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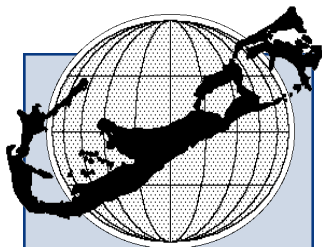
Insurance Update

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Max Re binds first contracts

New Bermuda reinsurer, Maximus Reinsurance Holdings Ltd., has had a quick start since it opened for business January 1, attracting more than a half a billion dollars in equity capital. And those behind the company predict significant emerging opportunities for life reinsurers in Bermuda.

The structured finite risk writer had seen 42 submissions and bound two transactions involving \$80 million in premium in its first three months of operation.

Max Re President and CEO Robert Cooney said, "We've been quite pleased with the deal flow, which I believe is predominantly due to the quality of the people we have attracted to the company. Transactions have just flown to these individuals."

Even though the company had not yet initiated a marketing plan because the company's top brass were heavily involved in the second round of private capital raising, Max Re has already seen some attractive opportunities.

And Mr. Cooney added, "We have two very large life and health transactions, both well north of \$100 million in premium that we are a finalist on. So we are really pleased with the hit ratio in the first 12 weeks of operation."

He thinks there will be a lot more activity in life reinsurance in Bermuda over the next five years, after the recent concentration of property casualty reinsurance on the island.

But the early success of the corporate model being employed by Max Re is a testimony to the innovation and creativity Bermuda firms bring to the global insurance community. Mr. Cooney agrees that it is the regulatory advantages of doing business in Bermuda which make such a model possible.

The paradigm involves an integration of the investment risk with underwriting risk, bringing the two disciplines together at the transactional level. The company will actively seek to diversify their asset management strategies, while using conservative, but potentially much higher yielding investment strategies for some of the assets to improve pricing for clients.



Robert Cooney

Max Re will concentrate most of its efforts in the life and health reinsurance side, while a smaller portion of the business will be property and casualty finite structured risk. About 90 percent of the business is expected to be reinsurance. And the balance will be enterprise risk insurance.

Mr. Cooney said, "We have a

■ *continued page 8*

TMF diversifies its earthquake exposure

A new Bermuda Class 3 reinsurer is at the heart of an effort by Tokio Marine and Fire Insurance Co. Ltd. (TMF) to diversify their exposure to earthquake risks. Tokio Millennium Re Ltd., which was recently incorporated in Bermuda and capitalized at \$125 million, will arrange a risk swap deal with State Farm Insurance in its first deal.

TMF said in a statement that Bermuda is the "forefront envi-

ronment to engage in innovative transactions based on sophisticated risk assessment technology."

Tokio Marine said it is one of the leading sponsors in developing convergence in insurance and financial markets.

TMF said it will swap liabilities with State Farm on \$200 million of earthquake cover written by both companies in April.

■ *continued page 8*

Commercial Risk has record year

Double digit improvements in profit, and premiums helped push the assets of Commercial Risk Reinsurance Company Limited, the principal operating subsidiary of the Commercial Risk Group, over a billion dollars, for the first time.

Graham C. Pewter, President and Chief Executive Officer of Commercial Risk Partners Limited, said: "Earnings were at record levels and revenue growth continued as, for the fourth successive year, our total insurance volume (premiums booked through our income statement or directly to our balance sheet) increased by more than 50%, reaching \$621,000,000."

Commercial Risk, a wholly owned subsidiary of SCOR, is a specialist insurer and reinsurer that underwrites an international portfolio of business through operating subsidiaries in Bermuda, the United States and Luxembourg. A leading participant in the Alternative Risk Transfer market,

Commercial Risk's clients are corporations and insurers who seek alternatives to traditional insurance and reinsurance mechanisms in order to manage risk.

The company achieved record consolidated earnings of \$28,995,000 for the year to December 31, an increase of 12% over the previous year. Gross written premiums totaled \$438,868,000, up 37% over the prior year, and net earned premiums advanced 54% to \$340,641,000.

Strong cash flows from operations - \$232,778,000 versus \$204,527,000 in 1998 - resulted in an increase in invested assets of 29% that allowed investment income to advance 32% to \$42,272,000.

Mr. Pewter added: "1999 was a very successful trading year for us. Demand for our frequency-driven casualty products continued to grow as we consolidate trading relationships with our primary insurance partners. We have developed a large

and diversified portfolio of business, the stability of which is underpinning our underwriting performance.

"During the year Commercial Risk Capital Markets commenced the underwriting of weather-related risks and we have developed a diversified portfolio of contracts, written both in reinsurance and derivative form. We believe the potential for weather-related covers is enormous and this year we will strengthen our resources and broaden the range of products we offer to the market.

"Finally, an important consequence of becoming a wholly-owned subsidiary of SCOR was that we achieved a Standard & Poor's financial strength rating of AA- and an A. M. Best rating of A+ (Superior), thus allowing us to offer an enhanced level of security to our clients in a commercial world where financial strength is a prerequisite for doing business."

Additions made to Partner Re

Bermuda-based PartnerRe Ltd. (www.partnerre.com) has greatly expanded its agricultural reinsurance service capabilities worldwide through the addition of a professional team from Agricultural Risk Management Ltd., a subsidiary of Aon Risk Services.

As one of the world's largest industries, the agriculture industry is exposed to many perils and the long-term potential for insurance and reinsurance is substantial. Through this initiative, PartnerRe is responding to growing demand by providing specialist risk management and reinsurance services in agriculture.

The ten professionals that have joined PartnerRe this month are lead by former managing director and founder of Aon's Agricultural Risk Management Ltd., William Dick, and include specialists located in the UK, US, Argentina, Chile and New Zealand.

Together with the existing agricultural reinsurance team, they will provide the ideal platform for expanding PartnerRe's important agricultural business. In addition to product development capabilities and advanced risk modeling, the global team will offer underwriting support and risk management expertise in agriculture, forestry, horticulture, livestock and aquaculture. PartnerRe and Aon have agreed to cooperate on new agricultural initiatives on a non-exclusive basis.

Mr. Herbert Haag, President and CEO of PartnerRe Ltd. commented, "I am very pleased to welcome the additional talent to our agricultural division. Their well-respected expertise will provide the depth and strength we need to advance PartnerRe towards being the leading agricultural reinsurance and risk management service provider worldwide."

PartnerRe Ltd. provides multi-line reinsurance to insurance companies on a worldwide basis through its wholly owned



Herbert Haag

subsidiaries, Partner Reinsurance Company, PartnerRe U. S. and SAFR PartnerRe. Risks reinsured include property, catastrophe, agriculture, automobile, casualty, marine, aviation/space, credit/surety, technical and miscellaneous lines, life/annuity and health.

EQECAT Conference

EQECAT, Inc. will be holding a one-day conference and workshops on innovations in catastrophe management May 8, 2000 at the Hamilton Princess Hotel.

Topics include securitization, weather risk management, windstorm review and recent major earthquakes worldwide.

Keynote speakers will be Brian Dupereault, Chairman, President and Chief Executive Officer of the ACE Group of Companies (www.ancelimited.com) and William Riker, President and Chief Operating Officer of Renaissance Re Ltd., a global provider of reinsurance and insurance. Dr. Kerry Emanuel, Professor, Department of Earth, Atmospheric and Planetary Sciences at MIT will also participate. EQECAT speakers will be Peter Yanev, President of EQE International; Dr. James J. Johnson, Chairman and COO of EQECAT; and Bob Healy, Dr. Mahmoud Khater, and Peter Kelly.

EQECAT, Inc. provides comprehensive and technically advanced catastrophe management software and consulting services to insurance, reinsurance and financial services firms concerned with worldwide property risk exposure.

EQECAT (www.eqecat.com) is a subsidiary of EQE International, a member of the ABS Group of companies. EQE has over 550 employees worldwide.



Reinsurers to pay 'Cat' claims

Top executives say the ability of Bermuda reinsurers to pay expensive catastrophe claims underscores their strength and security, key ingredients that buyers seek in coming to the Bermuda market.

These comments emerged as Bermuda reinsurers put aside nearly a half a billion dollars to pay claims arising out of European storms that hit France, Denmark, Germany and Switzerland in December. In France alone, 1.5 million homes were affected by storms that swept through between December 26 and 28, felling 300 million forest trees, killing more than 100 people and leaving two million people without electricity.

President and CEO of LaSalle Re, Guy Hengesbaugh, conceded that the winter storms made 1999 a costly year for insured catastrophe losses. However, he added, the occurrence of high-catastrophe periods underlines the need for the reinsurance product, a need he said which is filled by Bermuda market reinsurers.

"Paying claims quickly to service our client base is the most important operating function for our company and for others in this industry," he said.

The two windstorms, Lothar and Martin,

caused severe infrastructure damage to three of the four European countries, and are said to be the most costly natural disasters ever in Europe, and third worldwide after hurricane Andrew in 1992 and the Northridge Earthquake in 1994. They followed another one in early December that hit Denmark.

President and CEO of Tempest Re John Engestrom said, "There is no doubt that



Guy Hengesbaugh

the Bermuda market has paid out sizeable sums after catastrophe occurrences in recent years. In fact, 1999 was a pretty horrendous year overall with hail storms,

Hurricane Floyd, earthquakes and Typhoon Bart in Japan. There have been a number of significant events in recent years that led to Bermuda companies paying a lot of money in claims. And this market has certainly paid those claims."

Catastrophes cost the world \$100 billion in 1999 and the global insurance industry had to cover \$28.6 billion of the losses, according to a Swiss Re report. That made last year the second most expensive year in insurance history to 1992 and Hurricane Andrew.

Bermuda reinsurers control more than 20 percent of the low frequency, high severity, property catastrophe reinsurance market. They have again, shown their willingness to pay valid claims.

Brian M. O'Hara, President and Chief Executive Officer of XL Capital Ltd. reported in February, "These are unusually large losses, by some accounts the worst in France for more than 400 years. However, we are in the business of providing protection against high severity, low frequency events and the impact on XL is small relative to our capital base and will not adversely affect the company's financial condition."

BFIS pursues education initiative

After four years of operation, a Bermuda registered charity is trying to reach fully funded status, so that it can expand a program of preparing Bermudian students for the international insurance industry.

This May, another four students are graduating from university and college insurance programs, through the efforts of the Bermuda Foundation for Insurance Studies (BFIS). Four others had previously graduated.

Thirty-eight companies and individuals have pledged or donated \$4.4 million to BFIS (email: bfis@ibl.bm) but a further \$3.1 million is needed to firmly establish the Endowment Fund.

BFIS Chairman, Brian Hall said, "The BFIS Program has even caught the attention of such well-known institutions as Mellon Bank, Loomis, Sayles and DLJ, who benefit from doing business with Bermuda. They are now a source of significant donations which is extremely encouraging and demonstrates the high-esteem in which Bermuda and Bermudians are held."

Since its inception in 1996 by leading insurance executives, BFIS has grown in several ways, including the number of students benefiting from its endeavours.

To date the BFIS Mentor Program has matched forty-eight students with insurance professionals, and those students are also helped in finding internships, vacation and permanent employment within Bermuda's insurance industry.

Scholarships are now awarded to Bermudian students studying actuarial science as well as insurance. Currently seven scholarship students are attending university, and five have begun their Associate Degrees at Bermuda College.



Cathy Lapsley

BFIS goal is to develop Bermuda's human resources to meet the needs of the island's burgeoning insurance industry.

But BFIS Executive Director Catherine Lapsley pointed out, "We are not here to hand students everything on a platter, but to provide them with the opportunities to make the contacts, gain the experience and move ahead to achieve their goals. This is especially important where a student may be the first person in their family to seek a career in the insurance industry."

Professional Designation courses for those already working in the "industry continue to be delivered through the Bermuda Insurance Institute's (BII) Education Program, which receives an annual grant from BFIS.

BFIS Scholarship recipient Stephen Jones said, "BFIS does everything in its power to ensure that every student gets the help needed to succeed - the mentor program, the on-going advice and even the social gatherings where I was able to meet CEOs and other insurance professionals."

O'Hara, Stempel are honored by the BII

The Bermuda Insurance Institute (BII) presented President and CEO of XL Capital Ltd Brian O'Hara and Senior Advisor to American International Group (AIG) Ernest E. Stempel with The Market Leader of the Year Award and The Lifetime Achievement Award, respectively.

The two outstanding insurance executives were honored during a banquet at the Fairmont Southampton Princess Hotel, before other leading executives of the Bermuda insurance market.

The prestigious awards were presented



Brian O'Hara
Market Leader of the Year

by the BII for the first time last year to recognize the contributions of outstanding individuals whose initiative and leadership set them apart from their peers in the Bermuda Insurance Market.

The awards recognize the global significance of the Bermuda market and are in keeping with the BII's commitment to excellence in preparing the industry's future innovators and leaders.

The Market Leader of the Year Award is awarded to individuals who distinguish themselves during the course of the year, and accomplish something extremely extraordinary.

There can be no doubt that Brian O'Hara accomplished something extraordinary over the last year, turning XL Capital Ltd into a firm that the Economist Intelligence Unit this Autumn said was trying to propel finance to a new level of sophistication.

The publication conceded that the City of Hamilton was home to some of the most innovative and aggressive insurance com-

panies in the world. And none, they said, were more innovative than XL Capital, a firm with the strategy to be in the vanguard of the financial-services industry's transition to the next generation of products and services.

The Lifetime Achievement Award is awarded to individuals from the insurance industry who have distinguished themselves over the course of their careers.

Mr. Stempel has not only established an impressive record of leadership in partici-



Ernest Stempel
Lifetime Achievement Award

pating in, or directing, AIG's operations in Bermuda for nearly half a century, he also established such a remarkable pace of corporate charity work in Bermuda that international businesses here now consider donations to worthwhile charities a standard practice.

The BII retained the same broad-based panel of representatives on the selection committee as last year, who brought consultation together from leading organizations in international business, education and journalism.

The committee was comprised of Business Insurance Publisher Kathryn McIntyre, College of Insurance President Dr. Ellen Thrower, former Bermuda Insurance Management Association President Nick Dove, Bermuda Independent Underwriters Association President Mark Berry, Insurance Brokers Association of Bermuda President Paul Markey, The Royal Gazette Editor William Zuill, and BII President Rees Fletcher.

ASIG pays \$16.3 million for Oklahoma access and surplus lines insurer

Bermuda registered American Safety Insurance Group, Ltd. (ASIG) has purchased Trafalgar Insurance Company, an Oklahoma licensed insurance company, which has authority to operate as an excess and surplus lines insurance company in 34 states and the District of Columbia.

Trafalgar Insurance Company's stock was acquired from Houston Casualty Company for a purchase price of \$16.3 million, and Trafalgar had, at closing, in excess of \$15 million of capital and surplus.

Prior to closing, Trafalgar entered into a bulk assumption reinsurance agreement with Houston Casualty, under which Houston Casualty assumed all of Trafalgar's prior and existing insurance business. Trafalgar has been renamed American Safety Indemnity Company.

Commenting on the acquisition, Lloyd A. Fox, ASIG President and CEO, said it gave American Safety "the ability to continue its expansion of insurance products and services into the excess and surplus lines marketplace.

"The acquisition of Trafalgar completes American Safety's ability to offer insurance products and services through its U.S. admitted carrier, American Safety Casualty Insurance Company, its new excess and surplus lines company, its Bermuda rent-a-captive facilities and its non-subsidiary affiliate, American Safety Risk Retention Group, Inc."

American Safety Insurance Group, Ltd. is a specialty insurance and financial services company which, through its subsidiaries develops, underwrites, manages and markets primary casualty insurance and reinsurance programs in the alternative insurance market for environmental risks, employee leasing and staffing industry risks, and other specialty risks, and provides a broad range of financial services and products to middle market businesses.



OIL pumps record performance

The 1999 operating and financial results of Bermuda-based Oil Insurance Limited (OIL) reflect a continuation of record levels of overall performance. Consolidated net income was \$351 million.

Shareholders' equity reached \$2,083 million, the highest level in the company's 29-year history.

Prior to operating expenses, OIL recorded 1999 underwriting and investment income of \$68 million and \$291 million respectively. Total assets were \$3,093 million at year-end 1999.

President and CEO Jon R. King, noted that shareholders' equity at year-end 1999 exceeded \$2 billion for the second straight year.

He said, "This was a remarkable achievement considering that OIL paid special cash dividends of \$200 and \$300 million to our shareholders in 1998 and 1999. Without these dividends, shareholders' equity would have approached \$2.6 billion.

"The key driver of the company's overall financial performance in 1999 was investment income. Broadly diversified portfolios were maintained by our two investment subsidiaries, Oil Investment Corporation Ltd. and Oil Investment (Barbados) Ltd. These portfolios provided a solid platform to fully participate in a surging global investment environment."

Comparable 1998 results were net income for the year of \$488 million and December 31, 1998 shareholders' equity of \$2,032 million. Net income for 1998 included an accounting reclassification of its investment portfolios from "available for sale" to "trading". As a result of this change, 1998 net income included a \$171 million one-time adjustment for unrealized gains relating to the prior year.

OIL paid another extraordinary dividend of \$200 million on April 14, 2000. Mr. King said the action was consistent with OIL's capital management process whereby "to the extent capital resources exceed pre-determined target levels, the Directors will take actions to deploy any excess financial resources for the benefit of its shareholders".

Discussing 1999 underwriting results, Douglas A. Kline, Senior Vice President and Chief Operating Officer, noted that OIL recorded seven new losses in 1999 with a total value of \$54 million. He commented that "due to the nature of business

operations in the petroleum industry, the year-to-year underwriting results of OIL, as a catastrophe insurer, will be impacted by volatility brought about by uneven patterns of loss frequency and severity experienced by our shareholders. We are pleased, given the enormous financial pressures faced within the petroleum industry, that our 45 shareholders collectively experienced an excellent year in 1999 with respect to overall loss experience."

Mr. Kline also advised OIL shareholders on the Company's experience with respect to the potential impact to OIL of the Y2K

or "Millennium" Bug. Such impact centered on the potential for losses to arise as a result of the failure of electronic equipment to correctly process the change of year from 1999 to 2000. He stated that "within the petroleum industry, it is estimated that companies spent in excess of \$2 billion to ensure that their computer-based systems would be compliant when clocks rolled over into the year 2000. We are not aware at this time of any occurrences arising within the Company's membership that could result in a Y2K-related claim impacting OIL."

Index companies grow

Incorporations of new Bermuda insurers, together with consolidation activity, have led to changes to The Bermuda Insurance Index, increasing the number of companies.

Meanwhile, the Bermuda Stock Exchange (BSX) has assumed responsibility for the calculation and management of the Index and as a result the Index has been renamed the BSX Bermuda Insurance Index. FTSE will continue to review all changes made by the Exchange in respect to the Index.

Speaking on the announced changes, Anne Kast, founder and CEO of Kast Investment Management Ltd., the co-manager of the Index based mutual fund FTSE/BSX Bermuda Insurance Index Fund, along with Mutual Risk Management, noted "We are very pleased with these new developments for the Index. Since the launch of the Index in 1998 we have been anticipating additional constituent companies and it is gratifying to see this goal come to fruition."

Terra Nova (Bermuda) Holdings Ltd. (TNA) has been removed from the Index pursuant to the Index Ground Rules (section 4.4) which requires a constituent to have a listing and trade on either AMEX, NASDAQ, NYSE or BSX. TNA was

delisted from the NYSE on 27 March 2000 following the finalization of TNA's acquisition by Markel Corp.

But the Index added two new Bermuda based constituents, Everest Reinsurance Holdings and PXRE Group. The total number of stocks in the Index is now eleven, with a combined market cap of \$14.6B.

Ms Kast said, "We wish to extend a warm welcome to Everest Re and PXRE."

Everest Reinsurance Holdings, which trades on NYSE, symbol RE, provides reinsurance to international property and casualty insurers. The company also provides reinsurance to North American policyholders and excess and surplus lines insurance to US residents. The company's market cap is \$1,370.58 million.

PXRE, which also trades on NYSE, under the symbol PXT, provides reinsurance products and services to the international marketplace, with a principle emphasis on commercial and personal property risk. The company's market cap is \$177.73 million.

In compliance with Index regulations, both companies have their global headquarters and senior management in Bermuda and meet the listing and trading requirements of the regulations.

Bermuda law firm offers on-line company incorporation

Law firm Appleby Spurling & Kempe (AS&K) has opened the door to on-line incorporation of insurers and other Bermuda companies.

The firm's clients begin incorporating an exempted company online simply by accessing the web site at (www.justask-inc.bm) any hour of the day.

Working in a secure environment, clients complete an online questionnaire. AS&K's flagship electronic product, Just AS&K [Inc], takes over from there, automatically preparing the necessary documents for filing with Governmental authorities. It allows clients to monitor the progress of their incorporation and to communicate with the firm's experts by secure electronic mail throughout the process.

"Bermuda is the leading offshore electronic commerce jurisdiction in the world," said AS&K managing partner and senior partner Dianna Kempe. "The Electronic Transactions Act 1999 is a progressive piece of legislation that sets the standard for all other offshore jurisdictions in the area of e-commerce. We believe that Just AS&K [Inc] further enhances the island's reputation in that regard."

Partner, Warren Cabral, head of AS&K's Information Technology Group, was a key figure in the drafting of Bermuda's e-commerce legislation. He is a frequent author and presenter about e-commerce and its possibilities for Bermuda.

He said, "The Internet and new technologies challenge virtually every assumption about the way business is conducted.

Providing this new method of incorporating a Bermuda exempted company is a perfect example of the important role that technology will play in the development of business for Bermuda. AS&K has embraced this new technology, and in so doing we have provided our clients with a secure, efficient, convenient way of incorporating a Bermuda exempted company."

Clients are given the option of paying the incorporation fee by credit card via a secure payment gateway.

The Bank of Bermuda conducts online processing for Visa, Mastercard, and other credit and debit cards, as well as authorization, electronic data transmission for settlement, and full transaction reporting. Incorporation fees can also be paid by the more traditional methods of wire transfer,

certified cheque or payment through a trust account.

Bermuda based First Atlantic Commerce is providing secure, real-time transaction-processing services.

Peter Bubbenzer, head of AS&K's Company Department, said, "Our clients come from every part of the world. It is important to us that our existing and

prospective clients, wherever they may be, are able to begin the incorporation process at their convenience.



Dianna Kempe

XL forms new unit

XL Capital Ltd is forming a new holding company to oversee the expansion of XL's insurance businesses outside of the Americas and Bermuda. The company will encompass the operations of several of XL's existing subsidiaries, including XL Europe Ltd, Brockbank Underwriting Limited and Brockbank Insurance Services Inc.

XL Capital President and CEO Brian O'Hara said: "It is important that we build solid business and operating platforms and a flexible infrastructure to service our geographic expansion and product diversification programs, at the same time enabling us to target opportunities for expense reduction. One of the main objectives of the new holding company will be to identify and develop new products and market opportunities while concentrating on operational issues."

Mr. O'Hara will chair the new company's Board of Directors, while its Executive Management Board will be chaired by Mark E. Brockbank, currently Chief Executive Officer of The Brockbank Group plc, who is to be appointed Chief Executive Officer of the new company.

Mr. Brockbank said, "One of the ways we will be addressing operational issues will be with the formation of a Shared Services Center. This facility will provide business units with support services in areas such as IT, finance, statutory reporting, compliance, human resources, legal and claims."

The Executive Management Board will include senior executives from XL operating subsidiaries: Dermot O'Donohoe, Walker Rainey and Martin Reith.

AIG goes Latin

A new political risk and investment guarantee insurance company aimed at Latin American and Caribbean clients is being formed in Bermuda through a joint effort involving an AIG company. The American International Group already has some 25 operating companies and more than 80 registered companies in Bermuda.

Under the 50/50 joint venture, AIG Global Trade & Political Risk Insurance Co. and Corporacion Andina de Fomento, a financial institution controlled by five Andean countries, will create a new vehicle, Latin American Investment Guarantee Company Ltd., with an initial investment of \$50 million.

The new Bermuda-based company will provide political risk and investment guarantee insurance to financial institutions and private companies operating in Latin America and the Caribbean.

Latin American Investment Guarantee Company Ltd. will offer coverage for confiscation, expropriation, and nationalization; contract repudiation; political risk for exporters and importers; wrongful calling of guarantee; and political risk insurance for projects, AIG Global said in a statement.

AIG Global unit AIG Global Management Co. Ltd. will provide underwriting, claims, and administrative support for Latin American Investment Guarantee.

Corporacion Andina's principal shareholders are Bolivia, Colombia, Ecuador, Peru and Venezuela. Seven other countries and 22 private banks in the region also contribute to its goal of connecting the region with international capital markets, Corporacion Andina said.



Lehman Re transforms earthquake risk

Lehman Re, the transformer company established in Bermuda in 1998 by Lehman Brothers Inc., has made a significant move into the capital markets, completing a \$150 million securitization of California earthquake risk.

The 22-month transaction transfers to investors the risk associated with certain levels of insurance industry losses in California from earthquakes and resulting fires. Securities were offered to investors by a special-purpose company Seismic Ltd., which in turn entered into a swap agreement with Lehman Re.

The risk analysis to support Lehman Re, which has a capital base of over \$500 million, was provided by Risk Management Solutions (RMS).

Through Seismic Ltd., investors are providing Lehman Re with coverage for aggregate industry losses from all covered earthquake events that occur during the 22 month period. Lehman Re will receive payments from Seismic Ltd. if losses exceed \$22.5 billion and will receive the full \$150 million if losses equal or exceed

\$31.5 billion. Industry losses from individual events will be determined by Property Claims Services, a unit of Insurance Services Office.

To assist potential investors and rating agencies in evaluating the securities, RMS provided estimates of overall loss probabilities, key scenario losses and regional contributions to the risk.

Lehman Brothers and Swiss Re Capital Markets acted as co-lead managers for the offering, with Lehman Brothers acting as book manager

RMS developed its estimates from a stochastic simulation of insurance industry losses for thousands of possible earthquake events using proprietary earthquake models and its 1999 California Industry Exposure Database.

This database provides a detailed representation of earthquake and fire insurance exposures throughout California and is part of a series of such databases that RMS has established for the entire U.S. and other catastrophe-exposed regions of the world including Europe and Japan.

New CFO for PartnerRe

Albert Benchimol was appointed Executive Vice President and Chief Financial Officer of PartnerRe Ltd., joining the executive committee.

As CFO, he will assume overall responsibility for all aspects of PartnerRe's global financial operations, including investment and asset management, financial reporting and control, treasury, tax planning and capital management.

Mr. Benchimol will also take care of investor and rating agency relations.

Mr. Benchimol has been in the financial services industry for 18 years, the last 11 of which he worked for Reliance Group Holdings, Inc., and most recently as Senior Vice President and Treasurer and a member of the senior management group.

In that role, Mr. Benchimol was responsible for treasury, corporate finance and capital markets, rating agency and investor

relations, and merger and acquisition evaluation and execution.

PartnerRe President and CEO Herbert Haag commented, "We are pleased to have attracted a person of Albert's caliber and experience.

We believe that he is an excellent fit for PartnerRe and the role he is going to fulfill.

His credentials not only confirm his vast range of skills in the areas of finance and investments, but also his knowledge of the industry, strategic planning and managing corporate change.

"In our rapidly evolving industry, Albert's international background and hands-on experience in solving complex situations are invaluable assets, and I look forward to having in him a key discussion partner on strategic matters, both on the financial as well as the operational front."

ICAP 2000 Are you coming?

Record numbers are expected at The International Captives Congress (ICAP 2000) hosted by IBC at the Southampton Princess Hotel in Southampton, Bermuda. May 15-19. More than 50 of the industry's leading speakers will participate during a targeted agenda that includes case studies.

The conference is again being chaired this year by Senior Vice President of ACE Insurance Company, Roger Gillett, who is also Chairman of the Marketing Committee of the Insurance Advisory Committee. Mr. Gillett sits on the ICAP 2000 Advisory Board, along with other key industry figures.

A keynote address will be made by noted futurist and best selling author, David Zach, who is one of the few professionally trained futurists, whose company Innovative Futures, works with 80 businesses, schools and associations each year to help them understand how to think about the future, change and continuity.

ICAP 2000 will include sessions on the use of captives to provide employee benefits, agency captives and healthcare captives. They are just a few of the more than 30 intermediate and introductory conference sessions being offered.

In its fourth year, the conference serves busy risk management professionals by providing significant professional education in an ever changing industry.

Risk management professionals will also this year have a unique opportunity to network specifically with their peers in the Risk Manager Café. And the Master Summit Series allows seasoned captive owners to follow a track of sessions designed specifically for the more sophisticated captive owners.

And during an ICAP Brainstorming Breakfast, delegates can benefit from participating in a self-selected round-table discussion on topics spanning the realm of captive development, management and ownership. The session provides a forum for the exchange of ideas and an opportunity for additional networking.

Another new concept being introduced this year is the CFO/Treasurer Forum, designed especially for Chief Financial Officers or Treasurers who sit on the board of their organization's captive. The two and a half hour session focuses on the big picture of captive ownership and alternative risk transfer.



Tokio Marine dilutes risk exposure

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Tokio Millennium Re is the group's second largest subsidiary to the life operation of Tokio Anshin Life Insurance Company.

Tokio Marine said it plans to use the new reinsurance unit to dilute its risk exposure which is concentrated in Japan and to improve the efficiency of its risk portfolio. It is aiming for net profit of \$6 million on premium incomes of \$10 million in the initial operating year and a net profit of \$15.1 million on incomes of \$16.7 million in the following year.

Tokio Millennium Re will seek a group rating (AAA) from Standard & Poor's. The new company completely differs from all other reinsurance operations of the Tokio Marine Group in that its primary mission is not to earn a profit through assumed reinsurance but to utilize reinsurance as a tool to make effective use of the capital.

The new company started operations in April with the emphasis of assuming non-Japanese natural catastrophe risks by way

of reinsurance exchange.

Tokio Marine noted that the arrangement is not exclusive, and that they will examine similar deals on a case-by-case basis.

TMF said it will enhance its development in global risk management with a focus on natural catastrophe risks and integrated products by forming a network among the new reinsurance subsidiary in Bermuda, a new products development advisory unit in New York and its Tokyo head office. The network is expected to improve TMF's effective use of its capital over the years ahead.

The Bermuda company is set up to promote and trade "catastrophe reinsurance exchanges" with the world's major insurers and reinsurers.

The main aim of the global management is to geographically diversify the group's current portfolio whose bulk exposure in catastrophe aggregation is concentrated in Japan. It aims to enhance more effective use of its capital by transacting a catastrophe reinsurance exchange whereby TMF cedes Japanese catastrophe risks in

exchange for that of the overseas.

The first ever transaction in line with such a program is a catastrophe reinsurance exchange between TMF and State Farm Mutual, the largest non-life insurance company in the United States. The deal enables both companies to directly reduce their earthquake risks associated with their local business. Further, TMF is also discussing with Munich Reinsurance Company, the largest reinsurance company in the world, the exchange of natural catastrophe risk by an ART solution.

TMF will utilize its in-house expertise of analyzing Japanese risks at its subsidiary, Tokio Marine Risk Consulting Co., Ltd.

The new Bermuda reinsurer will be run by Chief Executive Officer, Mr. Shin-ichiro Okada who has an extensive experience of over twenty years in the reinsurance field and by Chief Underwriting Officer Mr. Tatsuhiko Hoshina who also has a long experience in the international reinsurance field including that as a reinsurance underwriter in the London market.

Max Re

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very unique position in the marketplace and advantages of operating from Bermuda and a very strong team. In fact, I don't think there has ever been such a deeply talented, diversified underwriting team put together in the first instance for a Bermuda start-up. And that will make a difference."

The company raised \$331 million in the first capital raising exercise, which closed December 22. The second effort closed at the end of March around \$175 million,

creating a capital base of just over \$500 million.

Max Re will also establish a marketing arm in Ireland. Mr. Cooney said, "We will have a European marketing and deal origination operation in Dublin with four or five people. "But all of the underwriting and pricing will be conducted in the Bermuda office, which should have about 20 people, heavily weighted toward professional staff. Eleven of those people will be very senior professionals, six of whom will be actuaries. The nature of the underwriting is very actuarial and investment-oriented."

Bermuda is seeing an increasing amount of interest from life reinsurers because of

the importance of the investment side, and their need to hold liabilities for such a long period of time. It is important to have good consistent investment returns over that lengthy period. Bermuda's business friendly regulatory environment allows the investment of assets in a more diversified way.

Said Mr. Cooney, "Our clients, I think, will look at us as an intriguing way to diversify their investments through finite reinsurance transactions, and tap into our investment strategy. We will obviously share those profits back to them if the underlying business develops favorably.

"There is tremendous demand right now for life reinsurance because of a number of things, including the demutualization of the life companies. Those life insurers will seek ways to improve their operating performance.

"One way they can do that is to look at their balance sheet and push out old blocks of business to free up capital. So these companies will look for reinsurance. There are tremendous opportunities for financial transactions that can benefit both the life insurers in this age of demutualization, and their reinsurers.

"And that's why I think that Bermuda will see many more opportunities for life reinsurers."

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