TUESDAY 28 APRIL 2009 ISSUE 2,841

Insurance Day

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Swine flu blindsides business continuity

Unexpected source of possible pandemic suprises forecasters watching the East

Amy Tiernan

THE OUTBREAK of a new swine flu virus in Mexico will put many companies' business continuity plans under the microscope, as most pandemic scenarios have been built around the risk of bird flu out of the East.

Alex Hindson, head of enterprise-risk management at Aon, said the possibility of a swine fever pandemic developing shows how unpredictable risk can be. "The world was expecting a bird flu pandemic to originate in south-east Asia and was lulled into a false sense of security by the difficulties in transmission from birds to man," he said.

Tim Cracknell, partner and head of risk consulting, global risk solutions at Jardine Lloyd Thompson, added: "The industry has been waiting for the next pandemic, as we have been told it is not if it will happen but when. However, this latest outbreak is completely unexpected as the main fear was of avian flu out of the East."

The current outbreak of swine flu in Mexico therefore presents new risks for companies and the insurance industry as Mexico's border with the US could heighten the likelihood of cases appearing in the UK.

In addition, the never-before-seen version of the H1N1 strain of influenza type A has been seen to spread easily from person to person. This contrasts with the strain of bird flu which has caused scores of human deaths in south-east Asia in recent years, which up until now has remained very much a disease of birds, with cases of human-to-human transmission extremely rare.

The Association of Insurance and Risk Managers (Airmic) has warned risk managers to watch the situation very closely to assess how this event and the World Health Organisation (WHO) phase level may affect their business continuity plans.

As *Insurance Day* went to press, the WHO was at phase three – a new influenza virus subtype is causing disease in humans but is not yet spreading efficiently and substantially among people.

Airmic warned that for many organisations, if the phase reaches level four then they will have to invoke their pandemic business continuity plans.

However, a report from the Chartered Management Institute revealed that more than half of businesses questioned have no business continuity plans in place to cope in the event of a pandemic. Cracknell said: "Pandemic risk is not as high on the risk agenda as we would like it to be. It is often not until something like this happens that the risk of a pandemic is taken really seriously.

"Pandemic is now likely to creep on to the risk agenda and will accelerate if the swine flu does reverberate beyond the Americas."

Hindson warned the recession could also present a further obstacle for many businesses' continuity plans as "having a robust continuity plan in place could be the make or break for companies responding to both issues simultaneously and surviving intact".

Lloyd's "Pandemic – potential insurance impacts" report highlighted that for a severe pandemic, a global recession would be a likely result. Further research has suggested that up to 8% of the US's gross domestic product could be affected if there is a pandemic. However, due to the recession, the impact on businesses would be likely to escalate.

p2: Comment

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Residents wear surgical masks while riding the subway in Mexico City: the outbreak of swine flu in the north American country has caught many by surprise – the most likely source of a pandemic was previously thought to be south-east Asia, with an outbreak of avian flu expected to be the probable cause

Use aid to better tax collection in poorer countries

AID given to developing countries should aim to improve their tax-collecting abilities, according to the head of the Organisation for Economic Co-operation and Development (OECD).

OECD secretary-general, José Ángel Gurría (*pictured*), added that the crackdown on so-called tax havens spearheaded by the OECD and endorsed by world leaders would provide a boost to emerging economies. In a statement published ahead of the spring meetings of the World Bank Group and the International Monetary Fund, Gurría described improving the effectiveness of developing countries' tax systems as the "new frontier" in development policy.

The prominent insurance domiciles have largely been looked upon favourably by the OECD as it conducts its campaign against what it terms "unco-operative" domiciles. In particular it noted Bermuda, which is under scrutiny from certain elements in the US, had been one of the first to commit to OECD international standards of transparency and exchange of information in May 2000.

Others are following suit. Gurría said: "Thanks to G20 backing, most recently at the April 2 G20 Summit in London, more and more jurisdictions are signing up to international standards on transparency and exchange of information."

He added: "For developing countries, the crackdown marks a step forward in a process likely to lead to better governance and improved compliance. The next step for aid donors should be to help developing countries develop their tax collection capabilities. Poor countries with large informal sectors often lack the resources and capacity to build effective tax-collection systems. But the benefits from well-administered tax systems can be considerable."

Richard Banks

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Brindle urges underwriters to act responsibly in chaotic GoM

Richard Banks

ENERGY underwriters must not abuse their position as a capacity crunch hits the Gulf of Mexico (GoM) offshore energy market, a prominent figure has warned.

Richard Brindle, chief executive of Lancashire Holdings, and an experienced energy underwriter, said current conditions in the region were unlike anything he has seen before. He told *Insurance Day*: "There's no traction, no semblance of a market and that doesn't do anybody any favours."

Brindle was speaking as Lancashire confirmed it was extending its Octopus product to new clients. The product, which is designed to provide insurance protection against windstorm losses to oil and gas companies operating in the GoM, had only been available to existing Lancashire clients.

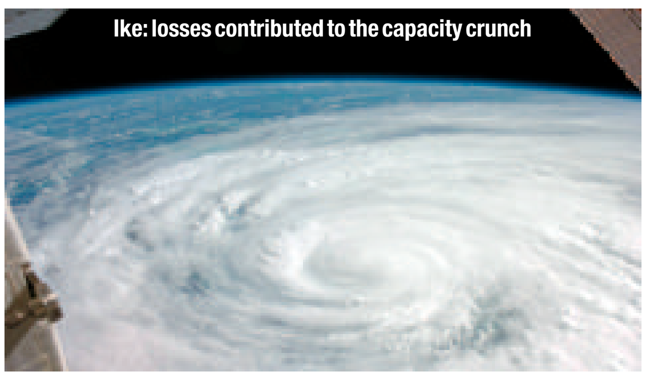
In particular, Brindle emphasised that Octopus requires no sharing of limit or aggregate but does offer standard payment terms with no multi-year purchase requirement.

The product also offers minimum commitment per unit of $25m, with units individually rated up to a maximum of 7.5% rate on line net.

News of the Octopus extension came as Marsh confirmed it was revamping its Berkshire Hathaway-backed cost and coverage certainty programme (known as its "Triple C facility") that it unveiled in February offering up to $500m in annual cover for windstorm losses in the GoM for a period of five years.

Brindle noted that Octopus had already attracted considerable, interest including from what he described as "unprecedented quarters".

Continued on p3



Ike: losses contributed to the capacity crunch

Insurance Day

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Insurance Day is published five times a week (Monday to Friday). Subscriptions include the hard copy newspaper and access to Insuranceday.com and are available at the following annual rates: £1,114*; €1,504*; US$2,229. Cover price: £4. Telephone: +44 (0)20 7017 5532. Prices marked * excluding VAT

ISSN 1461-5541. Registered as a newspaper at the Post Office. Published in London by Informa UK Ltd, Mortimer House, 37/41 Mortimer Street, London, W1T 3JH

Printed by Newsfax International, Unit 16, Bow Industrial Park, Carpenters Road, London E15 2DZ

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an informa business

Pictures supplied by Associated Press

Orders received from Asia will be passed to our Singapore offices for handling in local currency

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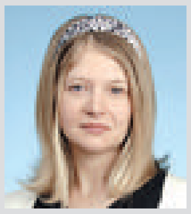

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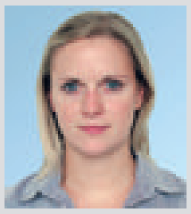

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COMMENT

What's the worst that could happen? Well...

"IT'S not a question of if, it's a question of when."

It would be an interesting study to examine the various warnings to which that epithet has been attached in recent years to see exactly "when" they subsequently occurred.

My guess would be that we are still waiting for most of them.

But here is one about which I am confident: "It's not a question of if the media will massively over-react to the latest health-scare, it's a question of when."

Of course, we may well be in the throes of it already with the swine flu outbreak.

But one does have to tread carefully – not least because, tragically, the outbreak has claimed a number of lives.

In the UK there is a popular, though since discredited, story of a well-known television weather forecaster confidently reassuring viewers that no hurricanes were imminent only for the country to be battered hours later by one of the fiercest storms in history.

Even though this story has been proven to be false, the forecaster in question will forever be associated with it.

The story illustrates, too, the inherent imbalance in the forecasting function.

There is no way that a story about a forecaster predicting a hurricane that subsequently did not happen would have had the longevity of this story.

It is a point that commentators, including Lloyd's chairman, Lord Levene, have made on a number of occasions in relation to forecasts of Atlantic storms – as long as they overstate the potential no-one will bat an eyelid but just wait to see the outcry if they under-forecast.

One suspects there is a similar concern over the swine flu outbreak. Commentators will not wish to be too blasé about it in case it really does develop into the much-anticipated pandemic.

But there are clearly dangers in following that route. We can all remember the gaudy headlines predicting the whole world would be brought to its knees by Sars or bird flu.

The fact these outbreaks were largely contained may owe something to the breadth of publicity that accompanied them but it will also serve to dull people's concerns.

How many more warnings of imminent doom can we take seriously?

Maybe this is the pandemic we have heard so much about but there is a danger that it is just another premature cry of "wolf".

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3 Darag eyes deal

Darag, the former East German reinsurer and marine specialist, is in 'advanced negotiations' with a number of German primary companies and reinsurers on buying run-off portfolios

3 Malaysia opens up

Malaysia has outlined radical changes to its financial services sector in a bid to make the region more attractive to outside investors, increasing foreign equity participation in businesses up to a limit of 70%

4 Two in at Max

Max at Lloyd's has expanded the underwriting capabilities of its syndicate 1400 with the appointment of two senior underwriters, Clive Hatto and Hugh Sprowson

5 Aviva sales on up

UK insurer Aviva has announced a 5% hike in worldwide sales for the first three months of 2009, a result its chief executive, Andrew Moss, called 'resilient' in light of current market conditions

7 *ID* Summit preview

Richard Ward, Alessandro Iuppa, Robert Hiscox and former UK chancellor Lord Norman Lamont will be among the big names addressing the London market at the annual *Insurance Day* Summit in May

8 The Loss Register

Fear is growing over the possibility of a global swine flu pandemic after almost 2,000 people were diagnosed with the illness, which has killed more than 100 people in Mexico

NEWS

Darag in 'advanced negotiations' on buying up German run-off portfolios

Herbert Fromme, Cologne

DARAG, the former East German reinsurer and marine specialist, is in "advanced negotiations" with a number of German primary companies and reinsurers on buying run-off portfolios.

Alex Brinkmann, investment director of Augur Capital, the new owner of Darag, said deals were expected "very soon".

Darag was sold in December by AIG subsidiary Wüba to an Augur-controlled company.

Today, Augur announced the closing of the deal. Both parties declined to give financial details of the transaction.

Darag had €67m ($87.9m) in gross premium income in 2007 but that was brought down to around €7m in 2008 due to the strategic reorientation AIG/Wüba undertook for Darag.

Augur believes that there is a huge market for run-off in the German property/casualty (p/c) market, although it has not been common so far.

Brinkmann said there was between €66bn and €75bn of discontinued business on the balance sheets of German p/c insurers and reinsurers.

So far, only service providers are working the market. They oversee payments and other work connected with run-off but who do not actually take over the risk.

Darag has hired Arndt Gossmann, the former head of KPMG's German restructuring/insurance practice, as chief operating officer.

Dr Gerold von Germar, will remain chief executive. Well-known German insurance managers Wilfried Krauth and Georg Mehl will remain on the supervisory board after the change. Krauth will also continue to serve as a member of the supervisory board after the change of ownership.

Darag Deutsche Versicherungs und Rückversicherungs AG goes back to the Schwarzmeer und Ostsee (Black Sea and Baltic) insurer, run by the Soviet Union's government and sold to East Germany in 1958. State-owned Darag was sold to Axa after the fall of the Berlin Wall in 1989 and sold to Wüba in 2006. Wüba, in turn, was acquired by AIG in 2007.

The Wall: formerly state-owned Darag went to Axa after the Berlin Wall fell and is now in Augur's hands

Malaysia opens doors to financial services sector

Jonathan Rest

MALAYSIA has outlined radical changes to its financial services sector in a bid to make the region more attractive to outside investors.

Foreign equity participation in investment banks, conventional and takaful insurers will be increased to a limit of 70%, up from the current 49%. Malaysia's Central Bank said a higher foreign equity limit beyond 70% percent for insurance companies will be considered on a case-by-case basis for players that can "facilitate consolidation and rationalisation of the insurance industry".

The only exemption is commercial banks, where the 30% foreign ownership limit remains.

Prime minister, Najib Tun Razak, said the liberalisation package was aimed at enhancing Malaysia's links with international economies, introducing greater confidence into the economy and promoting greater economic regional integration.

"Over the past three years, the finance and insurance sector has expanded by 8.8% per annum, outpacing the growth in real gross domestic product by about 6%," he explained. "The liberalisation measures will provide greater access to consumers to a wider ranger of world-class financial products and services and further strengthen our position in Islamic finance to become an international Islamic financial hub."

Towering: a play for financials

The fundamental part of Malaysia's liberalisation package is the issuance of new licences for seven banks and two takaful insurance players between now and 2011.

Under the new government measures, locally-incorporated foreign insurance companies and takaful operators are now allowed to establish branches nationwide without restriction, while the restriction on locally-incorporated foreign insurance companies and takaful operators to enter into bancassurance/banctakaful arrangements with banking institutions is lifted.

Banks, insurance and Islamic insurance firms can now employ specialist expatriates, which the prime minister said would "contribute to the development of the financial sector".

He also confirmed that offshore insurers licensed by the Labuan Offshore Financial Services Authority, which meet a predetermined criteria, can have a physical presence onshore from 2011.

Q1 aerospace renewals reveal state of transition

Christopher Munro

A SUDDEN surge in the cost of lead aerospace insurance premiums at the end of last year did not herald the end of the soft market for the sector.

Renewals seen so far in 2009 have demonstrated a mixed bag of premium reductions and increases, suggesting that the market is in a state of transition.

This belief is reinforced by Aon's Magnus Allan, who suggested that the market is "going to get closer and closer to parity".

Allan remarked that the aerospace sector has been "wobbling around parity for the last couple of years" and he predicted that this will continue for the rest of 2009 although he speculated that the market could also harden "with 1% or 2% increases due to pressures on the industry".

The aerospace insurance market has had a relatively quiet period for the last couple of years with no significant losses, due in part to advances in technology. As a result, the driver for increasing rates has been the economic downturn.

The financial crisis has had a considerable influence on the aerospace industry with forecast take-offs and landings now expected to fall by 2% during this year's policy period.

The airport sub-sector of aerospace insurance, which includes air traffic control (ATC), would appear to be moving ever closer towards parity at a faster rate than that of the remaining aerospace sectors – manufacture and service provision – although this may be because it has seen a high number of renewals.

Control: market parity ahead?

In addition, the insurance policies for these renewals will have been significantly affected by the fact that only five of the 14 airport placements made so far this year have predicted passenger growth.

Four of the seven ATC renewals that have so far been made have also seen a reduction in premium. This, according to Aon's aerospace insurance market news, can also be attributed to the reduction in aircraft movement forecasts when compared to those for 2008. The 14 airport and seven air traffic operations that have so far renewed this year have generated $47.4m compared to $52.5m last year, equivalent to a 10% decrease when looked at in US dollar terms and a decrease of only 1% when analysed in terms of sterling.

Almost every element of the aerospace insurance sector has been predicting decreases in exposure owing to the economic downturn, although in the service provider sub-section there is one anomaly. Seven of the 15 refuellers who have renewed their policies this year have increased their forecasts for the amount of fuel that they will be carrying.

'The Gulf of Mexico energy market is in a state of disarray'

Continued from p1

He said: "We've provided a good level of quotes. Prices are high but at least it is traditional cover. We don't believe shared aggregates work. The GoM energy market is in a state of disarray, with capacity constrained and no discernible consensus on pricing. Alternative options have been unable to offer certainty, providing cover on a pooled basis with a shared aggregate, thus uncertainty for clients remains."

He acknowledged the underwriting community had made mistakes in the past with GoM risks, especially in control of well and business interruption, but he added: "The reality is there's an opportunity for underwriters to write business but we must not abuse that." He said there was a lot of "machismo" in the offshore energy market but Lancashire was prepared to enter "proper market conversations".

Still, a shortage of capacity has had an effect on rates. Brindle said: "We correctly anticipated rates would shoot up this year but we didn't anticipate how many people would pull out."

Indeed, Brindle expected more non-Lloyd's entrants into the market but said it had been virtually zero. He also acknowledged it was in Lancashire's broader long-term interests to be seen as a stable participant in the long-term future of the market.

Still, as the economic environment remains tough, Brindle said Lancashire was being cautious: "We're cognisant of the fact that the capital markets are shut," he said, adding that would prompt the insurer to take a little less risk than "normal times" when it might have easier access to fresh capital.

Separately, Marsh has confirmed it is revamping its triple C facility. Jim Pierce, head of Marsh's global energy practice, said it had been talking to clients about "the most advantageous approach" to transferring their GoM windstorm and operational risks to third-party insurers.

He added: "In light of these discussions, we plan to adapt our proposed triple C facility, which has delivered the only viable and sustainable windstorm capacity option to the buyer, to meet clients' evolving needs."

NEWS

Hatto and Sprowson join Max at Lloyd's syndicates

MAX AT LLOYD'S has expanded the underwriting capabilities of its syndicate 1400 with the appointment of two senior underwriters, Clive Hatto and Hugh Sprowson.

Hatto has been appointed accident and health underwriter, responsible for writing a portfolio of direct and facultative business from the syndicate's box at Lloyd's. This will complement the insurer's existing book of personal accident and Workmen's Compensation Act treaty business written out of its coverholder's office in Copenhagen.

Hatto joins Max at Lloyd's from Catlin Underwriting Agencies, where he was most recently class underwriter.

Meanwhile, Sprowson has been named financial institutions underwriter for Lloyd's syndicate 1400, where he will augment the existing financial institutions underwriting team headed by Bradley Knight. Sprowson has more than 15 years of insurance experience, including more than 12 years in financial institutions underwriting, most recently with Lloyd's syndicate 4444, managed by Canopius Managing Agents.

Marty Becker, chairman and chief executive of Max Capital group, said that the addition of Hatto and Sprowson reflected the company's "strategic commitment to underwriting discipline and market diversity and expansion".

He added: "These appointments represent an important step in building out the underwriting capability of the Lloyd's platform we acquired in November 2008. It is our intention to continue to add such talented underwriters to the fine existing underwriting team of Max at Lloyd's."

Hatto and Sprowson will be moving to Max at Lloyd's as soon as their current employment obligations are fulfilled which, in both cases, is expected to be in October.

Axis International brings in La Stella

LOSS ADJUSTER Axis International has boosted its financial lines and international liability division with the appointment of Nicholas La Stella.

In his new loss-adjuster position, La Stella will play a key role in the company's financial lines and international liability division across Europe and will support other Axis teams and overseas offices as required.

La Stella joins Axis from Studio Bolton e Associati in Rome, Italy, and brings with him experience in adjusting a broad range of losses for Lloyd's insurers, with particular expertise in professional indemnity, product liability, directors' and officers' liability and infidelity claims.

La Stella's appointment continues the development of Axis's centres of excellence in London, which are focused on delivering expertise and targeted loss-adjusting services across three distinct operating divisions in order to serve its UK and international clients more effectively.

Beazley hires Bodkin for its London property team

BEAZLEY has continued the expansion of its property insurance business with the hiring of Hiscox's Mark Bodkin as senior underwriter on its Lloyd's team.

Bodkin has extensive experience of property insurance and of the wider London market, including his most recent role as senior underwriter at Hiscox's global markets property division. He began his career as a broker working for Sedgwick group (now part of Marsh). He has also held senior management and underwriting positions at Aspen, Liberty Mutual and the FR White syndicate.

Safe as houses: Bodkin has extensive property sector experience

In his new role, Bodkin will focus on global property direct and facultative business, especially from the US, where his lead underwriter experience will build on the already strong reputation established by the team. He will join the team on May 5.

Beazley has written property business since 1992 under the leadership of Jonathan Gray and the account has grown steadily and profitably, now representing approximately 20% of the group's gross premiums of £875.7m ($1.2bn) in 2008.

In the US, the division is growing substantially through the acquisition earlier this year of surplus-lines commercial property risks managing underwriter, First State Management Group.

Alistair Robson, head of London market underwriting for Beazley's property group, said: "Premium rates, which have been recently depressed in the property market, have been rising quite sharply since January. We see growth opportunities but we are also mindful of the real challenges confronting our clients and brokers in the economic environment. I'm delighted we will be able to call upon Bodkin's skills and experience to strengthen our team and help our clients obtain the cover they need."

AIG's senior restructure

AIG has announced a number of senior appointments intended to aid the company's restructuring of its business operations and repayment of the $180bn bailout funds it has received from the US government.

President and chief executive of American General Life companies, Matthew Winter, has been named vice-chairman of transitional planning and administration. He succeeds Richard Booth, who has retired. Winter will report to AIG's chief executive, Edward Liddy. He will also continue to serve in his existing role as chief executive of American General Life companies, a position he has held since 2006.

Meanwhile, Jeffery Hurd has been appointed AIG vice-president and chief administrative officer, in addition to his existing role as senior vice-president and head of asset-management restructuring. In his new role, Hurd will oversee the insurer's global operations and systems, corporate administration and a variety of special projects, reporting to Winter.

Hurd joined AIG in 1998 in the corporate legal department and was most recently AIG investments senior managing director, chief administrative officer and general counsel.

Liddy, referring to the company's restructure and repayment of government bailout funds, said: "We continue to make progress every day. With their excellent management skills, Winter and Hurd will help continue our momentum."

NEWS

Aviva's 'resilient' Q1 worldwide sales show a rise of 5% but UK figures drop

UK INSURER Aviva has announced a 5% hike in worldwide sales for the first three months of 2009, a result it called "resilient" in light of current market conditions.

Global sales in the first quarter of 2009 reached £10.3bn ($15bn) from a year-earlier £9.8bn, with life and pension sales up 11% to £9.6bn. But life and pension sales in the UK fell 12% to £2.5bn and sales of collective investments were down 60% at £175m.

"In a market where customers' ability to save and plan effectively has been impacted, the fall in sales reflects our focus on reshaping the business by moving away from lower-margin products and the discipline of writing new business above target hurdle rates of return," Aviva explained.

The fall in the UK was offset by strong growth in North America, where sales were up 84% on a sterling basis and 33% on local currency to £1.9bn. European sales hit £4.7bn for the quarter, up 11% supported by the strength of the euro. On a local currency basis sales were down 6%.

Sales were up 20% in France, 68% in Italy, 16% in Spain and 26% in Turkey, although falls of 38% and 43% were reported in Poland and Ireland respectively.

The insurer noted: "Against a backdrop of continuing economic uncertainty, this is a robust performance achieved through the strength of our geographical and channel diversity."

Life and pension sales in the Asia-Pacific region were 8% lower at £400m, reflecting economic contraction and the low-interest environment which, Aviva said, causes customers to prefer government-guaranteed bank deposits over insurance products.

In general insurance, the firm said it was on target to "meet or beat" a combined operating ratio of 98%, helped by favourable weather in the UK that offset storms in France. Aviva added it was "on track" to deliver further annual cost savings of £150m by 2010, bringing the total savings to £350m from this business.

Aviva also significantly enhanced its capital position over the past three months, with a regulatory surplus of £2.5bn as of March 31, up from £2bn in December.

Group chief executive, Andrew Moss, added: "This is a resilient and encouraging result. People are continuing to save with companies they can trust and our business has inbuilt strength through the diversity of its products, geography and distribution."

Aviva: playing the trust game and benefiting from loyalty

French life shows signs of recovery after decline

Fabien Buliard, Paris

THE FRENCH life insurance market is showing the first signs of a recovery after more than two years of steady decline.

According to figures issued by the French Federation of Insurance Companies (FFSA), life premium income was up 22% in March, compared with the same period last year. It is the first such increase since December 2006. This translates into a 3% increase since the beginning of the year to €37.5bn ($49.2bn).

The life sector has benefited from a decline in interest rates offered by short-term cash savings accounts, which had been driving business away from life policies.

March was also the third consecutive positive month in terms of net inflows, representing the difference between premiums earned and benefits paid to policyholders. They are up 8% since the beginning of the year, to €14.4bn.

The life recovery is being driven by deposits on euro-linked policies, which were up 10% in the first quarter, while unit-linked policies continued to suffer from lower demand as a result of the stock market downturn, with deposits down 34% year-on-year.

The FFSA said in January that a poor life insurance performance (-10.6%) had weighed on the sector's 2008 overall turnover, resulting in a 6.2% contraction, to €183.6bn. The federation added at the time it expected the life sector's turnover performance this year to range between a 2% increase and a 2% drop.

Tinkering with the French engine: life market accelerates

Weis will spearhead LIU Europe in German push

Cologne, where LIU Europe will manage its German operations: Weis will lead push to grow market share

LIBERTY International Underwriters Europe (LIU Europe) has named Dr Wolfgang Weis branch manager for its German operation to spearhead the insurer's market share in the country. In his new role, Weis will be based in LIU Europe's Cologne office and will be responsible for managing all LIU's German operations.

Weis started his career in 1989 in commercial lines sales and underwriting roles at Gerling Konzern. He then moved to Chubb, where he had regional management responsibility for southern Germany, Austria and Switzerland and was later promoted to the Asia-Pacific area management team of Chubb Federal Insurance company. In 2006 he returned to Germany to become manager of Ace European group's branch in Munich.

Gerard van Loon, managing director of LIU Europe's continental European operations, said: "Our progress in building and developing LIU's continental European operations is enhanced further by Weis's appointment.

"His extensive underwriting and insurance expertise makes him an ideal candidate to lead our German business as we look to grow our market share in that country," van Loon added.

Fortis BNP deal takes another blow as Ping An votes against

THE PLANNED acquisition by BNP Paribas of a majority stake in Fortis Bank suffered another blow over the weekend, as Chinese insurer Ping An announced it would vote against the deal, *writes Fabien Buliard*.

Ping An, which is the Belgian group's largest shareholders, with a stake of about 5%, had already rejected an earlier version of the deal at a February shareholder meeting and was seen as instrumental in the victory of the "no" camp.

The Chinese giant said in a statement that the dismantling of Fortis, "which was not approved by shareholders, violates corporate governance procedures and destroys shareholder value".

Ping An added that other "credit and viable solutions" existed and "should be considered, in the interest of all parties".

Fortis shareholders are to vote on a revised version of the BNP Paribas deal today and tomorrow in Belgium and the Netherlands. If approved, the French bank will acquire a 75% stake in Fortis Bank from the Belgian state, as well as an indirect 25% stake in Fortis Insurance Belgium.

Despite Ping An's opposition, and calls for a "stand-alone" alternative from activist shareholders, the deal still has a chance of being approved thanks to a recent court decision that allowed recent shareholders, more likely to profit from the BNP deal, to take part to the vote.

In an interview with Belgian daily *De Tijd*, Fortis's chief executive, Karel De Boeck, said the larger shareholder turnout "would probably lead to a small shift to 'yes'."

The word is: Ping An says 'no'

SUMMIT PREVIEW

Big names top Summit bill

GREG DOBIE looks ahead to some of the topics up for discussion at the London meeting

LLOYD'S chief executive, Richard Ward, the former president of the National Association of Insurance Commissioners, Alessandro Iuppa, Robert Hiscox and former UK chancellor of the exchequer, Lord Norman Lamont, will be among the big names addressing the London market at the annual *Insurance Day* Summit in May.

The 2009 line-up will bring together more than 50 chief executives and senior management from the London market and further afield and see them debating the major issues impacting the insurance and reinsurance sectors over the course of two days.

Ways in which the London market can continue to ensure its long-term profitability through a global economic recession is a subject that is bound to be at the top of the agenda during the summit discussions.

However, a number of other important operational challenges will also be dissected by industry leaders, including: whether London will be able to cope with an expected dramatic increase in the number of claims resulting from the financial crisis; how to keep market reform at the top of the agenda when insurers might have more pressing concerns to deal with: future movements in mergers and acquisitions and restructuring of operations.

Increasing regulatory involvement is one potential knock-on effect from the events of the past few months that might be in prospect for the insurance industry, ensuring that this perennially thorny subject will also feature strongly on the programme.

It is a subject that Iuppa, who was also formerly superintendent of insurance in Maine and is now head of government and regulatory affairs at Zurich North America, is more than qualified to speak about. He will be delivering the opening speech on the second day of the summit, which will examine how regulatory change in the US and beyond will have an impact on London.

(*l to r*) Iuppa, Ward and Hiscox: three of the big-name speakers at the *ID* Summit London

Ward's keynote address will officially open the summit and will, no doubt, be eagerly anticipated by many as one of the highlights of the first day.

Director of market operations and North America at Lloyd's, Sue Langley, will then follow, unveiling a pathway to reform for more modernisation in the London market that no major stakeholder can afford to miss.

Ace European Group chief executive and chairman, Andrew Kendrick, will be up next. He will reveal just how to achieve growth successfully in these current unpredictable conditions.

Meanwhile, day one will also see the UK market regulator, the Financial Services Authority, announcing how its latest policy developments will effect the insurance sector.

Then Munich Re member of the board of management, Georg Daschner, and PartnerRe Global chief executive, Costas Miranthis, will complete the keynote speeches after AIG UK chief executive, Lex Baugh, has shared with delegates how AIG is attempting to move forward following its announcement that it is to accelerate the formation of a separate holding for its global property/casualty business by transferring AIU Holdings to a special-purpose vehicle in preparation for the potential sale of a minority stake in the business.

On the second day of the summit Hiscox chairman, Robert Hiscox, will provide a second keynote address after Iuppa. Then Catlin chief executive, Stephen Catlin, will reveal how his company intends to maintain a competitive advantage during a recessionary period.

Lord Lamont of Lerwick will then utilise his own experience from presiding over the events of September 16, 1992, when the Conservative government was forced to withdraw the pound from the European Exchange Rate Mechanism after it was unable to keep sterling above its agreed lower limit, to reveal what London's insurers can expect to encounter after a major shock to the financial system.

Elsewhere, a number of panel discussions are sure to produce lengthy and thought-provoking debate. The chief executive leadership panel session on the second day of the summit is one event not to be missed as chief executives from around the world will speak candidly about the major market challenges. Confirmed speakers include Scor Global P&C chief executive, Victor Peignet, Arch Insurance Europe chief executive, Robert Van Gieson, Miller chief executive, Graham Clarke, Lockton International chief executive, Julian James, and Paris Re chief executive, Hans-Peter Gerhardt.

The *Insurance Day* Summit will take place at the Grange City Hotel on May 19 and 20.

Insurance Day Summit London

The premier event for the insurance industry

Booking your place

With a number of break-out sessions, streamed panel discussions and keynote speeches, the *Insurance Day* Summit London will bring together seasoned speakers to address the important issues for the industry at a time when the need for wise and informed advice has never been greater.

The summit will take place at the Grange City Hotel in London on May 19 and 20. To see the full programme and a complete list of speakers visit *www.insurancedaysummit.com/london*.

Call +44 (0) 20 7017 7485 to reserve your place.

www.insuranceday.com ISSUE 2,841

Insurance Day

TUESDAY 28 APRIL 2009

The Loss Register

FEAR is growing over the possibility of a global swine flu pandemic after almost 2,000 people were diagnosed with the illness, which has killed more than 100 people in Mexico. Infections of the new strain of the humanly transmissible A/H1N1 virus have been confirmed in 19 of Mexico's 32 states and concern is growing that it has already spread far further afield. The US has confirmed 20 cases of swine flu, while there have been possible cases in New Zealand and Scotland. Russia and China have put in place quarantine measures at airports in an attempt to prevent anyone infected from entering their respective countries.

The World Health Organisation (WHO) has six phases for informing people as to the severity of a potential pandemic and of the need to undertake measures in order to limit the spread of the illness: level one represents lowest risk and level six represents highest risk. As of Monday morning, the WHO was at level three, which is defined as a new influenza virus subtype causing disease in humans but not yet spreading efficiently and sustainably among people.

The UK's Association of Insurance and Risk Managers said: "Risk managers should be watching the situation very closely and assessing how this event and the WHO phase level may affect their business continuity plans". A possible implication for insurers, aside from staff becoming infected, is that swine could be culled in a similar manner to that seen after an outbreak of avian flu at a Bernard Matthews farm in Norfolk in February 2007.

Meanwhile, the largest wildfires to hit the region in 30 years have continued to rage in South Carolina, with Risk Management Solutions (RMS) reporting that a fire four miles wide tore through a coastal region of the state on April 23, "destroying dozens of homes and forcing the evacuation of thousands of people". The fire, which started last Wednesday, was fuelled by 25 mph winds and low humidity. On Thursday, South Carolina's governor declared a state of emergency for Horry County, the area worst hit by the fire. The majority of the damage has been at Barefoot Resort at Myrtle Beach. Reports suggest no-one has been injured or killed as a result of the fires.

According to RMS, over the space of two days the fires have burnt around 19,600 acres, destroyed 70 homes and damaged around 100 others. Around 2,500 people have been forced to evacuate their homes.

Aon Benfield has reported that 2008's financial markets and insured catastrophes led to reinsurers witnessing an 18% drop in 2008 shareholders' funds to $127bn for the Aon Benfield Aggregate. The broking giant said reinsurers' "profits remained in positive territory despite higher catastrophe claims and significant investment losses".

As reported in *Insurance Day* on Thursday, geoscientists have warned that 30,000 people in the Caribbean could be at threat from a newly-discovered tsunami risk. Scientists recently discovered that a part of the Morne aux Diables volcano on the island of Dominica could collapse. If it were to collapse, an estimated one million tonnes of rock would crash into the sea resulting in waves 10 ft high hitting nearby tourist hotspot Guadeloupe, as well as Dominica itself. And Dr Richard Teeuw, of the University of Portsmouth, warned: "It's not a case of if this landslide and tsunami will happen, but when … it could happen in 100 years time or it could happen next week."

The president and chief executive of Harleysville Group, Michael Browne, said the fall in the company's net earnings in its first-quarter results can be partly attributed to elevated property losses resulting from a severe winter and a rise in the number of fires.

Christopher Munro

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ONLINE insurer Swiftcover, a unit of Axa UK, is to begin covering musicians following a public outcry over its advertising campaign. The insurer signed up punk icon Iggy Pop in January to promote its brand; the move has proved to be a profitable one, with first-quarter sales increasing 31% on the previous year. Some viewers complained to the Advertising Standards Authority that the Iggy Pop ads were misleading because swiftcover.com, like many other insurers, did not cover musicians due to a higher level of claims. But Tina Shortle, marketing director of swiftcover.com, said that is about to change: "Many musicians contacted swiftcover.com after seeing Iggy in our ads and we appreciate that they were disappointed that we were not able to offer them insurance then. We are delighted that musicians can now also get 'swiftcovered'."

NEWS IN BRIEF

Barbon buys Zennor

BARBON Insurance Group has bought Zennor Ltd, a London-based property and commercial insurance specialist managing general agent. Zennor is already the largest provider of property stock insurance to Barbon's social housing brand, FARR Insurance, a leading broker in the residential social housing sector. Martin Oliver, Barbon chief executive, said the acquisition was "a real vote of confidence from our owners" and sends a clear message to staff, customers, insurers, and competitors that Barbon "is hungry for growth and securing the very best product and cover". Zennor will continue to operate from its own London offices as a stand-alone business unit within the Barbon Group.

XL Capital announces $0.10 quarterly dividend

BERMUDA'S XL Capital has declared a quarterly dividend of $0.10 per ordinary share, payable on the company's ordinary shares. The dividend will be payable on June 30 to ordinary shareholders of record as of June 15. In addition, XL Capital's board has resolved to pay a dividend of $0.76275 per share on the company's Series C perpetual non-cumulative preference shares. That dividend will be paid on July 15 to all shareholders of record as of July 14. The aggregate amount of the dividends payable on the Series C preference ordinary shares is $5.57m. XL released its first-quarter results at close of US markets yesterday.

ING US life units hit by AM Best downgrade

AM BEST has downgraded the financial strength rating of the life insurance entities of ING Groep's US operations from A+ to A and worse could be to come with the outlook revised to negative from stable. The rating agency said the move reflects the decline in ING's 2008 global insurance and banking operating results, culminating in a capital infusion from the Dutch state, as well as deteriorating trends in Atlanta-based ING USA's operating profile and investment performance. It also incorporates AM Best's expectation that ING's US insurance subsidiaries are likely to experience further pressure on capital and earnings this year due to credit losses, reduced fee income and higher reserve requirements. However, the agency noted that ING USA was "strategically well positioned" to benefit from the higher-growth segments of the maturing US market, mainly retirement services and selected asset accumulation and payout products.

Syncora claim freeze

US BOND insurer Syncora Guarantee has suspended payment of all claims after missing a New York State Insurance Department (NYID) April 26 deadline to restore its surplus to policyholders to the minimum amount required by state insurance law. Syncora Guarantee said it will continue to monitor the situation on a daily basis and, in the absence of a successful restructuring, may request the NYID to seek court appointment of a rehabilitator or liquidator. The insurer also said it was aware that the NYID, or other regulators, could take action against it at any time. Syncora Guarantee is the sole operating subsidiary of Bermuda-based Syncora Holdings, previously XL Capital's bond insurance affiliate Security Capital Assurance. Shares of the holding company were de-listed from the New York Stock Exchange at the start of the year because it failed to maintain a $1 closing price and $75m in capitalisation (*Insuranceday.com*, Jan 9).