.

"An updated version of our US river flood model, which has been well-received by insurers and reinsurers as well as organizations with US infrastructures, will be released in the third quarter this year. Existing and new users of the model will benefit from being able to track the impact of flood risk on their businesses using the latest data and insights."

Several central and eastern US states also experienced heavy rain during July and Mexico was hit by a magnitude-6.9 earthquake, killing 9 people near the border of Guatemala and causing over $25m worth of damage.

Prudential creates regulatory director role

Prudential has appointed Julian Adams, executive director of insurance supervision at the Bank of England, to the newly created role of group regulatory director.

Adams will be on the group executive committee and report to Tidjane Thiam, group chief executive.

He will oversee regulatory and compliance strategy across Prudential as the group looks to strengthen its senior leadership team and provide strategic direction to its businesses across markets as diverse as Asia, the UK and the US.

Creating the new role follows Prudential elevating its chief risk officer, Pierre-Olivier Bouée, to board level earlier this year and creating a group investment director role last year on the group executive committee (John Foley).

As group regulatory director, Adams will oversee relations with regulators across our various markets in Asia, the US and Africa as well as Prudential's group-level supervisors in the UK.

Adams has helped to shape international regulation at the International Association of Insurance Supervisors (IAIS) and in the G-SII process. He is also a member of the executive committee of the IAIS and currently chairs its financial stability committee.

He is the UK's board member of the European Insurance and Occupational Pensions Authority (EIOPA), sits on its management board and is a member of the mediation panel.

He has wide experience of supervision in financial services, having worked at both the Bank of England and the Financial Services Authority (FSA) for many years.

"The global regulatory landscape continues to evolve in the wake of the financial crisis and Julian's experience – particularly internationally – will put us in a strong position to navigate these changes successfully," said Thiam.

"We take our relationship with regulators around the world and the quality of our engagement and dialogue with them extremely seriously.

"We believe that good products, good customer service and a strong capital position need to be matched by sound compliance and we have always been committed to ensuring we have the best people in this field," he said.

Adams said: "As a career regulator of long standing, I believe we have made great strides to construct a sensible framework for insurance supervision both in the UK and internationally.

"I believe it is now time for me to take a new challenge and make a contribution on the commercial side," he said.

Adams will join Prudential early in 2015.

More Citizens policies transferred

Florida's Office of Insurance Regulation (OIR) has approved the removal of a further 91,499 multi-peril personal property insurance policies and 5,732 commercial lines policies from Citizens Property Insurance to four private carriers.

The OIR has approved the transfer of 17,000 personal-lines policies, 3,000 coastal policies and 2,400 commercial-lines policies to Heritage Property & Casualty. SafePoint Insurance will take on 30,000 personal-lines policies and 5,000 coastal policies, while 17,797 personal-lines policies and 4,449 coastal policies will move to Tower Hill Preferred Insurance. Finally, 14,253 wind-only personal-lines policies and 3,332 commercial-lines policies will go to Weston Insurance.

There have now been 466,572 policies selected for transfer to so-called "take-out" companies this year, although only 119,434 have completed the move to the private sector.

Hurricane Julio misses Hawaii

Hawaii was counting its blessings last night as Hurricane Julio missed the islands on its route across the Pacific. Julio had been scheduled to hit Hawaii on Sunday night as a Category 1 storm with wind speeds of up to 90mph. However the storm made a right turn over the weekend, veering away from the Islands

Julio had weakened from a Category 3 to a Category 1 storm but it was still expected to cause heavy rains and large swells as it passed by the islands on Sunday night.

Accuweather reports that Julio is located around 330 miles to the north of Hawaii and it is tracking rapidly on a north westerly trajectory over the open waters of the Pacific Ocean.

With such a large distance between Hawaii and Julio, it will keep the storms damaging winds and widespread torrential rain well to the north of the islands, says the weather service.

However it warns that the islands will still experience some effects from the storm. Accuweather notes that the rip current danger and rough surf will be a serious threat across the northern- and eastern-facing shores of the islands. Swells are projected to rise as high as 12 to 15 feet, creating hazardous conditions for swimmers and inexperienced surfers. Conditions will also become dangerous for operators of small craft says the weather service.

The news that Julio will now miss the islands is somewhat of a relief as it recovers from the damage from Tropical Storm Iselle that struck the islands on Thursday and Friday last week.

Iselle had weakened to a tropical storm from a Category 1 hurricane by the time it had made landfall but still caused significant damage on Hawaii's southernmost island of Hawai'i (The Big Island).

However the storm system still hit the Big Island with heavy rain, strong wind and ocean surges. However the island's volcanic topography damaged the storm, essentially splitting it in half as it passed over the island.

ABC news reports that around 25,000 islanders lost electricity while coffee farmers navigated flooded streets to check on their crops, and residents used chain saws to break up fallen trees blocking roads.

After weakening, Iselle diverted south with its outer winds bringing less intense winds and rains to Hawaii's other islands: Maui, Oahu and Kauai.

Thirty nine killed in Iranian plane crash

An Iranian passenger plane crashed outside Tehran's Mehdi airport on Sunday after attempting to return to its set-off point. At least 39 were killed during the crash according to Islamic Republic News Agency (IRNA)

The plane was a Sepahan Air passenger plane. It crashed after take-off from Tehran's Mehrabad airport on a flight to Tabas in northeast Iran, state media reported. According to the emergency medical team, the wounded were transferred to nearby hospitals immediately after the crash.

A spokesman for Iran Red Crescent Society told IRNA that an investigation team was dispatched to the crash site to find out the cause of the incident. The news agency reports that President Hassan Rouhani ordered a halt to all flights of the Iran-140 pending full investigation, IRNA said.

According to state television the plane's pilot detected technical issues four minutes after take-off and tried to return to the airport, but the twin-engine turboprop crashed on a road at 9.18 am local time. State media reports that one eyewitness said the plane crashed into a wall.

Iran's Civil Aviation Authority has announced that the passengers included two infants and three children under the age of 12.

Mashallah Shakibi, 63, a former member of parliament from Tabas, was among the fatalities, according to reports from the Iranian state news channel IRINN.

Iran' domestic carriers are increasingly working with older aircraft unable to get access to newer western made parts or jets because of the sanctions regime against the country.

In December 2002, an Iran-140 test flight crashed, killing at least 46 people, including engineers who had helped design it. The government said human error caused the crash, but many expressed worries about the aircraft.

Iran's four largest carriers Iran Air, Iran Aseman Airlines, Mahan Air and Iran Air Tours all have average fleet ages above 22 years, according to reports. These airlines serve a market of 76 million people.

US manufacturers Boeing Co and General Electric Co have announced that they are seeking to export parts to Iran under the US-Iranian agreement for sanctions relief.

Iran Air's chief executive has said that the airline will need at least 100 passenger jets once sanctions against the country are lifted according to local reports. ■

Reinsurance Group of America appoints CRO

Reinsurance Group of America (RGA) has appointed Todd Larson to the position of chief risk officer who was previously executive vice president of corporate finance and treasurer.

"Todd is perfectly suited to the responsibilities of the chief risk officer, primarily due to his extensive experience dealing with RGA's financial reporting and capital management issues," said Jack Lay, senior executive vice president and chief financial officer.

"He has also been intricately involved in new-transaction risk assessment, and has a high-level understanding of RGA's operations," Lay added.

Larson has been part of RGA's management team since he joined RGA in 1995 from Northwestern Mutual, where he was assistant controller.

Before that, he worked in KPMG's insurance practice.

Lloyd's McGovern reappointed to US insurance board

Sean McGovern, the chief risk officer and general counsel at Lloyd's has been reappointed to the board of the US Federal Advisory Committee on Insurance (FACI).

"I am honoured to have been asked to serve on the FACI and look forward to contributing to the work of the Federal Insurance Office during what will be an important period for the industry," said McGovern.

FACI was established in 2011 to advise the US Treasury on insurance policy and is chaired by Daniel Glaser, president and chief executive (CEO), Marsh & McLennan Companies. Other members of FACI include state regulators, senior insurance executives, academics and customer advocates.

Other members of the board include: David Herzog, EVP & CFO at AIG; Tad Montross chairman, president & CEO, GenRe and Ben Lawsky the superintendent of the New York Department of Financial Services.

Sean McGovern

"I am honoured to have been asked to serve on the FACI and look forward to contributing to the work of the Federal Insurance Office during what will be an important period for the industry,"
Sean McGovern, the chief risk officer and general counsel at Lloyd's

FACI was established in 2011 to advise the US Treasury on insurance policy and is chaired by Daniel Glaser, president and chief executive (CEO), Marsh & McLennan Companies. Other members of FACI include state regulators, senior insurance executives, academics and customer advocates.

Other members of the board include: David Herzog, EVP & CFO at AIG; Tad Montross chairman, president & CEO, GenRe and Ben Lawsky the superintendent of the New York Department of Financial Services.

XL names CUO for North America

XL Group has appointed Michael La Rocca as the new chief underwriting officer (CUO) of its North American property insurance business he will be based in XL's New York office and report to Michele Sansone, president of XL's North American property unit.

"Mike's 25 years of experience providing insurance and risk engineering services to complex property risks aligns very well with our growing book of large commercial property risks," said Sansone. "In his new role, Mike will help our property underwriting teams in the US, Canada and Bermuda maintain consistent underwriting practice and standards that will help us grow wisely and provide our clients with the property coverage, risk engineering and claims services they need to keep their employees safe and their properties well protected."

LaRocca joins XL Group from AIG where he served as vice president and leader for large property accounts in the company's North Eastern zone.

He has also held positions with Zurich and Gerling America Insurance Company, where he held positions in underwriting management and developed an in-house risk engineering department. ■