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President Obama signs TRIA into law

US President Barack Obama has signed the Terrorism Risk Insurance Act (TRIA) into law just days after it came across his desk.

The president moved swiftly following a Senate vote to reauthorise the act until 31 December 2020.

Senators voted 93 in favour of TRIA, with only four voting against. This vote came after 416 members of the House of Representatives voted for the bill to be renewed, with only five in opposition.

The Financial Services Roundtable (FSR) was among the first to congratulate Congress on the decision to pass TRIA so soon after the Christmas break, which it claimed would reduce the risk to taxpayers by encouraging private insurance coverage following a terrorist attack.

"We applaud a strong collaborative effort by Congress to pass this bipartisan legislation critical to taxpayers and our national economy," said FSR president and CEO Tim Pawlenty.

Insurers such as Marsh & McLennan have also spoken out in support of the passage of TRIA following what it called the "swift reauthorisation of this critically important public-private partnership".

Marsh has stated that the renewal will help to ensure a reliable marketplace for terrorism coverage in the event of attack.

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GC assists first Swiss-franc cat bond

GC Securities has completed the first ever Swiss franc-denominated catastrophe bond to benefit Gebäudeversicherung Bern (GVB).

The Regulation S placement of Principal At-Risk Variable Rate Notes, with notional principal at CHF70 million ($69.5 million), has been made through Kaith Re.

Kaith Re is a Bermuda exempted company registered as a Class 3 insurer in Bermuda under the Insurance Act 1978 and registered as a segregated account company (SAC) under the SAC Act, acting in respect of its segregated account designated Leine Re, to benefit GVB.

The protection provided to GVB via the catastrophe bond is positioned alongside traditional reinsurance on each layer of GVB's traditional reinsurance programme.

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Reinsurance pricing falls at renewals

Reinsurance pricing fell at the 1 January 2015 renewals in many segments, affecting almost all lines of business and geographies, according to Guy Carpenter.

According to its 2015 global renewals report, the lack of costly catastrophes resulted in global insured losses for 2014 of approximately $30 billion, the lowest total in four years and 25 percent lower than 2013.

Another major driver, third party capital, continued to flow into the reinsurance market as institutional investors such as pension funds and hedge funds sought higher yields amid a persistent low interest rate environment.

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President Obama signs TRIA into law

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In an official statement, Marsh said: "We are pleased that [the Terrorism Risk Insurance Program Reauthorization Act] directs the Treasury Department to review the protocols for certification which would help to protect the nation's economic security in the event of a terrorist attack."

Thomas Stokes, managing principal and US consulting practice leader of JLT Towner Insurance Management (USA), commented: "After more than a year of dithering, the speed with which this bill was passed and became law is refreshing."

"For the next six years, our clients and other insureds can count on the federal backstop being there for them. This is a huge stabiliser for the US economic system."

TRIA has an eventual $200 million trigger, increasing from its current $100 million limit at 20 percent per year. The nuclear, chemical, biological, radiation trigger remains at $100 million.

This includes a 20 percent copayment, while industry retention will increase $2 billion a year, starting in 2016, from $27.5 billion to $37.5 billion.

Despite efforts from within the insurance industry, the previous incarnation of TRIA was allowed to expire on 31 December 2014.

GC assists first Swiss-franc cat bond

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It provides one year of annual aggregate protection to GVB on identical coverage terms to its traditional reinsurance programme.

GC Securities served as sole placement agent.

Patrick Lerf, CFO of GVB, commented: "GVB appreciates the assistance of GC Securities, Kaith Re and the investors in successfully completing our first catastrophe bond. This transaction demonstrates our ongoing commitment to provide financial security to our policyholders."

GC Securities stated that the active involvement of the key participating investment managers (LGT ILS Partners and Schroders Investment Management) early in the process streamlined the catastrophe bond implementation to provide GVB with a capital markets-based solution covering Swiss natural peril catastrophe risk.

Cory Anger, global head of structuring at GC Securities, said: "We are delighted to have facilitated GVB's first catastrophe bond transaction and pioneered the first Swiss franc-denominated catastrophe bond."

"This private catastrophe bond transaction demonstrates the growing application of alternative capital to insurers, reinsurers, sovereigns and corporates globally as well as the ability for capital markets investors to provide meaningful capacity with coverage terms (including for non-modelled perils) consistent with the traditional reinsurance markets."

Reinsurance pricing falls at renewals

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According to the report, convergence capital has expanded, utilisation within catastrophe products grew to 18 percent of the total catastrophe limit, or $60 billion, up from 15 percent at year-end 2013.

Guy Carpenter claimed that this was a contributing factor to the moderate expansion of overall catastrophe limit purchased as pricing came down and buyers were able to secure more limit at lesser cost.

Alternative capital continues to access the reinsurance market in a variety of forms. Industry loss warranties decreased through 2014 as price reductions made indemnity protections more attractive but this was more than offset by growth in collateralised reinsurance, sidecars and catastrophe bonds.

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Guy Carpenter said: "This was well illustrated by the growth in catastrophe bond issuance through 2014, a record setting year with 144A property and catastrophe bond issuance of approximately $8.03 billion and risk capital outstanding at nearly $23 billion as of 31 December 2014."

"These factors led, in turn, to surplus capacity across most business segments as competition spilled beyond property catastrophe lines."

Elsewhere, the Guy Carpenter Global Property Catastrophe Reinsurance Rate-on-Line Index fell by 11 percent at the renewals. Renewals continued to be characterised by lower rates, excess capacity and broader terms and conditions.

"Market conditions that continue to bring downward pressure on pricing are being met with tremendous, client-focused innovation," said Lara Mowery, global head of property specialty at Guy Carpenter.

"The result has been a customised approach with expanded product offerings and terms and conditions that benefit our clients."

DC amends captive insurance act

The District of Columbia has approved enacting amendments to the Captive Insurance Company Act of 2004 in order to, among other things, strike any and all references to segregated accounts within the legislation.

Amendments have also been approved that will: clarify the statutory requirements for protected cell captive insurers and protected cells; confirm the confidentiality of capital insurers' licence application materials and clarify when they may be shared; and permit the commissioner of the Department of Insurance, Securities and Banking to extend or waive the requirement to conduct a financial examination of captive insurers every five years upon the satisfaction of specified criteria.

The amendments were published on 8 December 2014 and are scheduled to take effect following a 30-day period of congressional review.

Following this period, and providing that no complications arise during the review, the new legislation will be cited as the Captive Insurance Company Amendment Act of 2014.

Tough renewals season ahead, says Willis Re

There will be no respite for reinsurers at the start of renewal season, with the reshaping of the global reinsurance industry now starting in earnest, according to the latest renewals report from Willis Re.

Willis has cited what it calls "relentless" rate reductions, low investment returns and the continued influx of alternative capital as reasons for the continued pressure on the reinsurance industry.

According to the report, downward pressure on reinsurance rates continued across nearly all lines and geographies along with improved terms and conditions, with abundant oversupply of capital continuing to outstrip demand following another year of benign loss activity.

Willis has claimed that the tiering of reinsurers is also gaining wider traction, which is putting pressure on smaller reinsurers and single line catastrophe writers "who have the additional burden of competing with the capital efficient and highly competitive capital market-backed funds and sidecars".

The report states that long-rumoured M&A activity is now reality, with some companies recognising that any further delay is only likely to see further deterioration in their valuations.

Peter Hearn, chairman for Willis Re, said: "In the current environment, many reinsurers recognise they can no longer hope for salvation through major market losses or increasing interest rates."

"Their only sustainable course of action is to change their business models, portfolio mixes and to strive for scale."

"The new mantra is diversification. Whether this is by class or geography—preferably both—reinsurers are being actively rewarded by investors and buyers who see diversification as key to sustainability, along with size."

However, according to the report, not all reinsurers are accepting wider terms and conditions in addition to reduced rates, and a number of buyers have given firm order prices above the best market terms to maintain their relationships with key partners.

Some reinsurers are also actively scaling back their portfolios and going into 2015 with reduced budgets—particularly within the natural catastrophe sphere—helping to resist overly aggressive pricing and terms and conditions.

The anticipated influx of hedge fund-backed reinsurers also appears to have abated.

However, the report suggests that this is more closely related to rating agency hurdles than to current market conditions.

CEO of Willis Re, John Cavanagh, concluded: "Yet again, buyers have held sway. Also adding to reinsurer woes are the predictions that the global reinsurance market is only just managing to cover its cost of capital in 2014 and may fail to do so in 2015."

"Arguably, the continued lack of demand and oversupply of capital can only keep driving pricing down: unlike other financial markets, the reinsurance market lacks inherent depth, with no structured secondary trading market to help absorb the excess capacity. As a sector, we need to create depth."

EIOPA gives Bermuda thumbs up

The European Insurance and Occupational Pensions Authority (EIOPA) has endorsed key aspects of Bermuda's commercial reinsurance regulatory regime as meeting the criteria of the Solvency II directive, with certain caveats.

Bermuda Monetary Authority (BMA) has called this a "big step" towards ensuring Bermuda insurers and reinsurers retain access to EU markets when new harmonisation rules come into effect in 2016.

"This milestone is a major development for Bermuda and its well-deserved reputation as the world's risk capital," said Jeremy Cox, CEO of the BMA.

"This designation ensures that Bermuda's commercial insurers may continue to transact business within the EU. Moreover, equivalence is of benefit to the EU and its citizens, as it enhances the provision of well-regulated, stable insurance capacity."

"Equivalence also substantively strengthens the level of cooperation and trust between international insurance supervisors, as well as the cross-border efficiencies and effectiveness of supervision between jurisdictions."

Bermuda is one of only two non-EU countries to have so far sought equivalence under all three articles in the Solvency II Directive: Article 172, which relates to Bermudian (re)insurance contracts being treated the same as European Economic Area (EEA) insurance contracts; Article 227, which relates to group solvency requirements for Bermuda insurers and reinsurers with an EEA parent; and Article 260, which relates to group supervision of EEA insurers with parents outside of the EEA.

EIOPA's recommendation only addresses Bermuda's commercial insurers and reinsurers: ie, Bermuda's insurance groups; Class 3A, 3B and 4 insurers; and long-lerm (life) classes C, D and E.

Prior to EIOPA's announcement, Bermuda has also been recommended for approval as a qualified jurisdiction by a working group of the National Association of Insurance Commissioners.

No Christmas slow-down for NAIC

The National Association of Insurance Commissioners (NAIC) has adopted both the Revised Insurance Holding Company System Regulatory Act and Actuarial Guideline 48 (AG48), while also approving seven foreign supervisory authorities as qualified jurisdictions.

"The adoption of these components supports our 2014 key initiatives and is the result of truly outstanding work by America's state insurance regulators," said Adam Hamm, NAIC president and North Dakota insurance commissioner.

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"The Revised Insurance Holding Company System Regulatory Act demonstrates our commitment to international standards, while AG48 furthers our objectives of transparency and uniformity related to the regulation of life insurer-owned captives."

The Revised Insurance Holding Company System Regulatory Act updates the original model to clarify the group-wide supervisor for a defined class of internationally active insurance groups.

It also outlines the process for determining the lead state for domestic insurance groups, outlines the activities the commissioner may engage in as group-wide supervisor, and extends confidentiality protections to cover information received in the course of group-wide supervision.

In adoption of AG48, the NAIC established national standards regarding XXX/AXXX captive reinsurance transactions.

This guidance includes regulation of the types of assets held in backing insurer's statutory reserve.

AG48 is scheduled to take effect in 2015.

Four of the seven countries to be eligible for reinsurance collateral reduction as an approved qualified jurisdiction (Bermuda, Germany, Switzerland and the UK) were previously on the NAIC's List as "conditional qualified".

As of 1 January, these four plus Japan, Ireland and France have become fully qualified jurisdictions subject to a five-year term before reconsideration.

GC updates MetaRisk

Guy Carpenter & Company (GC) has launched reserve risk modelling tool MetaRisk Reserve 4.0.

This update provides what GC calls a "new, simplified interface" that gives users the ability to work with multiple lines of business in a single workbook, as well as multiple reserve models in a single line of business.

In addition, MetaRisk Reserve 4.0 upgrades the available statistical models to quantify reserve risk and model future inflation across multiple segments by giving users more flexibility to help with Solvency II and Own Risk and Solvency Assessment requirements.

"MetaRisk Reserve 4.0 helps clients better understand and interact with the drivers of reserve risk," said Steve White, chief actuary and head of enterprise analytics for GC.

Lloyd's approves new Barbican SPS

Barbican Insurance Group has announced that Lloyd's has approved the establishment of a new special purpose syndicate (SPS).

SPS 6120 will underwrite a whole account quota share reinsurance contract of Barbican Syndicate 1955, which commenced on 1 January.

The syndicate is fully capitalised with funds managed by Credit Suisse's insurance-linked securities (ILS) team and will have a capacity of £40 million for its first year of operation.

The vehicle will be managed by Barbican Managing Agency and will write business across the syndicate's whole account, which is comprised of three underwriting divisions—property, specialty, and marine, aviation and transport.

Commenting on the launch, David Reeves, group chief executive of Barbican, said: "The establishment of SPS 6120 boosts the ability of Syndicate 1955 to take further advantage of the multiple opportunities for profitable growth that we see across our underwriting divisions."

"We are very pleased with the level of support which we have received from the funds managed by the Credit Suisse ILS team and look forward to developing this strategic partnership further."

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Ratings round-up

A.M. Best assigns a rating to Knight Specialty Insurance Company, and more

A.M. Best has assigned a financial strength rating of "A- (Excellent)" and an issuer credit rating of "a-" to Knight Specialty Insurance Company (KSIC). The outlook assigned to these ratings is negative.

KSIC is a wholly owned subsidiary of Knight Insurance Company (KIC) based in the Cayman Islands.

The agency has stated that the assigned ratings reflect KSIC's sound business plan, supportive risk-based capitalisation and its strong reinsurance protection.

Reinsurance protection in the form of a 100 percent quota share agreement with the parent, KIC, allows KSIC to obtain the same ratings as its parent.

The ratings also reflect A.M. Best's expectation of a "modest" operating performance, as KSIC is a start-up company.

Also supporting the ratings is what A.M. Best has deemed a "favourable" business plan that is used as a basis for the rating's profitability and liquidity metrics.

A.M Best commented: "Partially offsetting these positive rating factors are the start-up nature of KSIC, its limited market scope and business profile, execution risk associated with the implementation of the company's business plan, the potential impact of continued soft market conditions and the fierce competition on the business in which the company plans to participate."

Additional offsetting factors are concerns of KIC's heightened execution risk due to significant business growth in 2013 and the uncertainty regarding loss-reserve and premium adequacy from this new business.

A.M. Best has claimed that the negative outlook represents continuing concerns regarding execution risk and uncertainty regarding loss-reserve and premium adequacy from this new business.

The agency has stated that positive rating actions are unlikely in the near term. However, the rating outlook for KSIC could be revised upward if KIC's operating results continue to perform well for a sustained period in conjunction with evidence of measurable improvements in executing its new business, while maintaining supportive capitalisation.

Insurers and reinsurers in Western Europe posted solid performances in 2014 and retained their capital strength against a backdrop of economic calm, according to a new report from A.M. Best.

The report analyses the agency's ratings actions through the year and shows that, given their strong balance sheets, Western European insurers' and reinsurers' issuer credit ratings have remained stable.

A.M. Best notes in the report that insurers and reinsurers in the region have experienced an uptick in ratings in the past few years.

Following the peak of the eurozone financial crisis at the end of 2011, companies have learnt lessons and taken steps to protect themselves from any further downturn.

"A.M. Best has noted that, in 2014, a few companies with high financial leverage have been reducing external borrowings gradually and focusing on capital management at a group level," said Stefan Holzberger, managing director of analytics at the agency.

He added: "The low interest rate environment is conducive to debt refinancing, and new hybrid debt instruments are being structured in line with the requirements for capital credit under Solvency II."

In 2015, A.M. Best has stated that it expects that heightened supervision will continue to add pressure to Western European reinsurers.

As they prepare for Solvency II and regulators attempt to strengthen their oversight, A. M. Best claimed companies will need to maintain their focus on "ensuring strong governance, internal controls and regulatory compliance".

Holzberger commented: "A.M. Best expects further restructuring and centralisation of functions as companies seek to improve operating efficiency and capital fungibility."

"Higher levels of retention by direct insurers are likely to continue, as well as a move toward the centralisation of reinsurance purchasing."

Recieved a rating? Let us know.
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Picture perfect

New Guernsey Finance chief Dominic Wheatley reveals what the jurisdiction is aiming to do next with captives, and paints a positive picture for ILS

STEPHEN DURHAM REPORTS

Since taking the chief executive position at Guernsey Finance, what plans have you put in place for captive insurance in 2015?

I am inheriting an existing plan, to some extent, but there have been a few developments. We have an insurance-linked securities (ILS) event running in London in March and we will be attending other events in the ILS space in New York and elsewhere throughout the year.

We are also looking at promoting captives, specifically, and alongside other products as well, in some new markets that we will visit in the Americas and Asia.

We will also be attending the usual plethora of third party events such as the Federation of European Risk Management Associations and the Association of Insurance and Risk Managers in Industry and Commerce conferences. In the second half of the year, we'll be starting work on developing a Guernsey insurance forum along the same lines as the existing Guernsey Funds Forum.

Has your opinion of the domicile changed since taking the position?

My knowledge has changed. I come to this position from a role within the Guernsey financial industry, specifically from the insurance side.

I had a pretty clear idea, after 19 years practicing here, of what Guernsey's strengths were, but certainly my understanding and knowledge of the other sectors has improved in the few weeks since I started.

There is still a lot to learn and I think the one thing that changed is that I have come to a realisation that the level of diversity across the financial sectors in Guernsey is even greater than I previously thought. If anything, it has given me an appreciation of the complexity of other sectors.

Is Guernsey looking to pursue more of tax agreements like those signed in recent years?

While it is not up to Guernsey Finance to pursue them, we do have a role in that process, which is to highlight to the tax authority in Guernsey the jurisdictions that we feel are most important, from a tax point of view. We are constantly looking at prospective markets and looking for countries where tax agreements would enhance the ability of Guernsey to trade with, and gain business from, those countries.

There is a prioritised list of countries and we are one of the contributors to that list, which is also an ongoing process.

The circumstances are always different and it is quite a lot of work to get in a double tax treaty, so we have to be selective.

The ratings agencies, most recently S&P, seem to look favourably on Guernsey as a domicile. What do you think are the main reasons for this?

There are three things that I think they are looking at. Guernsey has a sound economy and that economy has sustained better than some of the others through the global slowdown since 2008. There are also very sound public finances, with limited public borrowing and no significant current account deficit in government spending.

Finally, the overall level of public debt in Guernsey is, by the standards of most jurisdictions, extremely low. Those three factors mean that we are, from a financial and credit rating point of view, a very good risk.

Is Guernsey continuing its commitment to ILS? What are the plans to sustain the rate of growth?

We are very committed. We are still an emerging jurisdiction in the ILS market, a market that has traditionally been dominated by Bermuda, and we are looking to innovate the ILS products that we are offering.

There are other areas we, and the ILS market generally, need to look at, such as the secondary market and the liquidity of ILS products. This is an obvious area to focus on.

The ILS concept can be applied to a much broader range of risk than has necessarily been the case to date. The overwhelming majority of ILS deals are to do with US natural catastrophe risk, and these are a very natural fit for the product. But it is not difficult to think of other risks with a similar risk profile and clearly these would potentially respond to the same treatment.

I don't see any reason why the underlying demand for the cover that drives the market is going to subside. The world is an increasingly 'risky' place.

Certain types of weather-related risks are, if anything, becoming more prevalent rather than less. I don't see any signs that sources of capital will dry up, either. ILS is just a way of bringing the demand for capital to the supply. If both of those are to sustain, I can only see the ILS market growing in the future.

Despite Solvency II not being applicable, are there any other looming regulatory concerns for the island of Guernsey?

Certainly nothing "looming". Clearly, Guernsey is very much committed to the core principles of the International Association of Insurance Supervisors (IAIS).

That commitment was cemented further recently with William Mason, the director general of the Guernsey Financial Services Commission (GFSC), joining the board of the IAIS, and that is exactly where we want to be.

As a committed member of the IAIS, and as a regulatory environment, it is important that we apply those principles properly and in line with good practice.

That is exactly what the GFSC is currently doing—working with the industry to make sure that the new regime is going to be pragmatic and effective. That work will come to fruition in 2015. CIT

Dominic Wheatley
Chief executive
Guernsey Finance

16th Annual SCCIA Executive Educational Conference

Location: South Carolina
Date: 21-23 September 2015
www.sccia.org

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35th Annual National Educational Conference & Expo

Location: Washington, DC
Date: 18-20 October 2015
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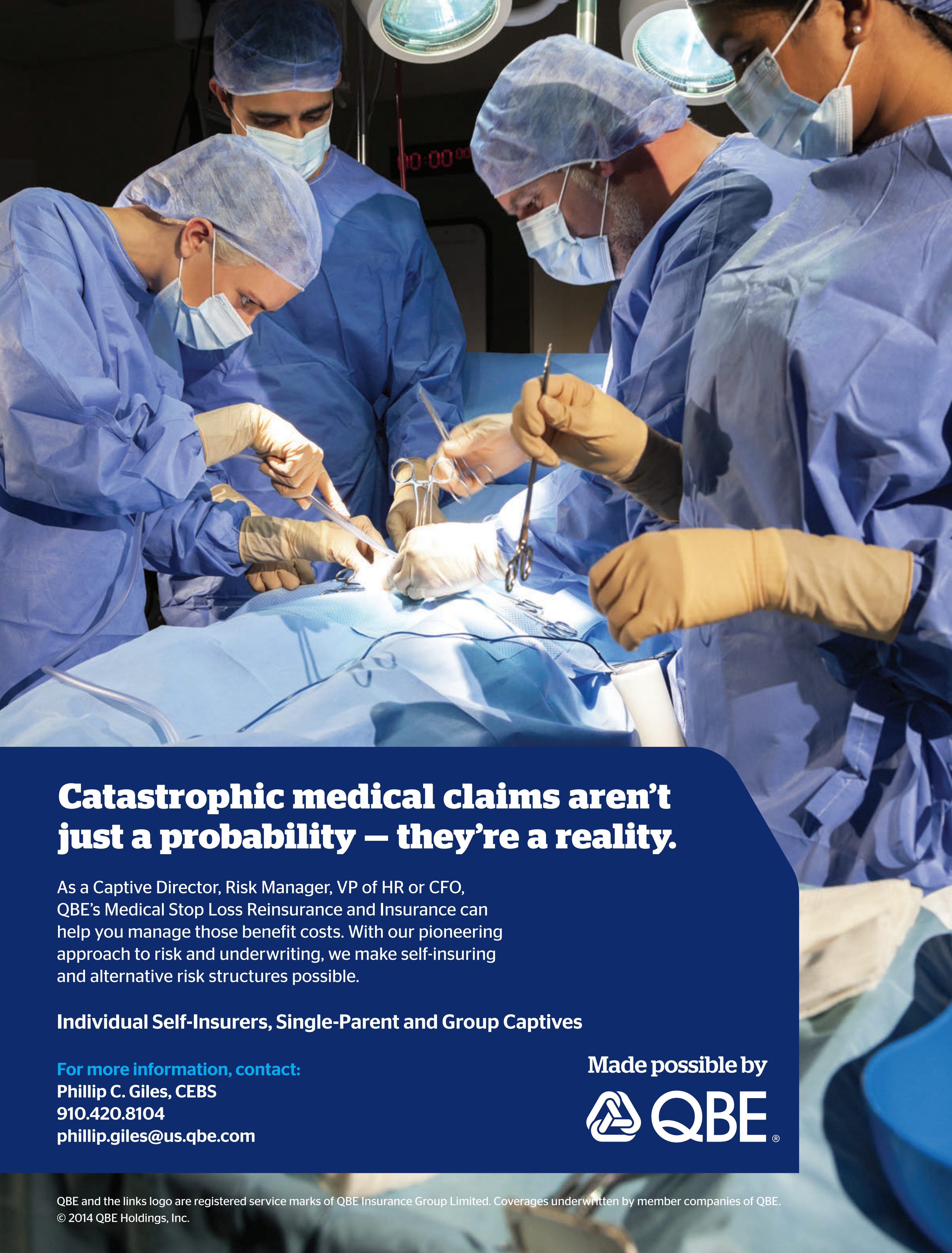
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Industry appointments

RIMS has named **Rick Roberts** as president for the 2015 term.

Roberts is the director of risk management and employee benefits at Ensign-Bickford Industries.

He has been a member of RIMS for 25 years and on its board of directors for seven.

He previously served as the society's vice president and board liaison to the external affairs committee.

Roberts commented: "No two days as a risk professional are ever the same."

"Current events, new technologies and global initiatives continue to keep risk professionals searching for the latest industry information and best practices."

JLT Insurance Management Bermuda (JLTIM) has appointed **Andrew Halls** as an underwriter.

Halls served as an underwriter in the London office of Aspen Risk Management and Sterling Insurance Company where he specialised in underwriting property and general liability business.

He also underwrote professional indemnity, marine, directors' and officers', and cyber coverage.

Steve Arrowsmith, executive chairman of the JLTIM Group, commented: "He has shown through his previous experience the ability to assess exposures and claims trends, and analyse captive insurance programmes to ensure they are fully optimised."

Robert Bilodeau has joined Wilmington Trust as senior relationship manager in the insurance collateral solutions group.

Bilodeau will serve as point person between grantors, beneficiaries, and insurance brokers in the onboarding of new transactions.

He will also serve as the group's point person for on-going relationships, and will assist in client development efforts.

Bilodeau has worked in the insurance and reinsurance trust space for more than a decade, and has experience with insurance-related collateral accounts.

He has international experience that includes transactions pertaining to Bermuda, London, France, Germany, Australia, New Zealand, the Cayman Islands, Guernsey, the Isle of Man, Luxembourg, and Switzerland.

Prior to joining the firm, Bilodeau was relationship and product manager in the corporate trust division at Wells Fargo.

Joe Nardi, head of Wilmington Trust's capital markets structured finance group commented: "Bilodeau will play a crucial role in trust agreement negotiations, due diligence acquisition, and administration of our client's transactions."

American Overseas Group has appointed three new directors to its subsidiary companies.

Effective 18 December, the board of directors of Orpheus Group (a subsidiary of American Overseas) has been expanded from five directors to seven as **David Pickering** and **Conrad Voldstad** have been appointed directors. Pickering has also been appointed to the board of directors of Reid Street Services.

Voldstad and **Trevor Carmichael** have been appointed to the board of directors of American Overseas Reinsurance Company Limited, an entity organised under the laws of Barbados, to replace Clement Dwyer and James Zech, who recently resigned.

Pickering has 30 years of experience in the insurance industry, focusing on captive management. He currently serves as president and CEO of four insurance companies, and director of a number of other insurance companies.

Voldstad has over 30 years of experience in the financial services industry. He was CEO of International Swaps and Derivatives Association and was founder and Senior Principal of Arlington Hill Investment Management.

Carmichael holds 30 years of legal experience. He is the founder of Chancery Chambers, a Barbados law firm engaged primarily in international business law, environmental law and law related to charities.

Liberty Speciality Markets (LSM) has appointed **Guillaume de Lestang** as senior underwriter for financial lines in its Zurich office.

Lestang will report to Zurich branch manager Felix Böni.

He will focus on Switzerland's French-speaking regions and will oversee underwriting and product development for director and officer liability, professional liability, and crime, kidnap, ransom and cyber risks.

He joins from Aon in Geneva, where he worked as a broker. Prior to this, Lestang spent five years as an underwriter in the Paris and Zurich offices of an insurer.

John McCammon, LSM's head of international network offices, commented: "Lestang brings to the team an impressive amount of market experience. His main focus will be to strengthen our presence and to further develop our financial lines book."

"Working alongside our existing Zurich team, his arrival marks a real enhancement to our underwriting capability in Switzerland." CIT

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