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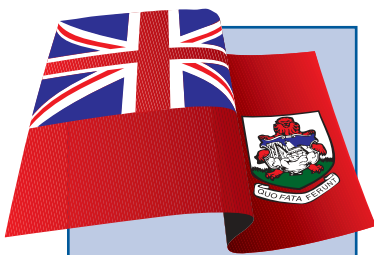
Insurance Update

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Healthcare's new flight to quality

Hard-pressed hospital executives, seeking medical malpractice cover, have been flocking to Bermuda with submissions for newly-established, Endurance Specialty Insurance Ltd. This comes at a time when accounts are increasing their self-insured retentions.

Endurance is writing excess medical professional liability for large specialty hospitals, multi-hospital systems and university teaching hospitals.

The firm's Executive Vice President, Hospital Liability Operations, Judy Hart, conceded, "Medical professional liability is harder hit than other lines traditionally, as the market hardens. That's because there never has been a lot of capacity dedicated to that business.

"And before last September, you really had a situation where the experience had been deteriorating since 1999. Today, virtually every account is increasing their self-insured retention. We see people going from three million dollars to five million dollars, or five million to ten million....that they are either retaining in their captives, or putting in self-insured trusts. Even with that, the excess premiums have gone up 200 percent to 400 percent. There are huge increases."

Endurance has seen nearly 300 submissions from US hospitals already since it began writing healthcare business April 1. And many visitors to their Bermuda offices have included not just the risk managers, but also the CEOs and CFOs, as higher level executives feel compelled to get involved in finding new risk financing solutions.

In identifying the needs of the marketplace, Endurance has established a full-time, dedicated healthcare



Judy Hart

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Bermuda Market fills capacity void

The Bermuda Market has stepped in again this year to fill the void left by the withdrawal of capacity around the Industry, a broker has observed. After 1985 (excess liability) and 1992/93 (property catastrophe) as prior occasions, this makes three times in 17 years.

New Bermuda (re)insurers at the beginning of the year needed to look beyond pure treaty reinsurance programs they intended to write and seek dislocations occurring in the insurance and reinsurance market.

Alan Waring of Arthur J. Gallagher Intermediaries (Bermuda) Limited stated that a number of the new companies in Bermuda, which intended primarily writing property catastrophe reinsurance at 1/1 (January 1) ended up writing far more workers comp & A&H (accident and health) 'cat business than they expected.



Alan Waring

He noted, "The reinsurance market for accident and health 'cat covers had entirely disappeared after 9/11. There were some big US domestic writers doing reinsurance underwriting of personal accident (PA). They just disappeared. They lost everything in terms of their capacity.

"So the A&H brokers came down to Bermuda and developed an A&H reinsurance marketplace here. Arch, AXIS, Montpelier, Endurance, Tempest, RenaissanceRe – they've all been looking at it and writing it.

"Capacity for A&H pretty much disappeared from everywhere else, and started re-building here. So in terms of what's happened here with the Bermuda reinsurers....they didn't just fill a void – they met a demand by creating a vibrant new A&H reinsurance market."

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PwC reports on Bermuda Market

A new report has spotlighted the Bermuda Insurance Market for its usefulness to global insurance and reinsurance buyers, during one of the most difficult years in the history of the insurance industry.

Bermuda Market Review 2002 was produced by PricewaterhouseCoopers, in association with UK industry publication, Global Reinsurance.



It concludes: "Bermuda's excellent infrastructure, flexible regulatory environment, ready sources of intellectual capital and history of bringing innovative solutions to the market continue to create clear, competitive advantages and cement its place within the global insurance market.

"Its emphasis, however, continues to focus on quality rather than pure size, and it appears to be well-placed to capitalize on the improving market conditions."

The report states that Bermuda, as a market, has continued to demonstrate some unique characteristics.

These include: an ability to attract substantial amounts of new capital, both on a

large scale and in the core captive market; a strong performance by Bermuda's quoted insurers in comparison to their peer group; continued growth in the captive market, as insureds seek to self-insure more of their own risks; a growing presence in the life reinsurance market, broadening Bermuda's traditional property and casualty base; tougher competition for many finite products from other alternative solutions, as market rates harden; and, a leading presence in other insurance markets, in particular, at Lloyd's of London.

A year after the horror of the September 2001 terrorist attacks against the US, the report cites Bermuda's insurers for bearing "a significant part of the claims burden."

It was also highlighted that the Bermuda industry not only withstood the claims, but committed to paying claims on a timely basis.

The review says, "Just as insurers were beginning to catch their collective breath (from the terrorist attacks), Enron collapsed in a sudden and dramatic fashion, causing the industry once again to dig deep into its reserves for a combination of anticipated

surety and liability claims, and capital losses for those companies holding Enron stock.

"If nothing else, the scale of the losses borne by Bermuda companies should highlight the Island's position as a premier offshore jurisdiction rather than the perception held in some quarters of Bermuda as a mere tax haven."

The Bermuda Market Review, in its seventh annual publication, stated that against the backdrop of such adverse conditions, the Bermuda Market has again demonstrated its credentials as a key player in the global market, and as an attractive jurisdiction for new capacity looking to respond quickly to new market needs.

"In the wake," it continues, "of the September 11 attacks, there was a flood of new capital into the market. The speed at which capital poured into the market was only surpassed by the scale of the amounts coming in. In the space of just six weeks, over \$25 billion of the capital that had been lost as a result of the September 11 attacks had been replaced.

"Over \$13 billion of this was directed to Bermuda from a combination of existing insurers and some new players."

Comp fund buys \$1.45 billion in reinsurance

Units of ACE Bermuda and XL Re have contracted to offer reinsurance for the largest workers' compensation provider in the United States.

The State Compensation Insurance Fund of California has signed a \$1.45 billion excess-of-loss reinsurance program for all losses that the state fund incurred from 1980 through 1998.

Aon Re, who has served as the State Compensation Insurance Fund of California's reinsurance advisor for many years, structured and placed the transaction.

David M. Kelley, Vice Chairman of Aon Re Inc. (Aon Re Worldwide's US operation) commented, "State Compensation Insurance Fund of California's efforts to maintain stability in the California workers' compensation marketplace created a very exciting and challenging opportunity for Aon Re. This unique transaction was made possible for our client by our entrepreneurial approach and the leverage of Aon's vast resources."

Daniel L. Sussman, CEO of XL Financial Solutions Ltd stated, "We were extremely pleased to partner with both Aon and State Compensation Insurance Fund to develop a strategically significant solution that sustains the important role played by State Compensation Insurance Fund."

Kenneth C. Bollier, President and CEO of State Compensation Insurance Fund of California added, "We are very pleased with the completion of this transaction which enables State Compensation Insurance Fund to continue to successfully serve the employers of California during this transitional time in the California workers compensation marketplace."

State Compensation Insurance Fund of California, with assets over \$10 billion, is a full service competitive workers' compensation insurance company providing claims management, loss prevention consulting and rehabilitation services to employees within the State of California since 1914.

The state fund has become a focus of

debate in California. While several of the state's largest workers' comp writers have become insolvent or stopped writing new business, the state fund has grown rapidly, doubling its premiums written in 2001 and now taking in 43% of the business in the state.

The fund has paid out about \$1.32 in claims and expenses for every \$1 in revenue for the past five years. The insurer's combined ratio - losses and expenses as a percentage of premiums - was in the 140s from 1997 to 1999, peaking at 146.1% in 1999 before dropping to 133.1% in 2000 and to 117.9% in 2001.

With a market share of 42.9% by direct premiums written for year end 2001, the State Compensation Insurance Fund is by far the largest writer of workers' comp insurance in California.

After falling below the National Association of Insurance Commissioners' risk-based-capital level, California Insurance Commissioner Harry Low asked the fund to submit a turnaround plan.



Bermuda captive joins new venture

A Class 3 Bermuda rent-a-captive, Universal Reinsurance Co. Ltd., has joined with Royal & SunAlliance USA for its new, groundbreaking Personal Insurance Agency Captive Program.

Universal Reinsurance, managed by Atlantic Security Ltd. of Bermuda, is one of the oldest Rent-A-Captive® vehicles in the world and serves all aspects of the alternative risk market.

It has worked closely with Artis®, Royal & SunAlliance's Commercial Lines Alternative Risk Transfer business for several years.

Both parties believe this well-established relationship will contribute to the smooth

implementation of the innovative Royal & SunAlliance Personal Insurance Agency Captive program.

Hal Forkush, President of Universal Reinsurance Company Limited, stated, "We have enjoyed a mutually beneficial relationship with Royal & SunAlliance for many years, and we are very excited to embark on this innovative new venture."

Mike McNally, Vice President of Personal Insurance Marketing at Royal & SunAlliance added, "The creation of a Personal Insurance Agency Captive Program raised some unique issues.

"Our existing relationship with Universal Reinsurance, which actually owns the

registered trademark Rent-A-Captive® in the US and UK, is invaluable to the success of the program."

The Royal & SunAlliance Personal Insurance Agency Captive Program was introduced earlier this year and is the centerpiece of the company's personal insurance strategy.

Under this new program, agencies share in the proceeds from their book of business in addition to earning commissions, more than doubling their profit potential over traditional profit-sharing agreements.

Universal Reinsurance Company Limited, organized in 1974, is independently owned and operated.

BEST rating for Rembrandt

A leading rating agency has expressed faith in the success of Class 3 captive, Rembrandt Insurance Co. And A.M. Best Co. assigned the Bermuda domiciled company an initial financial strength rating of A (Excellent). The rating outlook is stable.

Best said the rating reflects the company's superior capitalization, excellent operating performance and conservative approach to reserving. The rating recognizes Rembrandt's integral role as the captive operation of Vitol Holding B.V., a leading global oil-trading company. Offsetting factors include a lack of business diversification and Rembrandt's status as a single-parent captive.

On a risk-adjusted basis, Rembrandt had superior capitalization at the end of 2001, according to the Best's Capital Adequacy Ratio. The company benefits from the support and financial flexibility provided by its ultimate parent, Vitol Holding B.V.

The company reported an operating profit of \$3.6 million for the ninth consecutive year in 2001, with a five-year average return on premium of 67%. Since 1992, Rembrandt has repeatedly reported excellent underwriting profits, as the company accepts risks with low loss occurrence. The company reported an underlying pure loss ratio, excluding reserves, of 17% in 2001.

A.M. Best believes Rembrandt has adopted a prudent reserving strategy.

The company transfers the majority of earned premium to IBNR reserve each year. This, together with the short-tail nature of its portfolio, favorable historical loss experience and comprehensive reinsurance program, has resulted in an IBNR reserve of \$10.6 million at year-end 2001.

Rembrandt underwrites a limited number of classes of business, and the volume of contracts is relatively small. Although the company has accepted a number of third-party risks in recent years - 1% of gross premium income in 2001 - this is expected to continue only on a minimal basis; thus, the primary source of business is limited to the parent company.

Best expects that Rembrandt will continue to grow its capital base through the retention of earnings, and capital will increase to approximately \$20 million by the end of 2002.

The agency believes that prospective financial performance should continue to benefit from strict underwriting and risk-management disciplines.

The achievement of operating profits is forecast to continue, at least in the short-to medium-term.

There will be no material change to the risk profile of the company. Rembrandt will retain its status as a single-parent captive, writing no more than 3% of gross premium income in third-party business.

IPC lists on BSX

The Bermuda Stock Exchange (BSX) has approved the secondary listing of up to 48,551,995 Common Shares of IPC Holdings, Ltd.

The Common Shares achieved a primary listing on the NASDAQ National Market in 1996. First Bermuda Group Ltd. of Hamilton, Bermuda, sponsored the listing.

John Weale, IPC Senior Vice -President and CFO, said, "This marks a further milestone in the growth and maturity of the company. The listing will hopefully increase the accessibility of the company's shares to Bermudian investors."

"The BSX welcomes IPC Holdings, Ltd. to listing," said Mr. James S. McKirdy, Listings and Compliance Manager of the BSX. "IPC Holdings, Ltd. joins the growing list of Bermuda domiciled insurance companies to list on the Exchange. As a secondary listing IPC Holdings, Ltd. was able to take advantage of the reduced listing fees offered to issuers with a primary listing on a BSX Recognized Exchange."

IPC Holdings, Ltd. provides property catastrophe reinsurance and, to a limited extent, marine, aviation, property-per-risk excess and other short-tail reinsurance on a worldwide basis.

In 2001 total revenues were \$156 million. As of December 31, 2001 total assets were \$1.3 billion and total capital was \$846 million.



Reinsurer takes over AXIS chair

Long time reinsurance executive, Michael A. Butt, has left the board of XL Capital Ltd and has succeeded Robert J. Newhouse, Jr. as Chairman of the Board of Directors of AXIS Specialty Limited.

Mr. Newhouse will continue as Chairman of the Executive Committee and as a member of the senior management of the company.

John Charman, President and CEO of Axis Specialty Limited said "Michael has had a long and distinguished career in both the insurance and reinsurance business worldwide. This key management appointment is in line with Bob and my plans for the future of AXIS. We have both known Michael for many years and are delighted that he has agreed to join our management team."

Mr. Butt was President and Chief Executive Officer of Mid Ocean Limited in Bermuda from 1993 to 1998 when it was merged with XL Ltd, after-which he continued as a director of XL Ltd.

He was Chairman of Sedgwick Limited and Vice-Chairman of the Sedgwick Group plc in the UK from 1982 to 1986. He



Michael Butt

served as Chairman and Chief Executive Officer of Eagle Star Holdings plc and Eagle Star Insurance Company from 1987 to 1992. Mr. Butt was on the Board of the Farmers Insurance Group and BAT Industries.

AXIS Specialty Limited is a Bermuda based company, with shareholders' equity in excess of \$1.6 billion, focusing on reinsurance and specialty lines of insurance.

XL Chairman, Michael P.

Esposito, Jr. stated: "Michael was the dynamic leader of Mid Ocean Limited during the time that XL was a shareholder and up to our acquisition of Mid Ocean. He provided great strategic vision and we were extremely pleased that he agreed to serve on the XL Board and to develop the international strategy of the company, particularly in Europe."

President and Chief Executive Officer of XL, Brian M. O'Hara, added: "As a Director of XL, Michael has provided me with extraordinary support in the build-out of our businesses. His guidance was vital

in the development of our holdings in Le Mans Ré, which has enhanced our reinsurance unit, XL Re, and secured a significant foothold in continental Europe.

His foresight in identifying the opportunity for us to purchase Winterthur International has enabled us to develop our insurance unit into a highly successful global business platform. Michael is a friend as well as a business associate and I would like to personally thank him for his contributions and congratulate him on his new position."

He was formerly a Director of Phoenix Securities Limit, Marceau Investissements S.A. in France and Instituto Nazionale delle Assicurazioni (INA) in Italy. Mr. Butt was the Chairman of the INSEAD International Council and has been a member of the INSEAD Board, Fontainebleau, France, since 1982. He has served as a Member and Contributor of the Geneva Association since 1987 and was a Director of the Bank of N.T. Butterfield & Son from 1996 - 2002. Presently, Mr. Butt is a Member of the Board of Trustees for the Bermuda Biological Station for Research and is Vice Chairman of the Association of Bermuda International Companies.

ACE Tempest Re opens office in Dublin

ACE Global Reinsurance has opened an ACE Tempest Reinsurance (ACE Tempest Re) underwriting operation in Dublin, Ireland. The new unit is a division of ACE European Markets Reinsurance Limited (AEMR). AEMR commenced operations in Dublin in 1997 and is capitalized at \$100 million.

Tony Spice has been appointed Chief Underwriting Officer, responsible for developing ACE Tempest Re's property and casualty treaty business in continental Europe. Mr.

Spice was previously an International Casualty Treaty Underwriter at ACE Global Markets Syndicate 2488 in London. Prior to joining ACE in February 2001, Mr. Spice spent 20 years in the International Casualty Treaty Market in London.

"The opening of the Dublin division is a further step in ACE Tempest Re's ongoing strategy of evolving into a diversified multi-line reinsurer." said David Furby, President of ACE Global Reinsurance. "The new divi-

sion will complement the existing Property and Casualty Treaty capabilities within the ACE Group, whilst providing greater accessibility to brokers in continental Europe."

Jim Hooban, Managing Director of AEMR, said, "We are delighted to have Tony Spice joining us in Dublin to head up the new reinsurance operation, his experience and market knowledge will be an asset in leading ACE's business development efforts."

ACE sponsors New York firefighters

The ACE Group of Companies sent 20 New York City firefighters and their guests to New Zealand to compete in the World Firefighters Games this summer.

And the firefighters were guests of Team Dennis Conner/Stars & Stripes, the New York Yacht Club's entry for the 2003 America's Cup, during Round Two of the Louis Vuitton Challenger Series. ACE is a Gold-Level sponsor of Team Dennis Conner.

ACE, Dennis Conner and representatives of the New York City firefighters delegation were

in Newport, Rhode Island August 24 for a send-off ceremony for Conner.

Vinny Plover of the FDNY's Ladder Company #85, and an ACE-sponsored firefighter competing in New Zealand said the World Firefighters Games were special this year because the "Memorial Games" games were in honor of those who lost their lives in the course of duty.

The World Firefighters Games are held in a different location every two years, covering 72 different sporting events.

"The America's Cup, Stars & Stripes and the New York City firefighters are all particularly timely and patriotic symbols," said Brian Duperreault, Chairman and CEO, ACE Limited. "In tribute to the remarkable work that these real life heroes do day-in and day-out - and to bring Dennis and the rest of the crew a little luck in October - we are privileged to help ensure that the City of New York is represented in New Zealand by its best and bravest. We are looking forward to victories all the way around."



Imagine Group realizes growth

Total assets of the key operating subsidiary of Bermuda-based Imagine Reinsurance Holdings Ltd., Imagine Insurance Company Limited, increased more than three and a half times in less than two years since incorporation in September 2000, and now exceed \$700 million. This was primarily as a result of its finite-risk reinsurance operations.

The Imagine Group has continued to expand since its July 2001 acquisition of the Enterprise Re Group and has recently formed a separately branded finite risk reinsurance platform, Vision Reinsurance Limited (Vision Re).

Committed to relationships with the reinsurance brokerage market, The Imagine Group closed 23 reinsurance transactions in its first 20 months of history. This portfolio includes 19 property and casualty transactions with corporate, insurance and reinsurance clients.

Vision Re provides finite risk reinsurance structures to companies around the world, offering features that provide a blend of cost, risk transfer and capital efficiencies to each client.

There tend to be lower volatilities in these portfolios and structures from an actuarial standpoint. The economic benefits produced for the client in terms of financial risk-based capital and rating agency dimensions are aligned with the risk/reward orientation of Imagine's shareholders.

The group's overall finite-risk reinsurance business is predominantly non-life but the balance sheet, flexibility and structuring capabilities of the products also appeal to life insurance companies seeking to deal with capital and other financial issues.

The group's asset and capital markets expertise aligns well with the challenges faced by the life insurance product spectrum. Imagine has closed four life finite risk reinsurance transactions to date.

In July, Imagine's board approved a

reorganization of its various business interests into distinct business units – operating under separate business names. The first stage of this reorganization is the grouping of insurance and reinsurance activities under the Vision Re label.



Thomas Gleeson and Brad Huntington

The overall business units are now collectively identified by The Imagine Group brand.

The Group chose to move forward with operations under the new subsidiary name of Vision Re in order to distinguish and consolidate the group's considerable reinsurance and insurance capabilities, while also looking forward to a time of planned growth and expansion in non-insurance activities.

As an outgrowth of the integration of the Enterprise Re Group of companies into the worldwide insurance operations of the Imagine Group, the strategy is to thus further define and differentiate the finite risk division by consolidating Enterprise and Imagine's reinsurance and insurance operations under one brand name.

Vision Re will now address that client base's needs and draw on the resources that have been applied within the Imagine Group and the Enterprise Group to date.

The reorganization includes all of the reinsurance and insurance entities, which are owned by the Imagine Group, including its

main licensed insurer in Barbados - Imagine Insurance Company Limited.

The Imagine Group generated \$470 million of written and earned premium volume during its first year of operations. Total assets and consolidated shareholders equity of the Imagine Group stood at \$692 million and \$230 million, respectively, at June 30, 2002.

Co-CEO and founder, Brad Huntington noted that, "Our insurance and reinsurance operations have exceeded all our expectations to date. The momentum that we enjoy in Europe and North America can now be wholly pursued by Vision Re: a clearly identified brand supported by one of the best teams in this marketplace."

Co-CEO and founder, Thomas Gleeson added that: "Given the popularity of the 'Imagine' name and the increasing range of products we offer, we feel it is appropriate to dedicate the Imagine acronym to our overall group identity.

"This allows us to better describe ourselves to our clients and the marketplace going forward."

Vision Re offers innovative solutions for its clients and will conduct business operations from Imagine's principal offices in Barbados and Dublin. The group is owned by Brascan Corporation, a Canadian company with assets of over \$21 billion and 50,000 employees worldwide. Current Brascan operations are largely in the real estate, financial and power generation sectors.

Over 60% of its assets are located outside of Canada, primarily in the United States and South America.

With over 30 employees and six offices, the Imagine Group provides finite-risk reinsurance, asset management and securitization products to a diverse customer base around the world.

Imagine is rated A ("Strong") by Fitch Ratings and A- (Excellent) by A.M. Best.

Max Re expenses stock options

Max Re Capital Ltd. will expense the fair value of employee stock options starting in January 2003, a move it expects to reduce 2003 income by about \$1 million.

The Bermuda-based insurer said it will increase these expenses annually over the next four to five years as the cost is phased in, based on the rules proposed by FASB. In 2001, Max Re reported earnings

of \$2.5 million, or 6 cents a share, on revenue of \$581 million.

Max Re said it has been disclosing the cost of options in the footnotes to its financial statements, "but investors want these expenses incorporated into operating results, and the company will do so."

Stock options have come under attack amid the corporate accounting scandals

that began with the collapse of Enron Corp. Federal Reserve Chairman Alan Greenspan has been one of the loudest proponents of accounting for options as expenses, and a wide range of companies have come out with plans for expensing options starting next year.

Max Re also reaffirmed its commitment to a broad option plan for employees.



AWAC assembles management team

Allied World Assurance Holdings, Ltd., through its wholly-owned Bermuda incorporated subsidiary, Allied World Assurance Company, Ltd. (AWAC), underwrites property and casualty insurance and reinsurance business world-wide. AWAC commenced business on November 13, 2001 with \$1.5 billion in equity capital and received an A.M. Best rating of A+ (Superior). AWAC currently employs approximately 40 staff based in Bermuda, and through its subsidiary maintains a contact office in London.

New Bermuda reinsurer Allied World Assurance Company, Ltd (AWAC) has been busily building a management team in anticipation of the January 1 renewals.

This summer they appointed **Leon L. Bascome** to the position of Assistant Vice



President, General Casualty. Prior to joining AWAC, Mr. Bascome was Assistant Vice President at XL Insurance Company, Ltd, a subsidiary of XL Capital Ltd.

He was responsible for a portfolio of

excess casualty Fortune 500 and Fortune 1000 accounts specialising in energy and chemical risks. Prior to joining XL in 1994, Leon was a broker with Johnson & Higgins (Bermuda) Ltd., where he placed casualty, directors' and officers' liability and property risks into the Bermuda market.

In the casualty industry, Allied World Assurance has an outstanding reputation for its ability to offer a clean balance sheet and strong financial backing from its principal partners as well as provide capacity in 'working layers' in a market where many other insurers have either cut back or exited various lines of business.

As an officer of AWAC, Leon will utilise his skills and discipline to ensure that quality risks are carefully underwritten and strong pricing is maintained while the company continues to provide flexibility for its diverse clientele.

Mr. Bascome is both an Associate of the Chartered Insurance Institute (London, England) and an Associate in Risk Management (Malvern, PA, U.S.A.). Both designations were attained in 1993. He also has a Bachelor of Business degree from Acadia University, Nova Scotia, Canada.

With a staff 40-strong, 30 of whom are Bermudian, AWAC is strongly committed to Bermuda and Bermudians at all levels of the organisation.

Leon says that he is pleased to be a part of this diversified management team collaborating on topical issues and focusing on the stability and growth of AWAC.

Looking toward the future, he commented, "There is no discussion of mere survival; we are well beyond that stage. With the continued support of our valued clientele, the global brokerage community, the Bermuda Government and its people, we will strive to make AWAC a premier global insurance/reinsurance carrier on a par with the very best in the industry."

Cotina D. Forth-Albuoy has been



appointed to the position of Assistant Vice President, General Casualty at Allied World Assurance Company, Ltd (AWAC). Cotina has 12 years' experience in the commercial insurance industry and started her

career with Heddington Insurance Company Ltd., Texaco's former captive insurer.

Prior to joining AWAC, she spent the last eight years with XL Insurance (Bermuda) Ltd, a subsidiary of XL Capital Ltd. At XL, as Assistant Vice President and Senior Underwriter, she held underwriting authority for their maximum Casualty unit and executed all aspects of the Commercial General Liability underwriting function for various Fortune 500 industry classes.

Her responsibilities at AWAC include all facets of the underwriting process: managing loss analysis, exposure quantification, rating and negotiating policy terms and conditions for a number of different risk class industries. In light of the insurance industry's recent history, Cotina points out that strict adherence to meaningful underwriting guidelines is paramount. Her past experience in handling "tough" industries has enabled Cotina to make a relatively seamless transition to her new responsibilities at AWAC.

Cotina is a Bermuda Government Scholar and an Economics graduate of The University of Toronto, Ontario, Canada. Of the 30 Bermudians on staff at AWAC, she is the seventh Bermudian to be hired as a senior manager. She says that she feels this simple statistic speaks for itself – AWAC is committed to Bermuda and Bermudians at

all levels of the organisation.

Excited to be a part of the seasoned and dynamic management team in this new venture, she believes in the motto of a Bermuda high school: "Respicere Finem: Keep the end in view."



David A. Bell has been elected to the position of Vice President, Professional Liability. He is responsible for designing and managing the underwriting strategy for coverage that protects the personal liability of corpo-

porate directors and officers, in addition to other professional and financial lines products.

David previously worked as the Florida Manager of Chubb Executive Risk, a wholly owned subsidiary of The Chubb Group of Insurance Companies. In this role, David liaised with the principals of Fortune 1000 companies and evaluated the risk of securities litigation. In addition to his Executive Protection responsibilities, David also handled governmental relations for all Chubb divisions, acting as the company's legislative liaison to the Florida State Legislature.

He commented: "Enron and other high visibility companies have increased both the visibility and demand for directors' and officers' liability coverage. Our division is charged with building business quickly and responsibly so that AWAC is a dominant Professional Lines market for many years to come." David is a graduate of the University of Montana and holds a Bachelor's degree in Finance.

Thomas H. McKeivitt has been elected to the position of Vice President responsible for Property Treaty Reinsurance at Allied World Assurance Company, Ltd (AWAC).



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Building on his experience in the per risk and quota share market, Thomas' role at AWAC is to build a profitable property portfolio of per risk and pro rata treaties. He will report to Mr. William Davis, Senior Vice President, Reinsurance.

Thomas previously worked for Odyssey America Re as Vice President in the Property Treaty department. He has had nine years' experience in the insurance/reinsurance industry including positions as Treaty Underwriter for Constitution Re, Property Facultative Underwriter for General Re and Senior Property Underwriter for Aetna Life and Casualty.

Mr. William Davis, Senior Vice President, Reinsurance, commented: "We are delighted that Thomas has joined the AWAC team. His property treaty credentials will greatly contribute to the overall expertise of our underwriting team."

Thomas is a graduate of the University of Rochester and holds a Bachelor degree in Economics and Political Science.

Mrs. Carla R. Greaves has been elected to the position of Vice President, Excess General Casualty for Allied World Assurance Company, Ltd. (AWAC).

Carla was previously Vice President and Global Casualty Manager for Zurich Global Energy, the energy insurance arm



of Zurich Financial Services Group. During her 14 years in the industry, she has also held positions at American International Company Limited and XL Capital Ltd.

In her new position with AWAC, Carla is responsible for the day-to-day management of the Excess Casualty underwriting team. Her role includes strategic planning, budgeting and ensuring proper underwriting discipline through the implementation of underwriting guidelines, processes and procedures and to ensure AWAC's existing and prospective clients receive the highest levels of service.

The Excess Casualty team consists of seven members of staff. Carla commented: "We have been successful in attracting an extremely talented underwriting team."

Carla is a graduate of The College of Insurance, New York and holds the Associate of the Chartered Insurance Institute (ACII) professional designation. She continued: "The timing could not have been better for AWAC's entrance into the market. The full realization of 9/11 is yet to be felt and there is still a huge deficit in reinsurance/retrocession capacity, which will make it difficult for many direct insurers going forward."

"AWAC has tremendous financial strength and a dynamic Board of Directors and Executive Management team. To date, the company has been extremely well received and we are well on our way to accomplishing our goal of becoming a premier global insurance and reinsurance provider. I am excited and honoured to be a part of this new venture."



The appointment of Executive Vice President **Scott Carmilani** to the position of Senior Underwriting Officer of Allied World Assurance Company (AWAC) was announced by

Michael I. D. Morrison, President and Chief Executive Officer.

Commenting on the appointment, Mr. Morrison said, "AWAC is extremely fortunate to have someone of Scott's talents available to carry out the company's mandate of providing capacity in many lines of insurance at adequate terms, conditions and prices.

"These are the principles of successful underwriting and Scott's experience and leadership abilities will help ensure the continued success of AWAC as it continues its expansion and diversity".



Caren wins at ASHRM

Caren Stone, Healthcare Risk Manager for UMassMemorial Health Alliance in Leominster, Massachusetts, was the lucky recipient of a Bermuda vacation, as a result of her successful draw at the Annual Conference and Exhibition of the American Society of Healthcare Risk Management (ASHRM) of the American Hospital Association, last year.

She won two free air tickets to Bermuda from anywhere in the continental US on Delta Airlines. Ms Stone and Gerard Spagnoulo (pictured) also won a stay at the fabulous Fairmont Southampton Princess Hotel. They are seen here with PricewaterhouseCoopers Bermuda partner Richard Patching (r) receiving spending money for their Bermuda vacation.

ASHRM is the leading professional society for healthcare risk management professionals. With more than 3,500 members worldwide, ASHRM provides educational tools and networking opportunities to enable healthcare risk management professionals make vital contributions in their organizations.



Broker forecasts market changes



Michael Woodroffe

The need for skilled brokers has greatly increased in the current hard market, according to Michael Woodroffe, President of reinsurance broker, Kirkway

International Limited.

Mr. Woodroffe notes that while most of the large buyers of insurance and reinsurance are eventually able to obtain coverage, the smaller and middle market insureds and reinsureds in certain classes can be completely shut out. He predicts that Bermuda will see more of this business in the alternate form of association and group captives as well as the formation of new pools and self-insured funds.

He feels that of the many areas currently facing a hard market, the health care industry is seeing extreme price increases and reduction of the coverage available.

Kirkway International is currently working on several captives for the assisted living and long term care industries as well as finding reinsurance for individual hospitals forming captives.

"Trucking and transportation risks generally have seen dramatic increases in pricing, with the reinsurance necessary to form a captive being expensive and difficult

to come by".

The reinsurance broker pointed out that very few reinsurers specialize in reinsuring captives.

He said, "There are maybe five reinsurers in the US who specialize in captive reinsurance, and two in Bermuda. There is a great deal of room for more captive reinsurers."

"We are a reinsurance broker that specializes in captive reinsurance. It would be good to see many more markets looking at the reinsurance of smaller captives, business that historically has proved extremely profitable for reinsurers."

In August, Meadowbrook International Limited reverted to its previous name of Kirkway International Limited, after a management buy-out from the Meadowbrook Insurance Group. Kirkway International, originally formed in 1982, specializes in placing reinsurance for captives, risk retention groups, pools and programs.

While the Island already has significant representation from all of the major industry brokers, Michael Woodroffe believes that the Bermuda Market could be best served with increased broker concentration.

"Bermuda needs more qualified brokers and more diversification of brokerage talent. This would create a broader and

hence more secure market for the Island. The greater the quality and diversity, the greater the opportunities for reinsurers."

"The Bermuda market has developed a capital system superior to that of London. Like London, we need to develop a broader and better distribution system.

"The quality of insurers and reinsurers that make up the 'new' Bermuda market is of the highest caliber and arguably superior to any other insurance market in the world."

Mr. Woodroffe noted that from a broker's perspective Bermuda is becoming the ideal market having seen between \$12 billion and \$15 billion in new capital with ten new reinsurance companies formed in the last twelve months.

He said, "This has created an opportunity for us, as brokers, to offer our clients high quality security with the expertise of very experienced underwriters.

"The increase of intelligent captive formations will continue and the reinsurance market will grow to capitalize on these opportunities.

"We have moved into a classic hard market period and Bermuda, with its combination of excess reinsurance, quota share reinsurance, aggregate reinsurance and finite reinsurance capabilities is the only beacon of light in an otherwise very turbulent ocean for reinsurance buyers."

Sovereign issues landmark policy

Sovereign Risk Insurance Ltd. has completed a political risk insurance policy for a capital markets transaction in Costa Rica - a \$49.7-million securitization of residential mortgage-backed bonds, the country's first such securitization.

The transaction was rated AAA by Standard & Poor's Corporation and Aaa by Moody's Investors Service, Inc. It's the first time the rating agencies have assigned a transaction a higher rating than the sovereign rating of Costa Rica (BB/Ba2).



Christina Westholm-Schroder

This reflects the structure and enhancements including the added support to the transaction by the transfer and convertibility

policy issued by Sovereign, as well as a financial guarantee policy issued by Sovereign's affiliate company, XL Capital Assurance Inc.

The transaction was also the first securitization by the banks, Banco Interfin S.A and Banco de San Jose S.A., the second and third largest private financial institutions in Costa Rica, respectively, which originated the mortgages.

The 15-year political risk insurance policy covers up to 30 months of interest payments on the bonds against the risks of currency inconvertibility and currency nontransfer. Raymond James served as arranger and sole placement agent for the bonds.

Christina Westholm-Schroder, Sovereign's Chief Underwriter commented, "This transaction marks a continued expansion in the use of Sovereign's capital markets product to support issuers in emerging

markets. It also testifies to the increased utilization of political risk insurance to facilitate emerging market issuers' access to international investors requiring rated instruments."

Sovereign is a leader in political risk insurance and reinsurance. Sovereign's clients include financial institutions, national export credit agencies, multilateral developmental agencies, capital markets and global equity investors. Sovereign's global portfolio exceeds \$6 billion, spread over more than 90 emerging markets. Sovereign can issue individual political risk insurance policies for amounts up to \$125 million and for periods up to 15 years.

Sovereign is a 50-50 joint venture between XL Insurance (Bermuda) Ltd, a wholly owned subsidiary of XL Capital Ltd, and ACE Bermuda Insurance Ltd., a wholly owned subsidiary of ACE Limited.



Pacific Century rating affirmed

A.M. Best Co. has affirmed the financial strength rating of A- (Excellent) of Pacific Century Insurance Company, Ltd. (PCI) and Pacific Century Insurance Holdings, Ltd. (PCI Holdings), both incorporated in Bermuda. The rating reflects the organization's excellent capitalization, stable operating performance, sound investment strategy and products.

Following PCI Holdings' initial public offering in July 1999, the company's capital has achieved a consistent annual growth of 9%. PCI's financial strength is further demonstrated by its outstanding Best's Capital Adequacy Ratio (BCAR).

The company's flexible liability structure is another major factor that the current rat-

ing considers. Offering non-guaranteed products allows the company to promptly respond to investment opportunities and to adjust to economic conditions.

The conservative and highly liquid investment portfolio--which is comprised of mostly investment grade bonds and deposits--contributes to the stability of PCI's operating performance.

While investment income has declined in line with prevailing market conditions, it is still a stable source of income for the company.

Offsetting the positive factors are the company's declining agency force and dependence on its agent distribution channel.

The company's extensive agency force has historically been a competitive advantage; however, its ability to sustain growth has been challenged by several factors including intensified competition for qualified agents and competitors' increasingly popular alternative distribution channels such as bancassurance.

The current economic climate will put additional pressure on new business volume.

These problems reflect a changing industry landscape, which the company must address in order to stay competitive. These macroeconomic trends as well as continued speculation surrounding the company's future ownership will be monitored closely by A.M. Best.

PartnerRe raises loss estimate from floods

The flooding that began across parts of Europe this summer is becoming increasingly expensive, as the total losses are reassessed. And it has meant that Bermuda reinsurer, PartnerRe Ltd., a significant reinsurer of European risks, can expect higher than originally anticipated claims.

Heavy rainfall flooded much of eastern and central Europe in August. Precipitation in several areas was the highest in more than a century, and the Elbe river rose to its highest levels ever recorded, surpassing the 1845 record. Austria, Germany and the Czech Republic were the hardest hit. Initial estimates of economic damage from flooding exceed \$6 billion, with expectations of \$1.5 billion of insured losses.

Shortly after the event, the company indicated that claims to their office might reach as high as \$100 million.

But less than a month later, in

September, the Bermuda reinsurer realized rising claims and braced for higher exposures. They put the new total in the range of \$110 million to \$120 million.

PartnerRe said some estimates of the total economic loss are now as high as \$20 billion, with possible insured losses of \$3.5 billion to \$4 billion. The company's earlier estimate of its own exposure was based on total insured losses of \$1.5 billion, said Patrick Thiele, PartnerRe's President and CEO.

Loss estimates from insurers and reinsurers to date have pointed to a total insured loss exceeding 2 billion euro (\$1 = 1.02 euro) and total economic losses of more than 15 billion euro.

The Czech News Agency reported that through Aug. 26, the 17 members of the Czech Insurance Association--representing virtually the entire market--had received

nearly 132,000 claims worth 25.6 billion korunas (\$1 = 30.68 korunas). This was up from 130,000 claims for 19.6 billion korunas as of Aug. 21.

Mr. Thiele said, "As a significant reinsurer of European catastrophe risks, we expect this to be a substantial event for PartnerRe."

PartnerRe Ltd. is a leading global reinsurer, providing multi-line reinsurance to insurance companies. Risks reinsured include property, catastrophe, agriculture, motor, casualty, marine, aviation/space, credit/surety, engineering/energy, technical and miscellaneous lines, life/annuity and health.

In 2001 total revenues were \$1.9 billion. As of June 30, 2002, total assets were \$7.9 billion, total capitalization was \$2.5 billion and total shareholders' equity was \$1.9 billion.

ACE third quarter results impacted

An accumulation of losses resulting principally from the recent central European floods will impact third quarter operating income at ACE Limited by approximately \$90 million after tax, or \$0.33 per share.

Recent increases in industry estimates of insured losses together with additional flood losses incurred in France are includ-

ed in the estimates. ACE incurred losses both directly and as an excess of loss reinsurer where increases in forecasted insured losses led to penetration of several higher layers of coverage.

ACE Limited was due to release its quarterly earnings and financial supplement in October. ACE management provides its

customary supplemental commentary in a conference call and webcast.

The ACE Group of Companies provides insurance and reinsurance for a diverse group of clients.

The company conducts its business on a global basis with operating subsidiaries in nearly 50 countries.



Greenberg joins ACE board

Evan Greenberg has been appointed to the Board of Directors of ACE Limited. Mr. Greenberg joined the company in November as Vice Chairman of ACE Limited and CEO of ACE Tempest Re. In February he also assumed responsibility for all of ACE's international insurance operations.

Brian Duperreault, Chairman and Chief Executive Officer of ACE Limited, stated: "In his brief tenure here, Evan has already made an enormous contribution to the growth and profitability of our company. I am delighted to welcome Evan to the Board of Directors. I know that ACE will benefit greatly from Evan's active participation on the board."

Mr. Greenberg, who reports directly to Mr. Duperreault, was given responsibility for the growth and development of the company's global reinsurance operations. He succeeded John Engestrom, who retired after leading ACE Tempest Re through a critical transformation to become a broad



Evan Greenberg

based reinsurer.

Mr. Greenberg oversees ACE's reinsurance operations worldwide from a Bermuda office.

ACE Tempest Re, which began operations in 1993 as a mono-line catastrophe reinsurer, has grown into a multi-line global reinsurer with capital resources of \$1.6 billion and an A+ claims paying rating

from Standard & Poor's. The company believes that ACE Tempest Re is currently the ninth largest reinsurer in the world based on equity capital.

Evan Greenberg was most recently President and Chief Operating Officer of AIG, a position he held from 1997 until 2000. From 1975 until 1997, Mr. Greenberg held a variety of senior management positions at AIG, including Chief Operating Officer of AIG Companies in Japan and Korea, President and Chief Operating Officer of AIU, AIG's Foreign General Insurance organization, and President and Chief Executive Officer of AIU.

Mr. Greenberg is a member of the Council on Foreign Relations, the Asia Society, the Nixon Center for Peace and Freedom and the Japan Society. Mr. Greenberg serves as a trustee on the Boards of The Lauder Institute, The Boys and Girls Club of Westchester, New York, The South Street Seaport Museum and The Rippowam Cisca School.

Scottish Annuity & Life appoints Lineback

Scottish Annuity & Life Holdings, Ltd. has appointed Charles D. Lineback as Executive Vice President - Internal Operations of Scottish Re (US), Inc.

Mr. Lineback's appointment marks the continuing enhancement of Scottish Re's senior management team. Mr. Lineback's responsibilities will include management of the administration, claims, finance, human resources, treaties, underwriting and information technology functions at Scottish Re.

Mr. Lineback will work alongside J. Clay Moyer, Executive Vice President - Reinsurance, who is responsible for the new business origination activities of Scottish Re. Both Messrs. Lineback and Moyer report to Oscar R. Scofield, President and Chief Operating Officer of Scottish Re.

"With Chuck's appointment, we now have the key members of our senior management team in place," Mr. Scofield said. "The company has been growing very quickly and it was critical to ensure that we have the right people in the right positions to enable us to continue the development of the Scottish Re franchise."

Prior to joining Scottish Re, Mr.

Lineback spent more than 30 years with American United Life Insurance Company in Indianapolis, Indiana. Since 1987, he was Senior Vice President, Reinsurance for AUL and ran AUL's reinsurance division. In addition, he was President & Chief Executive Officer for AUL RMS, the reinsurance management services division of AUL Re.

Mr. Lineback began his career in the life insurance industry in 1969 and has been engaged in the life reinsurance business since 1975. He has been very active in industry committees, including the American Council of Life Insurers reinsurance and international committees. He has also been involved with the ACLI Reinsurance Executive Roundtable since its creation. He earned a degree in Business Administration from Indiana University and is a Fellow of the Life Management Institute.

Mr. Moyer joined the management team of Scottish Re at its founding. His initial responsibilities focused on building Scottish Re's sales organization and were quickly extended to cover a variety of

senior management functions within the organization. His current duties encompass the management of Scottish Re's sales, marketing, pricing and account management activities.

"Chuck's appointment is a significant milestone in the development of Scottish Re, in part because of the breadth of skills he brings to the company, and in part because it signifies the extent to which the company is successfully growing," said Mr. Moyer. "I am really looking forward to working with Chuck and I know that goes for everyone else in this organization."

From 1993 to 1999, Mr. Moyer was Vice President, Regional Reinsurance Sales for Transamerica Reinsurance in Charlotte, NC. Prior to joining Transamerica Re, he held sales and management positions in various life, health and property/casualty insurance companies, including Liberty Mutual, Fred S. James & Co., and Blue Cross and Blue Shield. He is a graduate of Clemson University, where he earned a BA in Political Science. Mr. Moyer is a Chartered Life Underwriter and Chartered Financial Consultant.



Healthcare takes new flight to quality

■ continued from page 1

team to, among other things, reinsure single parent captives. Ms Hart is a key member of the team, after some 30 years in the business of the provision of risk transfer for healthcare.

Prices of the product line began rising prior to 9/11, as capacity was withdrawn from the market. But the catastrophe led to additional increases.

In 1999, after a dozen consecutive years of out-performing the property casualty industry, the medical professional liability product line saw its combined ratio explode to 129.5 percent. The following year, it grew further to 134 percent.

Carriers had not heeded the warning signs of loss deterioration. The slow reduction in premiums that began in the 1990s was covered up by high investment yields and a desire for market share.

A market correction was underway at the start of 2001, with reduced capacity and rate increases of 25 to 100 percent. Then came September 11.

The largest writer of med-mal, this year withdrew from the market. The St. Paul Companies said at the end of last year that including a \$600-million reserve increase, their medical malpractice business might generate a 2001 underwriting loss of

approximately \$940 million. Their net written premiums for medical malpractice were approximately \$530 million last year. The company expected to take a restructuring charge of approximately \$20 million in the fourth quarter of 2001 associated with its actions in Global Healthcare.

Said Ms Hart, "That's \$40-million in capacity, gone. But virtually every carrier writing the product line has reduced capacity. Employer's Re was writing \$50 million. They are now writing \$25 million. CNA has reduced their writings in this line from \$40 million to about \$10 million.

"There just aren't that many people writing it. And when you see that kind of capacity reduction, you've got a real shortage in the market."

The St. Paul experience was not abnormal. In fact, over a prolonged soft market, the claims experience was high, as the going rate remained weak. Endurance Specialty is now depending on pricing integrity to keep pace with the rising healthcare costs.

But as firms reduced their commitment to the product line, still other major medical carriers saw the writing on the wall. Lawrenceville, New Jersey-based MIIX Insurance Company went into voluntary

solvent liquidation. And in February, another top ten writer of medical malpractice, PHICO Insurance Group was ordered into liquidation by the Commonwealth Court of Pennsylvania.

Said Ms Hart, "All told, you're probably talking about \$250 million in premium or more hitting the market at the same time. This meant an opportunity. The Bermuda Market is truly an emerging market. It's a symbol of what capital has meant to the market. And this is what Endurance, and perhaps some of the other new players, are all about."

Ms Hart joined Endurance in March from Employers Reinsurance Corporation (ERC), where she was Vice President, Marketing Leader of their healthcare practice. She was a member of that company's healthcare leadership executive committee and was responsible for strategic planning and execution of healthcare strategies. Prior to ERC, Ms. Hart spent 28 years at Alexander & Alexander (A&A), where she was Managing Director. At A&A she had a leadership role in the development of the National Healthcare Practice and was responsible for the development of risk financing alternatives for healthcare providers on a nationwide basis.

Bermuda Market fills capacity void

■ continued from page 1

"People just pulled out of the markets. So the Bermuda reinsurers, who were not originally planning to be major accident and health underwriters, stepped up and met the demand."

Mr. Waring pointed out by example that the workers comp catastrophe business also changed, after the terrorist attacks. The excess to statutory cover just wasn't that available anymore. Prior to the attacks, people thought about it as a theoretical risk, in terms of so many people being hurt at the same time.

He said, "I think most of the main accident & health and workers comp direct writers in the US will have had their submissions come down to Bermuda, looking to find support especially in the 'cat layers. And if they didn't come down last January 1, they'll be down this January 1. And

they'll be restructuring again, because there will be less trauma than directly after 9/11 last year.

"There were various insurance covers where the Bermuda marketplace has stepped up and met demand. This includes casualty umbrella, professional liabilities and property."

"The casualty umbrella area has seen an increase in capacity available for the historic Bermuda client base, i.e. the Fortune 2000 companies, and also a new mass of capacity that has responded to critical need in such areas as healthcare, religious and construction.

"US domestic capacity has either shrunk dramatically or disappeared and Bermuda capital, most of it unencumbered by historic loss problems, and all of it well rated by A.M. Best, has come to the rescue."

"In professional liability covers, the new capacity has just strengthened Bermuda's already strong position in the excess limits area. Bermuda is really the place to come for any large corporation needing D&O or E&O limits excess of \$25 million.

"Bermuda has also become a very meaningful excess property insurance market, with about \$400 million of capacity available through as many as ten markets.

"Such difficult areas as terrorism and DIC covers are capable of being entertained by a number of the carriers.

"The amount of property capacity seems to improve daily, as more carriers are seeing how viable and vibrant Bermuda has become as a property insurance marketplace.

"Virtually all large property risks are making their way here these days."



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