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XL Catlin integration 'ahead of schedule' with less than 1% of business lost

Mike McGavick says the two companies are coming together faster than expected

Scott Vincent
Editor, news services

XL Catlin has lost less than 1% of its business as a result of the combination of the two companies, the company has revealed, with the integration process already ahead of expectations.

Speaking to analysts following the publication of XL Group's second-quarter operating net income of $245.8m, chief executive, Mike McGavick, said the company remains on track to reach its $250m annual savings through synergies target by the end of 2017. "Integration work by its nature is very hard, but market reaction remains well beyond our hopes," he said.

Second-quarter figures included $28m of integration costs as a result of the deal and the company revealed the speed of integration meant these costs will likely "increase significantly" in the next two quarters before declining in 2016 and 2017.

"It is coming together even faster than expected. Some of the costs that go with the achievement of synergies will take place earlier than anticipated," McGavick said.

McGavick said the number of clients reducing exposures placed with XL and Catlin as a result of the combination of the two firms had been minimal. "Overall, the direct effect of this balance sheet to us is clients want more exposure to us, not less," he said.

> **"Overall, the direct effect of this balance sheet to us is clients want more exposure, not less"**
>
> **Mike McGavick**
> **XL Catlin**

McGavick said the company was only slightly above the level of attritional staff departures it saw in the first six months of last year, despite the integration work taking place.

"The figure is slightly higher when you reach the underwriting ranks, but this is not surprising when you are bringing together teams of people. Sometimes they will have hostilities with each other. Are there people we've lost but would rather have not seen go? Sure, a handful. Are there teams we have lost that we would rather not? I'd say maybe one.

"Other than that, we largely anticipated the departures we've seen."

McGavick said market conditions remain challenging and are likely to see further merger and acquisition (M&A) activity in the sector.

"At the time we announced our transaction, it was something of an original thought. Not any more," he said. "When you see the likes of Ace and Chubb coming together, I think of it as one less large competitor. Going first was good for us and we will try to maximise the value of this. I think there will be more, not less, M&A ahead. Underlying conditions have not changed and a lot of firms have yet to react."

The second-quarter figures included two months of Catlin contributions, making year-on-year comparisons challenging particularly, given XL's 2014 net income included a charge related to the sale of its life reinsurance subsidiary.

The group as a whole swung to second-quarter net income of $915m from a year-earlier loss of $279.3m.

The company's core property/casualty operation saw underwriting income climb 24% to $208.8m in the second quarter, as earned premiums jumped 44% to $2.06bn and incurred losses rose 39% to $1.15bn, with catastrophe losses rising to $59.9m from $34.6m.The combined ratio rose 1.6 points to 89.9%.

The group's reinsurance segment saw underwriting income rise to $166.1m from $105.4m, while underwriting income in the insurance segment fell to $42.7m from $62.6m.

AM Best downgrades PartnerRe following Exor deal

AM Best has downgraded PartnerRe after the Bermudian reinsurer and Axis Capital terminated their merger agreement, *writes Alexis Burris*.

PartnerRe announced on August 3 it had entered into a definitive agreement with Italian firm Exor for $6.9bn.

The rating agency today downgraded PartnerRe's financial strength rating to A from A+ and its issuer credit rating to a+ from aa-. The ratings remain under review with negative implications.

AM Best said: "The rating action is based on existing concerns regarding PartnerRe's concentration in reinsurance and lack of a diversified product platform, in particular the ability to provide both primary and reinsurance solutions."

The rating remains under review as a result of remaining uncertainty regarding the senior leadership at PartnerRe, including the role of chief executive, along with a lack of information on Exor's future plans for PartnerRe, it added.

Meanwhile, AM Best has removed the "under review" status and affirmed the financial strength rating of Axis of A and issuer credit ratings of aa-.

The removal of the under review rating action reflects previous concerns with the sizeable and complex merger, which are no longer present, AM Best said.

As a result of the terminated agreement, Axis has received a $315m breakup fee from PartnerRe.

NEWS

CNA chief eyes acquisitions but eschews ‘bigger is better’ mentality

Thomas Motamed says company not looking to focus on size but continues to look for acquisition opportunities

Alexis Burris
Reporter

CNA Financial is on the lookout for acquisition opportunities, but is remaining wary of “simply being bigger”, Thomas Motamed, the group’s chairman and chief executive, said.

Motamed said the Chicago-based insurance group was continuing to focus on its standalone strategy rather than on increasing size, despite momentum building in primary mergers and acquisitions (M&A).

But the executive said the company, which reported full-year revenues of $9.6bn in 2014, was looking to acquire, particularly if the right opportunity emerged.

“We have demonstrated the desire and ability to acquire businesses and we continue to look for M&A opportunities, with the key being any deal must work for us both strategically and financially,” Motamed told analysts during an earnings call yesterday.

> **“We compete with companies that are larger than us and we believe we are building a business that can stand on its own”**
>
> **Thomas Motamed**
> **CNA Financial**

“While I’d like to see CNA grow and gain scale both organically and inorganically, we will do so rationally with our customers, agents and shareholders in mind.”

Motamed continued: “Today, as we have for years, we compete with companies that are larger than us and we believe we are building a business that can stand on its own. We are not interested in simply being bigger.”

CNA acquired Lloyd’s insurer Hardy in 2012.

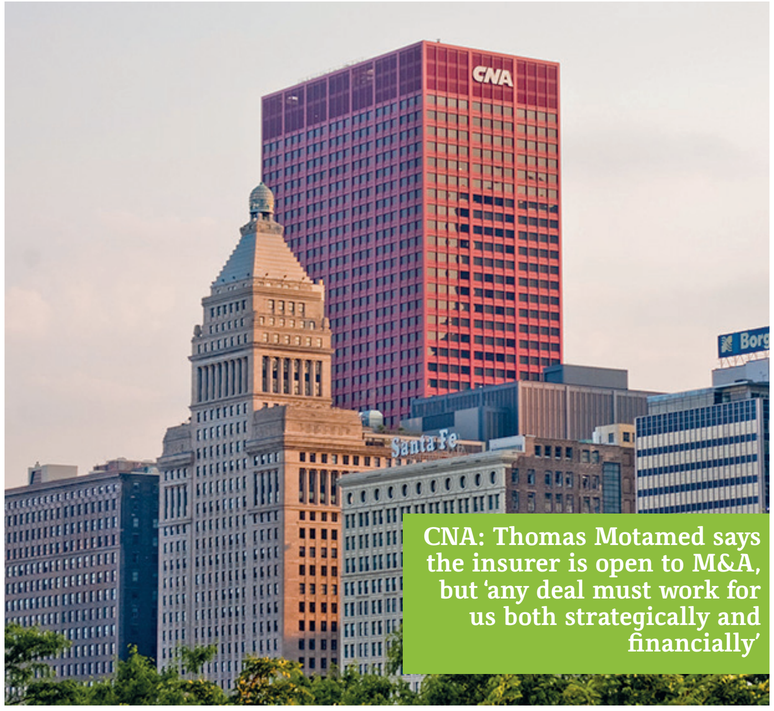
Motamed’s comments came as the acquisition frenzy gripping the reinsurance market is starting to filter down to the primary market, as companies seek scale to compete in the tough market conditions. Recent primary consolidation has included the Ace/Chubb mega-deal. However, Ace chairman and chief executive, Evan Greenberg, said he doubted there would be more mega-mergers in the wake of Ace’s agreed acquisition.

“Many of my competitors are thoughtful, good operators and stewards of shareholder money. Anyone who is like that will not look at the size but at the intrinsic value of what is being acquired. Is it truly value-creating in a transformative way?” Greenberg said.

Motamed said being bigger does not necessarily mean margins are going to be better or that the company will gain a bigger market share. “We compete with bigger companies every day and we win our share and they win theirs,” he said.

The executive added the company was still in an improving position and that would continue to be the primary focus.

Earlier, CNA reported the company’s second-quarter net earnings dropped 48% to $138m as earned premiums declined 4% to $1.74bn.



CNA: Thomas Motamed says the insurer is open to M&A, but ‘any deal must work for us both strategically and financially’

Investment income also declined 9% to $500m, as the group’s operating income per share fell to 49¢ from $1 and missed analysts’ forecast by 27¢.

Meanwhile, the group’s core property/casualty segment swung to underwriting income of $24m from a loss of $20m, as earned premiums dropped 4% to $1.6bn and incurred losses fell 8.5% to $1.04bn.

However, the combined ratio for the quarter improved 2.9 points to 98.4%, which Motamed attributed to “disciplined underwriting” He said: “We are pleased with our sustained progress and remain confident in our strategy despite challenging market conditions.”

The turnaround in underwriting largely reflected a $79m drop in the underwriting loss in the group’s domestic commercial operations. The specialty and international segments each posted declines in underwriting income, driven by the unfavourable effect of foreign currency exchange rates.

Endurance predicts Montpelier Re costs savings to rise 20%

Annual run-rate cost savings following Endurance’s completed acquisition of Montpelier Re are expected to exceed the initial estimate by nearly 20%, the company said yesterday, *writes Sophie Roberts*.

Mike McGuire, chief financial officer at Endurance, said: “We now believe we will be able to achieve by the end of 2016, annual run-rate cost savings exceeding $70m, compared to the $60m we originally estimated.”

According to McGuire, the savings represent close to 57% of Montpelier’s actual 2014 general and administrative expenses.

“Clearly have a lot of work to do in the coming months to achieve this but our integrations is already well under way,” he told analysts during an earnings call.

Endurance completed its acquisition of Montpelier on July 31. “The acquisition of Montpelier is a significant strategic step forward for Endurance. It immediately adds scale, expanded distribution capabilities and a profitable ‘in force’ portfolio,” Endurance’s chairman and chief executive, John Charman, said.

“We are committed to completing the integration as quickly as possible and with that in mind we have already informed a vast majority of Montpelier employees of their status.”

Earlier, Endurance delivered solid second-quarter results. The Bermuda-based group reported net income available to common shareholders of $76m in the quarter, equivalent to $1.68 per share. This compared to analysts’ estimates of $1.52 per share.

Endurance’s gross written premiums in the quarter leaped 25% to $861m, bolstered by strong growth across its insurance business, while the expansion of its professional lines and casualty business drove growth in its reinsurance operation.

The group booked a combined ratio of 85.5% for the second quarter of the year.

Greenlight Re continues casualty push as defect claims hit Q2

Greenlight Capital Re continues to see growth opportunities in long-tail casualty business as competition builds in US property business, the hedge fund reinsurer’s chief executive said, *writes Michael Faulkner*.

Speaking after the release of firm’s second-quarter earnings yesterday, Bart Hedges said while long-tail casualty business was competitive, he believed the underlying pricing and loss costs of the group’s portfolio was “stable” and the portfolio was expected to grow.

Greenlight began its casualty push last year, targeting lines such as workers’ compensation and general liability. Hedges said the company had picked up casualty business as result of market consolidation. In contrast, Hedges said there were “limited opportunities” for growth in Florida homeowners’ business. While the company had renewed two quota-share deals, rates had become more competitive, he added.

Greenlight swung to a $39.6m net loss in the second quarter owing to investment losses and adverse development of a pre-2011 contract in run-off relating to construction defects. The decline reflected $20.3m in investment losses – or a 1.5% loss on its portfolio – from a gain of $113.9m in the same period last year.

But the top line soared, with gross written premiums up 176% to $93m, as Greenlight renewed contracts and added new business.

The group’s combined ratio for jumped to 109.7% from 93.6%.

Fixing the premium

The chief executive of the Standard Club on how the P&I club is responding to the challenges of diversifying its business platforms

Rasaad Jamie
Global markets editor

After a tough few years during which their financial results came under pressure from a number of large, high-profile losses and by one of the most protracted downturns in the shipping market's history, most of the 13 members of the International Group of P&I Clubs, which provide third-party liability insurance cover to shipowners on a mutual basis, appeared to have stabilised their financial positions, with most of the clubs reporting an underwriting profit.

The Standard Club, which in June had its A (strong) insurer financial strength credit rating from Standard & Poor's (S&P) reaffirmed and the negative outlook removed, might at first glance seem like a typical example of the recovery across the marine mutual insurance sector over the past 18 months. For the club's chief executive, Jeremy Grose, however, there were some important differences between the Standard and its peers over that period.

He points out the Standard, with premium income of $354m for the 2014/15 financial year, is not only one of the bigger clubs in the International Group, but also has one of the highest credit ratings. Only the Norwegian P&I club, Gard, the largest club in the International Group, has a higher rating (A+) from S&P than the Standard at present.

When S&P revised the Standard's credit rating outlook from stable to negative in July 2013, Grose says, it was against the backdrop of a specific set of developments over the previous two to three years: namely that during the 2012/13 and 2013/14 policy years the Standard imposed smaller general increases (5% and 7.5% respectively) than the rest of the market to support its shipowner members during two particularly difficult years in the freight market.

However, for the 2014/15 financial year, the Standard announced a general increase of 12.5% to move the club closer, as Grose puts it, to a more technical level of pricing.

"The Standard Club was then and still remains a very strong financial entity. But we are a member-owned mutual which is there to look after and support its members. Our view, at that time, was the club had sufficient capital to be able to support a lower general increase than the rest of the market.

"We felt we should use our capital strength to support our members through extremely difficult trading conditions, so we held back from imposing a larger general increase and that was why we deferred an increase in our premiums at the same rate as much of the market for two years.

"But you can't do that indefinitely without eroding capital strength, so we fixed on a larger general increase for last year to bring us back into position. But the result of all of those developments was S&P put a negative outlook on our A rating. We didn't believe that was right, but that is what it chose to do. But, two years on, it has just completed its annual review of our rating and it has taken that negative outlook away, so the rating is back to stable, reflecting our strong financial position. We have always been financial strong, but the revised rating outlook is the recognition of that by S&P."

Supplementary calls

The removal of the negative outlook aside, the extent to which the Standard has succeeded in restoring its finances is probably best illustrated by the 5% general increase imposed for this financial year (2015/16) which, notably for Grose, was set below the level of claims inflation, which is running at around 6%.

Different clubs address the issue differently, but the main challenge for the P&I sector, as Grose's comments suggest, is how P&I clubs can look after their members' interests and, in particular, how they can keep their members' premiums as low as possible while ensuring they stay financially strong enough to pay claims in the future without having to resort to an additional or supplementary call. The latter is an emergency measure the clubs have the legal right to impose but which, not surprisingly, is highly unpopular with their shipowner members; so much so, in fact, that over the past five years very few clubs have resorted to it.

In this regard, the 2009 P&I renewal season is very much regarded as a watershed moment for the marine mutual insurance sector, when more than half of the members of the International Group imposed unbudgeted premium charges to restore their reserves, which had been depleted by a high level of claims.

Indeed, the last time the Standard Club made a supplementary call was 25 years ago, a statistic that is regarded within the club as one of the hallmarks of its financial resilience and one which Grose very much has in mind every time he refers to the Standard as being a very strong financial entity.

Grappling with the issue of financial security and providing a comprehensive service to their membership, many of the P&I clubs long ago began the process of diversifying their activities beyond the traditional confines of the marine mutual sector into related areas of the commercial insurance market in search of new business lines and new income streams. Most commonly, the clubs have resorted to writing additional classes of insurance (outside their core business of providing third-party liability cover) on a non-mutual or fixed-premium basis, mainly to their existing membership. The move into the fixed-premium market has been in process for the best part of the past 15 years and, these days, hardly merits a mention, even in the insurance trade press.

This is in sharp contrast to the recent coverage generated when the Standard became only the second P&I club (after Skuld) to establish a marine and energy syndicate at Lloyd's, a development which has highlighted afresh the need on the part of the P&I sector to transform its operating model. More tellingly, for Grose, it demonstrates the increasing sophistication of some of the clubs' diversification strategies in the quest to accommodate a changing regulatory environment, the demands of the rating agencies and the expectations of their members.

Lloyd's calling

The role of Lloyd's syndicate 1884 will be that of the Standard Club's flagship entity for the writing of fixed-premium business. "The club's involvement in the fixed-premium market over the past 15 or so years has been very important in terms of developing our members' and the market's understanding of the club as a diversified player in the marine and energy sector," Grose says.

That involvement, he says, has also served to develop the club's underwriting capabilities in this area of the market. "However, because a lot of the club's new fixed-premium products were reinsured into the marine reinsurance market, we were effectively operating as a managing general agent for certain marine reinsurers. That is changing. We will be retaining more of the risk. Going forward, the Standard syndicate will be the focus for the large proportion of our fixed-premium business."

Some forms of fixed-premium business – particular charterers' business, which accounts for around 25% of the club's overall tonnage, and marine energy liability business, which cannot be pooled under International Group rules – will continue to be written through the club rather than through the syndicate, Grose says. Offshore oil- and gas-related business accounts for around 14% of the club's overall tonnage. "These are covers that are required by our members and so will continue to be provided by the club and therefore a significant proportion of fixed-premium business will continue to be written within the club."

Other lines of fixed-premium business such as hull and machinery, liability, energy, marine property, cargo and specie, and maritime-related directors' and officers' and errors and omissions cover will be written through the Standard syndicate.

According to Grose, when fixed-premium business is written through the club it has to be in the form of insurance cover for a member.

However, when fixed-premium business is written through the Standard syndicate it can be to provide cover to members or non-members. "But, as it happens, we have had a lot of support from members, particularly in the early part of the Standard syndicate operations, and so the majority of the syndicate's business has come from Standard Club members," he says.

Hull growth

In the future, the renewal of the various classes of fixed-premium business will be dealt with in slightly different ways, Grose says. For example, hull business will be renewed through the Standard Club's hull facility, if that represents the best value and that is what the member wants.

"But going forward, the emphasis will be on growing the hull book within the Standard syndicate, so in terms of our vision of where the club will be in five years' time, it will be a leading marine and energy insurer across all areas of the marine and energy insurance market, including the Lloyd's market.

"We will continue to work closely with our members because knowing their businesses better will mean we are able to produce better results from our underwriting and we will be able to provide them with a better and more effective claims service."

In terms of the business plan for the next three years, the club is committed to providing 40% of the syndicate's capital. Gross is keen to emphasise all of this is done in support of the membership.

"We will always be a mutual club owned by its members and working in support of them. The fixed-premium business is written on a commercial basis to produce a profit, which will then accrue to the benefit of the mutual members.

"The Standard Club, as a mutual, is committed to mutuality. This is where the core of the cover will always be," Grose says. ■

Jeremy Grose CV

Jeremy Grose is chief executive of the Standard Club, a position he has held since March 2014.

Before that he served as the protection and indemnity club's operations director from 2003 to 2007, when he was appointed chief operating officer.

Grose joined Charles Taylor in 1991 as a claims executive and transferred to underwriting in 1992.

He occupied various roles in club syndicates responsible for the US/Canada and the UK and later Italy and Greece, before posting to Greece as eastern Mediterranean regional director in 2001.

He graduated from Kings' College, London in 1986 with degree in law.

He completed a post-graduate degree at the London School of Economics, achieving an MSc (Economics) in sea-use law, policy and economics in 1991.

Grose on…

General increases

"We felt we should use our capital strength to support our members through extremely difficult trading conditions [in 2012/13 and 2013/14], so we held back from imposing a larger general increase and that was why we deferred an increase in our premiums at the same rate as much of the market for two years."

Diversification

"The club's involvement in the fixed-premium market over the past 15 or so years has been very important in terms of developing our members' and the market's understanding of the club as a diversified player in the marine and energy sector."

Mutuality

"The Standard Club, as a mutual, is committed to mutuality. This is where the core of the cover will always be."

Eastern promise

While Grose welcomes the publicity generated by the launch in April this year of syndicate 1884, he says the development is only the latest in a long line of less well-publicised but highly successful diversification initiatives launched by the Standard Club over the past 20 years, which include, for example, TS21, the Standard Club's 15-year-old joint venture with Tokio Marine and Nichido Fire, which Grose describes as one of the most innovative and imaginative responses to the needs of the Japanese P&I market.

TS21 is a combined hull and P&I product offering for Japanese shipowners. "The way it works is they get their hull cover and a first or primary layer of P&I cover from Tokio Marine on a fixed-premium basis. Then they get their excess P&I layer from Standard on a mutual basis. Japanese shipowners want to be able to access a Japanese-style product and there are not many places where they can get a Japanese P&I product other than from the Japan P&I Club.

"Japanese shipowners naturally want to have a choice in terms of who they buy their P&I cover from, so we work with Tokio Marine to provide them with an option where they get their hull cover and the primary layer of their P&I cover in the local market, but with the additional security of being insured into the International Group," he says.

TS21, he says, is also about the high level of service that is being provided to Japanese shipowners. "That business is serviced through Tokio Marine's offices close to the members' own offices. It provides claims management and other support services in a way that is familiar to our members in Japan, who get a great service. That business has been growing over the past 15 years because we are providing a product people in the Japanese market want and which currently represents 9% of the Standard Club's total tonnage, which is fantastic for us."

Standard Asia

In addition to the growth of TS21, Grose says, the Standard Club's success in Asia has a great deal do with the fact the Standard is the only P&I club with a subsidiary, Standard Asia, dedicated to the Asian market. Set up in the mid- to late 1990s, Standard Asia emerged out of the system of business units or syndicates within the Standard Club which services the needs of particular member groups. The idea, Grose says, is underwriters should understand what was happening on the claims side of the business and the claims people understand the way in which the underwriters produced and priced the business.

"These syndicates are typically divided into geographic areas, so there is a Mediterranean syndicate, an Atlantic syndicate, a European syndicate and an Asian syndicate, although we also have a syndicate that is based on the servicing of a particular industry: the offshore oil and gas sector. Each of the syndicates will have its own underwriters, policy processors, claims handlers, credit controllers and so on. They are like small clubs within the bigger club. The syndicates allow us to be quite a large club but at the same time to provide a more personal service to a specific member group. It means the staff within those small groups get to know the members they look after very well and develop a very strong relationship with them. It is a system that has worked very well for us and is very important in terms of how we differentiate ourselves from the competition."

Indeed, Grose, who has been with the Standard Club for the past 20 years, served as head of the club's Mediterranean syndicate earlier in his career. From there, he took over the running of the bigger eastern Mediterranean region, where his main role was to develop the business of the club and of Charles Taylor, the professional services firm that manages the Standard Club, among the influential Greek shipping community. Over a two-year period he set up the platform that enabled the club to increase its membership of Greek shipping companies from nine in the late 1990s to 33 today. He subsequently became operations director and then chief operating officer for the Standard Club, a role he occupied until he succeeded Alistair Groom as chief executive of the Standard in March 2014.

In this sense, Standard Asia is both a separate insurance company set up and regulated in Singapore but is also very much structured like one of the club's syndicates, according to Grose. The Standard Club, he says, did not really have very much Asian business when Standard Asia was set up. "We felt to be able to demonstrate the quality of our service to Asian shipowners, it would be useful to have all the operations of a club effectively set up in the Asian market. Singapore is not in the same timezone as the whole of Asia, but it is the most convenient timezone for the Asian market as a whole. Everything is done from there."

Standard Asia has grown impressively over the years. For example, 10 years ago it accounted for 8% of the club's overall tonnage; today it accounts for 17% and that, Grose says, is 17% of a club that has itself doubled in size of over the period. An obvious question for Grose is the pace of Standard Asia' growth over the next 10 years. He says it is difficult to predict the relative sizes of Standard Asia and Standard Europe over that period.

"Clearly there is quite a lot growth in Asia and we have had huge support from our members in Asia as well as from potential members. People continue to join the club, which is growing well, so I am sure Standard Asia will be a much larger proportion of the club as the Asian markets develop and that it will grow at a faster rate than Standard Europe. But it is very difficult to predict exactly what size they will be relative to each other," he says. ■

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Securing the Niger Delta pipeline

There have been indications recently militancy is stepping up among other host communities in Nigeria's Delta state

Members of Mend patrol a creek in the Niger Delta area of Nigeria: the Ijaw-dominated group could see its hold on oil pipeline security contracts under threat from other minority ethnic groups

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Muhammadu Buhari's victory over the previous incumbent, Goodluck Jonathan, in the Nigerian presidential elections has raised hopes among ethnic minorities in the oil-producing Niger Delta they can at last benefit from their status as "host communities".

Buhari (pictured, far right) has hinted on several occasions he will conduct a thorough overview of pipeline security contracts, of which the lion's share went to former militant leaders from the Movement for the Emancipation of the Niger Delta (Mend), in return for accepting the amnesty programme in 2009.

Virtually all controllers of the new private security firms were from the Ijaw group, whose leadership of Mend meant only individuals of that ethnicity could rise to be powerful "generals". Minority groups knew there was little prospect of that situation changing when Jonathan, himself an Ijaw, took over the presidency in 2010 on the death of Musa Yar'Adua. However, there are strong indications this situation is changing, with militants from other ethnic groups taking action to present their case forcefully to the new administration.

The main flashpoint is Delta state, the only oil-producing state where the Ijaw are not in a clear majority. The largest group is the Urhobo and its militant wing, Urhobo Gbagbako, has been responsible for several pipeline attacks either side of the March-April 2015 general election. It claimed responsibility for improvised explosive device attacks on two major gas trunk lines of the Nigeria Petroleum Development Company (NPDC) in Ughelli North and South local government areas (LGAs) on April 29. It had previously hit a NPDC pipeline in Ekiugbo on March 22 and staged a triple attack on the company's pipelines at Ighrenene, Afiesere and Ekiugbo on April 2.

Urhobo Gbagbako spokesperson, Priest Omodjuvwu, said the actions – so far causing limited damage and largely of symbolic value – were in protest at pipeline surveillance contracts in Urhobo-dominated areas being given to "outsiders".

Increased militancy

Notably for insurers, more recently there have been indications militancy is being stepped up among other host communities in Delta state that have so far steered clear of violence.

On June 14, protesters from the Isoko ethnic group joined Urhobos in storming the NPDC's Jeremi Flow station in Ughelli South and shutting down production. They were again demanding pipeline surveillance contracts, as well as payment of outstanding salaries to host community workers, and threatened all facilities in Oil Mining Lease blocks 26 (operated by Afren), 30 (Heritage), 34 (ND Western) and 65 (NPDC) would remain shut until their requests were granted.

Similarly, community leaders from the Itsekiri, who are spread throughout western regions in Warri South, South-West and North LGAs, have indicated they want to end their exclusion from pipeline security contracts. Itsekiri youth groups have been involved in several violent confrontations with Ijaw rivals in recent weeks over ownership of the site of the $16bn gas processing facility in the Export Processing Zone at Ogidigben in Warri South-West. A ground-breaking ceremony has been postponed twice in the past six months and Itsekiri leaders have said unless work starts soon and the community starts to benefit from jobs associated with one of the biggest projects in Nigerian history, they will halt operations at the nearby Escravos facilities run by Chevron. The export terminal has a production capacity of 300,000 barrels a day, while the $10bn gas-to-liquids facility operated by Chevron with the Nigeria National Petroleum Corporation started operation late last year.

Buhari certainly faces a difficult decision over the allocation of pipeline security contracts, but the situation is particularly acute in Delta state. Visiting Rivers state before his inauguration, Buhari said he would not tolerate "an army within the army and police within the police", suggesting he wants a greater role for the paramilitary Nigeria Security and Civil Defence Corps. This would be received badly in Delta, where non-Ijaw groups believe their share of contracts as host communities is long overdue. Similarly, removing contracts from the Ijaw in Delta state and elsewhere would also drive militancy. ■

President Muhammadu Buhari has hinted on several occasions he will conduct a thorough overview of pipeline security contracts, of which the lion's share went to former militant leaders of Mend in return for accepting the 2009 amnesty

IHS Country Risk leverages the company's detailed qualitative and quantitative analysis of 204 countries, covering political, economic, legal, tax and security risks.

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Pakistan: militants kill seven in 'fedayeen' attack on police station

Three militants dressed in military uniforms and armed with automatic weapons and grenades attacked the Dina Nagar police station in Gurdaspur, Punjab on July 27.

According to the Punjab police, the militants had set improvised explosive devices along the nearby Pathankot-Amritsar railway track before reaching the police station and firing at a bus stop on the way. At least seven people – three civilians and four policemen – were killed during the 11-hour incident, before the attackers were shot dead.

A "fedayeen" attack like this has not been attempted since Mumbai, which lends weight to previous IHS forecasts the departure of foreign troops from Afghanistan at the end of 2014 would trigger an influx of well-trained and experienced militants to Kashmir. ■

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Pioneer launches E&S casualty division

Underwriting group continues expansion with new US line

Construction site: Pioneer Underwriters' E&S offering will write non-admitted primary and excess liability construction, manufacturing and general service or installation business

Michael Faulkner
Editor

Pioneer Underwriters has launched an excess and surplus (E&S) casualty underwriting capability as it continues to expand its business lines.

The underwriting group, part of Minova Insurance Holdings, has hired industry veteran Jim Pratte to be executive vice-president to lead the new division. Pratte joins from Maxum Specialty Insurance Company (MSIC), where he led the primary and excess lines portfolio since 2007.

The division will have a broad appetite for primary and excess casualty placements, within the US E&S lines market.

It will operate from Pioneer Special Risk's Atlanta office and will focus on an even mix of non-admitted primary and excess liability business among construction, manufacturing and general service or installation.

Coverage will include primary commercial general liability, products liability and excess umbrella in lower layers, Pioneer said.

Darren Doherty, chief executive of Pioneer Underwriters, said: "We see enormous opportunity in this area of the market."

Pioneer has been adding new business lines in recent months. In March it launched a marine speciality portfolio, led by former Channel syndicate specialty property head Grant Witheat.

In February, its Zurich-based underwriting business, Pioneer Natural Resources, commenced underwriting, led by former Infrassure chief underwriting office Colm Kelly.

More recently, it launched an Allied Healthcare underwriting capability in the US.

Pioneer Underwriters was launched in April 2011 and trades as both a risk carrier and managing general underwriter. In the US Pioneer Special Risk operates via its offices in New York, Atlanta and Chicago via a network of retail and wholesale brokers.

> **"We see enormous opportunity in this area of the market"**
>
> **Darren Doherty**
> **Pioneer Underwriters**

Munich Re unveils US inland flood product

Munich Re has launched an inland flood insurance product aimed to provide more options for homeowners in low to moderate hazard flood zones, *writes Alexis Burris*.

The product is designed to attach to existing homeowner insurance policies, instead of insureds having to purchase flood coverage separately through the National Flood Insurance Programme (NFIP).

According to the NFIP, flood is the most common natural disaster in the US and all 50 states have experienced floods or flash floods over the past five years. However, many homeowners who live outside Atlantic and Gulf coast areas do not have insurance coverage for flood, it added.

Severe weather so far this year across the US has resulted in flooding in non-coastal areas in parts of the country.

"Our innovation around flood coverage is designed to address an underserved market, particularly given the increased risk of flooding due to more intense annual precipitation over the past decades," Steve Levy, president of Munich Re America's reinsurance division, said.

According to Munich Re, 60% of all declared disasters involved flooding. In the US, Florida accounts for the highest number of NFIP claims payouts, with $117.8m paid out last year. This is followed by Alabama ($52.6m) and Pennsylvania ($15.7m).

A bill in the US Congress is looking to open up the US flood market for private insurers, having been dominated by the NFIP for the past 40 years.

Suncorp profits improve despite worst-ever cat year

Australian insurer Suncorp's full-year net profit after tax improved to A$1.13bn ($834.1m), despite recording more than A$1bn in net claims during the financial year ended June 30, *writes Scott Vincent*.

The profit figure represented a 55% improvement on the previous financial year's profit after tax of A$730m, while the financial year was Suncorp's worst ever for natural hazard events. General insurance contributed A$756m of the profit after tax figure.

Gross written premiums were flat overall at A$8.8bn. Reserve releases of A$427m, well above the expectation of A$118m or 1.5% of net earned premium, and helped offset the dramatic increase in natural hazard losses.

Suncorp chairman, Ziggy Switkowski, said the group's strong capital position and improved financial performance has allowed the board to declare a final ordinary dividend of 38¢ per share and a special dividend of 12¢ per share.

"Following payment of the dividends, Suncorp will continue to have a very conservative balance sheet. The strong excess capital position of A$570m provides the group with flexibility in its capital management, including the ability to make further capital returns."