MARKET NEWS, DATA AND INSIGHT ALL DAY, EVERY DAY

FRIDAY 13 FEBRUARY 2015

ISSUE 4,289

insuranceday

www.insuranceday.com

Insurance Day's Apprenticeships campaign backed by industry

p2

Fears US trade partnership will increase exposures for EU insurers

p4-5

Towergate eyes consolidation opportunities following debt restructure

p2

Legislation

Insurance Bill receives royal assent p8

Results

Lloyd's operation drives Navigators' 2014 growth p8

Mergers and acquisitions

Lancashire: talent and line size more important for relevance p3

NEWS

insuranceday
www.insuranceday.com

Market news, data and insight all day, everyday
Insurance Day is the world's only daily newspaper for the international insurance and reinsurance and risk industries. Its primary focus is on the London market and what affects it, concentrating on the key areas of catastrophe, property and marine, aviation and transportation. It is available in print, PDF, mobile and online versions and is read by more than 10,000 people in more than 70 countries worldwide.

First published in 1995, *Insurance Day* has become the favourite publication for the London market, which relies on its mix of news, analysis and data to keep in touch with this fast-moving and vitally important sector. Its experienced and highly skilled insurance writers are well known and respected in the market and their insight is both compelling and valuable.

Insurance Day also produces a number of must-attend annual events to complement its daily output. The London and Bermuda Summits are exclusive networking conferences for senior executives; meanwhile, the London Market Awards recognise and celebrate the very best in the industry. The new Insurance Technology Congress provides a unique focus on how IT is helping to transform the London market.

For more detail on Insurance Day and how to subscribe or attend its events, go to subscribe.insuranceday.com

Insurance Day, Christchurch Court, 10-15 Newgate Street, London EC1A 7HD

Editor: Michael Faulkner
+44(0)20 7017 7084
michael.faulkner@informa.com

Editor, news services: Scott Vincent
+44 (0)20 7017 4131
scott.vincent@informa.com

Deputy editor: Sophie Roberts
+44 (0)20 7551 9906
sophie.roberts@informa.com

Global markets editor: Graham Village
+44 (0)20 7017 4020
graham.village@informa.com

Global markets editor: Rasaad Jamie
+44 (0)20 7017 4103
rasaad.jamie@informa.com

Reporter: Alexis Burris
+44 (0)20 7017 4252
alexis.burris@informa.com

Publisher: Karen Beynon	+44 (0)20 8447 6953
Sales director: Mark Windsor	+44 (0)20 8447 5266
Advertising director: Andrew Stone	+44 (0)20 7017 4027
Advertising sales executive: Alan Hart	+44 0(20) 3377 3820
Sponsorship manager: Marcus Lochner	+44 (0)20 7017 6109
Marketing manager: Randeep Panesar	+44 (0)20 3377 3809
Subscriptions key account manager: Carl Josey	+44 (0)20 7017 7952
Head of production: Liz Lewis	+44 (0)20 7017 7389
Production editor: Toby Huntington	+44 (0)20 7017 5705
Subeditor: Jessica Sewell	+44 (0)20 7017 5161
Subeditor: Bruce Williams	+44 (0)20 7017 5677
Production executive: Claire Banks	+44 (0)20 7017 5821
Events manager: Natalia Kay	+44 (0)20 7017 5173
Editorial fax:	+44 (0)20 7017 4554
Display/classified advertising fax:	+44 (0)20 7017 4554
Subscriptions fax:	+44 (0)20 7017 4097

All staff email: firstname.lastname@informa.com

Insurance Day is an editorially independent newspaper and opinions expressed are not necessarily those of Informa UK Ltd. Informa UK Ltd does not guarantee the accuracy of the information contained in *Insurance Day*, nor does it accept responsibility for errors or omissions or their consequences. ISSN 1461-5541. Registered as a newspaper at the Post Office. Published in London by Informa UK Ltd, Mortimer House, 3 Mortimer Street, London, W1T 3JH

Printed by St Clements Press, Unit 16, Bow Industrial Park, Carpenters Road, London E15 2DZ

Insurance Day's Apprenticeships campaign backed by industry

Campaign to promote technical apprentices in insurance launched

Michael Faulkner
Editor

Global broker Aon and Lloyd's insurer Barbican have backed *Insurance Day*'s Apprenticeships campaign to promote technical apprenticeships in insurance.

The campaign, which launches today, has also received the support of the Chartered Insurance Institute.

Aon UK chief executive, Dominic Christian, described the campaign as "brilliant", saying: "There is a huge amount of talent that does not take a traditional route to developing a career. What *Insurance Day* is doing is brilliant. It will help the insurance industry move forward."

Barbican Insurance chief executive, David Reeves, also added his support. "We wholeheartedly support the Apprenticeship campaign championed by *Insurance Day*," he said.

"If the London market can welcome, encourage and promote apprenticeships it can only be a positive development for our collective future competitiveness and prosperity."

Insurance Day's Apprenticeships campaign aims to increase the number of technical apprentices in the insurance sector. Over the coming months, we will be highlighting the work that insurance businesses are doing around apprenticeship. Aon and Barbican have both launched apprenticeships programmes in recent years, as has Lloyd's.

We will also be talking to apprentices about their experiences, and exploring some of the issues companies face in developing apprenticeships schemes.

The campaign comes at a crucial time for the sector. Securing talent and expertise has been identified as vital for the London market if it is to defend its position against the rise of other competing international insurance markets.

Attracting the brightest and the best to a career in insurance has never been more important, and apprenticeships have a crucial role to play in this.

Towergate eyes consolidation opportunities following debt restructure

Towergate is looking for new consolidation opportunities following its debt restructuring agreement, its chairman, Alastair Lyons, has told *Insurance Day*, *writes Alexis Burris*.

According to Lyons, cashflow issues have been completely resolved by the £375m ($577m) debt restructuring deal between senior secured and senior unsecured lenders.

"We have £125m in new money coming into the business as a consequence of this, £75m provided in the form of a new financing from our senior secured lenders and £50m in new equity provided by the proposed new equity investors in the business," Lyons said.

"That will give the company very substantial funds to carry through that change programme and once the business is stabilised to resume its position as a leading consolidator."

Lyons said he still sees considerable potential for regional consolidation among UK general insurance brokerages.

"Once we have developed the platform which comes from the programme of change that we are working through, it would allow us to bring those business into the group on a very effective basis," he said.

Despite the sale of Hayward Aviation to JLT last year, there are no plans to sell other parts of the business, but Lyons said Towergate would continue to review its portfolio of business to divest any elements that were no longer core to the strategy.

Looking ahead, Lyons was confident of the company's ability to rebuild itself as a leading player.

"I have been quoted in the past as saying Towergate is a great company with a bad balance sheet, but now it's a great company with a great balance sheet and that is going to allow it to carry on the plans it already is well engaged on to enable this company to continue to be a leading player in each of its markets," he said.

This week, David Ross was confirmed as the next chief executive of Towergate following his departure from Arthur J Gallagher.

Ross, who had been with AJ Gallagher since 1990, will initially serve as chief executive of Sierra Investment Holdings, the vehicle through which Highbridge Principal Strategies will invest in Towergate.

Private equity firm Highbridge is leading the investor group, which is hoping to close its acquisition of Towergate by the end of next month.

Ross will become chief executive of Towergate following a transition period. He had served as chief executive of AJ Gallagher International since 2005.

Towergate's chief financial officer, Scott Egan, will become interim chief executive during the transitional period before Ross joins.

NEWS

Lancashire: talent and line size more important for relevance than balance sheet scale

Re/insurer hopes to pick up people and teams in the fallout from wave of consolidation

Scott Vincent
Editor, news services

Construction: "The first thing that stops when the oil price significantly falls is construction projects"
© iurii/Shutterstock

London-based re/insurance group Lancashire has insisted relevance is about more than balance sheet size following a strong 2014 result, which beat analyst expectations.

Lancashire has been one of the names regularly thrown in the mix by analysts as a potential acquisition target in recent weeks, against a backdrop of increasing consolidation and commentary from industry figures about the need for scale.

But Jonny Creagh-Coen, Lancashire's head of investor relations, told *Insurance Day* the company's latest set of results demonstrate its strong position, and that there are opportunities for the company to grow as a result of the fallout from deals elsewhere.

"All we hear about is relevance, but relevance is not just about balance sheets, its more about having leading underwriting talent and decent line size.

"We think this is a cyclical market. There is a size we think a company should be when conditions are good and when conditions are tough. We have our portfolio set up to reflect the size of the market today. We are very happy as we are," he said.

He did not rule out seizing on any opportunities to add talent to the Lancashire team as a result of the fallout of consolidation.

"M&A deals such as those in the market at present bring opportunities, and one plus one never equals two in these deals. There are plenty of very good people out there in these platforms who may not like their new owners," he said.

Lancashire delivered a pre-tax profit of $226.5m in 2014, up from $218.1m in 2013, with gross written premiums up 33% to $907.6m, largely driven by the addition of Lloyd's insurer Cathedral to the company.

Creagh-Coen said the fourth quarter, which saw Lancashire report a pre-tax profit of $91.5m, compared with $55.2m during the final quarter of 2013, was the company's best quarter since 2010.

"We think our combined ratio of 50% for the quarter is exceptional for what is primarily a specialty company. We've made more money in the quarter than we thought we would," he said.

Lancashire revealed it has grown the stamp capacity of Cathedral from £30m when it was acquired in November 2013 to £100m in January 2015, with the addition of new teams in energy, aviation and terrorism.

Creagh-Coen praised the team's efforts in building its energy portfolio, but warned the energy market will face challenges as a result of the oil price decline.

"The first thing that stops when the oil price significantly falls is construction projects. This represents a relatively small part of our portfolio, but we realise that will come under pressure. The second to be impacted will be small- to medium-sized drillers. This will be a tough year for energy," he added.

The aviation market's response to 2014 losses had not been as good as hoped for, he said. But he praised the efforts of the aviation war team brought in from Atrium last year.

"In aviation, there is too much broker line slip capacity, which can write big limits. Aviation is not where we want to see it following last year's losses but the people we brought in have done a fantastic job, and have been at the forefront of the aviation war market for a long time," he said.

Last year saw a continuation of the company's shift away from selling retro cover towards a property catastrophe book largely writing top layers for large events

"We are down to very little retro that we sell. We took the view that retro rates had declined to a level that is not for us," Creagh-Coen said.

Falling retro rates have allowed Lancashire to increase its reinsurance spend, with the company entering 2015 with historically low retained risk levels after spending more than £164m on outwards reinsurance premiums in 2014

"On the Lancashire side, we've got a lot more cover for the same amount of spend as last year. On the Cathedral side, we've got more cover for less spend than last year," Creagh-Coen said.

Looking ahead to the remainder of 2015, Creagh-Coen said there were no indicators the current competitive environment would diminish.

"I don't think any lines are particularly attractive as a whole – there is too much capacity everywhere. We will not grow just for the sake of it. But if you find the people that have the right track record and want a new home, Lancashire is always interesting," he said.

M&A increases relevance of reinsurers as buyers – Maloney

Reinsurance merger and acquisition (M&A) activity is increasing the relevance of reinsurers as buyers, Lancashire's chief executive, Alex Maloney, told analysts in an earnings call following the company's announcement of 2014 pre-tax profits of $226.5m, *writes Scott Vincent*.

He said much of the commentary on relevance had placed too much emphasis on scale. "When our customers think about who is relevant, they do not just think about how big our market capitalisation is," Maloney said.

"I've not heard one underwriter say we've lost a piece of business because we are not relevant," he added.

Maloney said the present M&A trend would ultimately lead to fewer reinsurers, with some of those remaining having larger balance sheets and as a result a capability to retain more risks.

"Each time a deal is done, we become more relevant to brokers as a buyer," he said.

He added some combinations, such as that of XL and Catlin, were bringing together lines of business where both entities are already big. "It's unlikely clients will give XL and Catlin the combined amount of dollars the two companies currently get. I don't think the clients will want to give one counterparty that amount of aggregate dollars," he said.

Lancashire's group chief underwriting officer, Paul Gregory, added: "Relevance and scale should not be confused. Relevance to our insureds is determined by line size, leadership, services and claims-paying abilities and relationships."

www.insuranceday.com | Friday 13 February 2015 5

ANALYSIS

Fears US trade partnership will increase exposures for EU insurers

The proposed EU-US free trade agreement will have significant implications for EU insurers, particularly in terms of increasing their liability exposures

Rasaad Jamie
Global markets editor

The Transatlantic Trade and Investment Partnership (TTIP), the proposed free trade agreement (FTA) or single market between the EU and the US, completed its eighth round of negotiations in Brussels last week.

As the EU-US trade relationship is already the biggest in the world, TTIP will represent the largest FTA in the world, accounting for more than 40% of global GDP. However, if (as is now expected) the TTIP negotiations, which were initially intended to be completed towards the end of last year, are successfully concluded at the end of 2015, the re/insurance sector is very unlikely to be part of it, bar some dramatic change or intervention in the process. However, the news for the industry is not as bad as it might at first seem.

TTIP is therefore unlikely to provide the means whereby reinsurers based in the EU will be relieved of their obligation to post collateral, which currently ranges from 60% to 100% of their US liabilities. In the EU, only three other countries, including France and Portugal, impose collateral requirements on US reinsurers.

Indeed, one of the main reasons why the TTIP negotiations are taking a year longer than initially intended has been the insistence on the part of the US that financial services regulation, which the US somehow sees as separate from the financial services sector itself, should not be part of the TTIP negotiations. The US position was only made public in June last year as a result of a leak and it has clearly been an issue between the two parties more or less since the negotiations began in July 2013.

> **"Failure to comply with the law of the state or country where the customer is based can result in a civil claim – including potentially wide-ranging class actions – or even criminal sanctions"**
>
> Michael Kingston
> DWF

It very much seems to be a case where the insurance sector has once again been unfairly lumped in with the banking sector, as all the indications are US resistance (particularly from within the US Department of the Treasury) is primarily fuelled by concerns about the domestic US banking sector.

According to a statement by the US trade envoy to the EU, the view within the Treasury is this kind of bilateral agreement and the inevitable adjustments that will have to be made in relation to US financial services regulations to accommodate TTIP will only weaken and undermine many of the measures implemented as a result of the Dodd-Frank Act, which was introduced to tighten bank regulations after the 2008 financial crisis.

Additional exposures

Yet in other respects the TTIP will have significant implications for the insurance sector, including the scope of insurance coverage for businesses active in both markets, in particular certain liability and product guarantee coverages. According to one London law firm, differences in laws and regulations between the US and the EU could lead directly to liability claims against insureds.

At present there is a significant divergence in the approaches adopted in the EU and the US towards the recording of telephone calls, according to Michael Kingston, a partner at law firm DWF. Some US states permit a party or parties to a telephone conversation to record the same without obtaining the consent of the other party or parties to do so, while other states require all parties to consent.

"The prevalent judicial view is the location of the customer determines the applicable law, not the location of the call centre. This is particularly relevant for businesses that operate or use call centres and, in doing so, record customer calls. Failure to comply with the law of the state or country where the customer is based can result in a civil claim – including potentially wide-ranging class actions – or even criminal sanctions."

Such claims, Kingston says, may typically be covered under a general or public liability policy. "Insurers therefore need to be alive to the additional exposures associated with insureds carrying out transatlantic business of this nature."

DWF is involved in a case where a European business has recorded calls and is subject to a fine per call, which has opened it up to a huge class action in the US. "These sort of issues and the legal ramifications will also apply to liability potential under TTIP," he says.

Product guarantee insurance is another potential area where transatlantic differences in laws and regulations may expose insurers to greater financial risk. Such policies, Kingston says, typically cover insureds for the removal, repair, replacement, alteration, treatment or replacement of products that fail to perform their intended function.

"A product which may conform with the laws and regulations applicable in the country of manufacture may not necessarily meet higher standards applicable abroad. Such non-conformity may mean a perfectly satisfactory product in one jurisdiction is practically worthless in another – resulting in costs associated with the removal and replacement of the 'defective' part.

"Manufacturers shipping goods between the EU and the US need to be alive to this issue but, equally, insurers should be aware of the additional risks associated with manufacturing business carrying out transatlantic trade."

Huge pressure

To date, US negotiators have steadfastly refused to reconsider their position on the issue of financial regulation despite huge pressure, including calls from both EU and US insurance, banking and other financial services industry bodies for the inclusion of financial services in the TTIP negotiations.

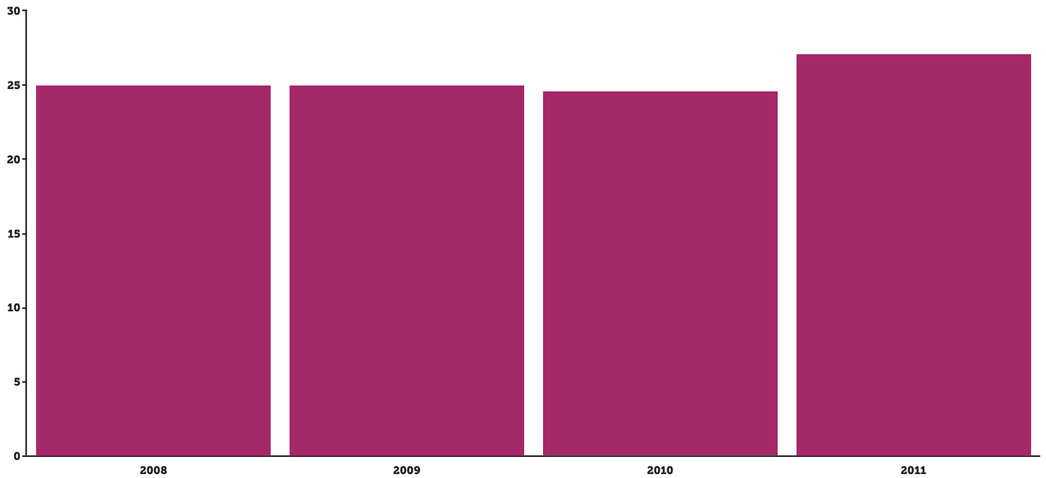
The EU, in the face of US intransigence, has stopped pressing the US on the issue and has "temporarily" taken financial services off the table, although it is not clear whether it is to be included at a later stage in the TTIP discussions or whether it has been left for inclusion in another, future agreement.

The EU has also very firmly drawn a line in the sand by making it clear if the US refuses to consider financial services regulation, the EU will refuse to discuss all other issues relating to the financial services sector, in particularly the issue of market access.

But despite the lack of movement for the financial services sector as a whole, there have been some signs of progress for the reinsurance sector in terms of reaching a separate or "covered" agreement between the EU and the US about the removal of the reinsurance collateral requirements. It is understood that the European Commission, under the auspices of the EU-US Insurance Project, is currently lobbying the Council of Ministers for permission (separate from the permission which it currently has under the auspices of the TTIP) to negotiate with the relevant US agencies, including the Federal Insurance Office. The members of the EU-EU Insurance Project are the European Commission, Eiopa, the US National Association of Insurance Commissioners and the Federal Insurance Office of the US Department of the Treasury.

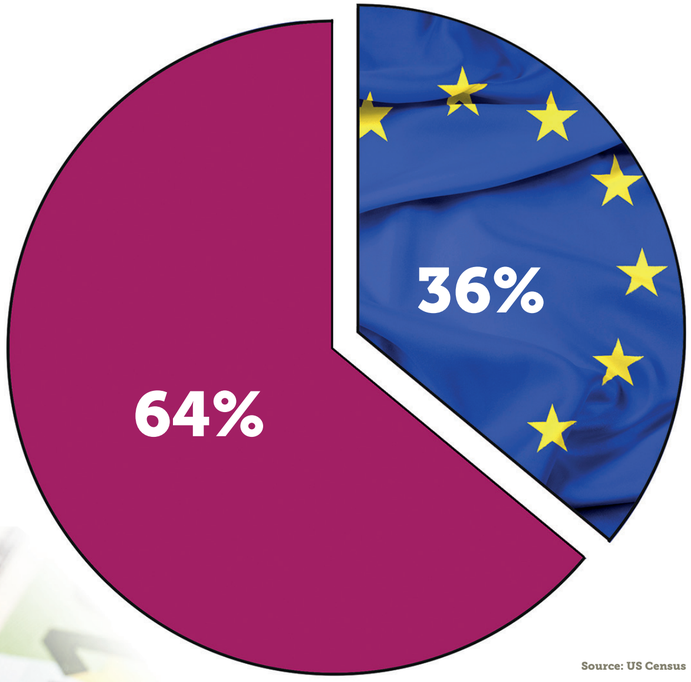
In fact, Dave Matcham, chief executive of the IUA, believes a covered agreement on reinsurance between Europe and the US is looking increasingly likely. He says the IUA has long argued for such a solution, which became legislatively possible after the passing of the Dodd-Frank Act, and he is encouraged that the matter now is regarded as important among regulators on both sides of the Atlantic. ■

Graph 1: US exports of financial services to the EU ($bn)



Source: US Census

Graph 2: EU share of US financial services exports in 2011



Source: US Census

Transatlantic trade: TTIP does not at present include the international re/insurance industry – bad news for the sector

Table: US insurance and reinsurance balances with Europe 2013 ($bn)

	Smoothed basis			Premiums less claims basis		
Country	Inwards balance	Outwards balance	Overall balance	Inwards balance	Outwards balance	Overall balance
Germany	281	3,069	(2,788)	251	(889)	(638)
UK	1,611	4,998	(3,387)	1,430	(6,556)	(5,126)
EU total	3,478	11,580	(8,102)	2,655	(9,650)	(6,995)
Switzerland	441	6,380	(5,939)	751	(6,308)	(5,557)
Europe total	3,478	11,580	(8,102)	3,503	(9,650)	(6,995)
World	16,096	50,454	(34,358)	13,496	(30,231)	(16,735)

Source: Bureau of Economic Analysis, survey of current business, annual revision of US international accounts

CAMPAIGN

insuranceday
Investing in the Future
APPRENTICESHIPS

Michael Faulkner
Editor

I am delighted to launch *Insurance Day*'s Apprenticeships campaign.

Attracting the brightest and the best to a career in insurance, rather than accounting or law, has been a crucial issue for the industry's leaders for a number of years.

For the London market, securing talent and expertise has been identified as vital if it is to defend its position against the rise of competing international insurance markets.

While there has historically been a focus on graduate recruitment, more recently technical apprenticeships have been rising up the industry's agenda.

In the past few years, organisations such as global broker Aon, Lloyd's and insurer Barbican have launched apprenticeship programmes.

In March last year, the Chartered Insurance Institute (CII), the Association of British Insurers and the British Insurance Brokers' Association, along with partner businesses, launched an initiative to grow the number of apprenticeships, aimed at developing a systematic framework of skills.

More recently, the Insurance Apprenticeships Network was launched to allow insurance apprentices from across the country to meet each other, make industry connections and develop skills.

But there is more to be done.

While the number of apprentices in insurance is growing, it is still small. Polling by Aon last year indicated young people are not fully aware that apprenticeships are available in high-skill sectors such as insurance.

Awareness of opportunities for apprenticeships within the insurance sector ranked among the lowest identified.

While work by the CII to raise awareness of the insurance industry through its Discover Risk programme is helping, the number of technical apprenticeships available in the insurance industry, particularly in the London market, still remains small.

Insurance Day's Apprenticeships campaign is aimed at promoting the role of technical apprentices within the industry.

Over the coming months, we will be highlighting the work companies in the sector are doing around apprenticeships, talking to apprentices about their experiences, and exploring some of the issues companies face in developing apprenticeships schemes.

If you want to get involved in the campaign, please email me at: michael.faulkner@informa.com ■

© Pressmaster/Shutterstock

Hiring apprentices: enjoy it' – Aon chief

Michael Faulkner
Editor

Dominic Christian, chief executive of Aon UK, is full of enthusiasm about apprentices. "Apprenticeships are pretty central to what we are about," he says.

Aon launched its apprenticeships scheme is 2012. Now in it is third year, the global broker has 33 apprentices.

"There is a huge amount of talent that does not take a traditional route to developing a career," he says. "We have a graduate programme, which flexed depending on the needs of the business. [But] We are trying to capture people with different stories and experiences."

Aon has taken on apprentices for some years, but in an ad hoc way. The programme formalised the approach. He describes Aon as taking a "multi-faceted approach to hiring talent".

For Christian, apprentices bring different skills and experiences to the business than those coming in through other routes.

School leavers may have skills that graduates do not, he says, highlighting areas such as knowledge of new technologies and communication that are vital given the fast-evolving nature of risk. "It enables them to make their mark on the industry," he says, adding: "Some graduates are already out of date compared to someone of 18.

"There is a strong business need to engage people as early as possible," Christian says.

Of course, hiring apprentices has its particular challenges and requirements, not least the additional support that needs to be given to an 18-year-old fresh out of school.

"We need to be sensitive about how we go about it. You need to be supportive and have a lot of commitment, and you need to have enthusiastic support from the

London: apprentices can get a solid grounding in the London market

© pcruciatti/Shutterstock

'Go for it, you will Christian

business. You have to be careful what experience you are giving."

Aon's programme lasts for two years with a full time job at the end of it. "We are trying to ensure a high degree of learning but also a high degree of community. Insurance is a team based and sociable business."

The firm has already invested £1m ($1.54m) in the scheme, and has pledged a further £3.6m to support apprenticeships until the end of 2016.

It plans to have 66 apprentices by 2016, doubling its current number, and expand the geographical reach of the programme to Singapore and Chicago from just the UK.

Aon's 2012 intake has already come through the programme and Christian is delighted with their progression. "It is fantastic how they have come along," he says. "So far we are very pleased with the talent and energy they bring to the firm."

It is difficult to measure the business benefits of an apprentice programme. Aon will determine the types of job apprentices are more suited to, and also look at retention rates. He expects to see differences to those coming via the graduate programme.

"You are committing to the longer term, so will see the benefit in years to come," says Christian.

At the same time, Aon does not see apprentices as replacing graduate recruitment. "It is not and either/or with graduates. We will still recruit graduates. We have to ensure we have the correct people in the business."

Given Aon's growing investment in apprentices, how many apprentices does Christian think the firm can support? "We have 6500 people in UK. We have to balance how many people we can introduce to maximise the benefit to both sides. I don't know what that number is, but so far so good."

What would Christian say to other firms in the insurance industry about thinking about hiring apprentices? "Go for it, you will enjoy it." ■

Nurturing talent on insurance coalface

Scheme has powerful appeal for both individuals and businesses

David Reeves
Barbican Insurance

The word apprentice derives from the French *apprendre* – meaning to learn. In complex and specialist areas such as the London market, there is a lot to learn. Developing future talent and honing a real working understanding of risk through an apprenticeship scheme has a powerful appeal for both individuals and businesses.

At Barbican, nurturing talent through apprenticeships is very important to us. In September 2013, we launched our apprenticeship programme and the Barbican Insurance Academy. During a 13-month programme, apprentices undertake an extensive range of technical and soft skills training with a series of placements across all parts of the business.

By the end of their programme, each apprentice will have gained a solid grounding in all aspects of the insurance industry and the London market. They will have also gained all-important industry qualifications, completing their CII Certificate and Level 3 NVQ in providing financial services.

Great for business

We are in no doubt that apprenticeships have been a great success for our business. The calibre of our apprentices has been outstanding. They have brought huge amounts of energy and enthusiasm, which has been infectious across the business, coupled with growing technical ability and a strong work ethic.

We have also improved cost efficiencies in the recruitment process, benefited from government funding and received great support in developing our infrastructure from the CII through their Discover Risk initiative. The real proof comes from the simple fact that all of our apprentices have gone on to become productive full-time employees of Barbican.

There is no doubt our apprenticeship scheme also enhances our brand. We have received significant levels of engagement on our social media channels and customers have provided extremely positive feedback. Barbican won best Corporate Social Responsibility programme at the 2014 *Insurance Day* London Market awards, with the judges highlighting our apprenticeship programme. We were also a finalist at the London final of the 2014 National Apprenticeship Awards in the medium-sized employer of the year category.

With the quality of our apprentices, the learning infrastructure we've been able to develop and the enthusiastic customer engagement received, it's been an incredibly beneficial venture for all of us. We wholeheartedly support the London Market Apprenticeship campaign championed by *Insurance Day*.

If the London market can welcome, encourage, and promote apprenticeships it can only be a positive development for our collective future competitiveness and prosperity. ■

David Reeves is chief executive of Barbican Insurance

insuranceday
www.insuranceday.com

Insurance Bill receives royal assent

Bill will come into effect in August 2016

Alexis Burris
Reporter

The Insurance Bill has received royal assent today after being unanimously passed in House of Commons last week.

The bill will replace significant parts of the Marine Insurance Act (1906), which has formed the market's legal framework for more than one hundred years.

The bill will come into effect in August 2016. It will have an 18-month transitional period, during which associations such as the International Underwriting Association (IUA) and the Lloyd's Market Association (LMA) have said they will be working closely with their members in preparing for changes.

Nick Young, partner at law firm DAC Beachcroft, said: "After nine years of work and a whirlwind of activity in the past few months, I am delighted to see this act succeed. While there may now be a temptation to relax, 18 months is not a long time for insurers to make the necessary changes to their policies and procedures.

"They will need to carry out their impact assessment; consider whether to contract out of some of the provisions; review existing policy wordings, underwriting guides and policy documentation; and train claims handlers and underwriters to ensure that their practices are fully compliant. There is a lot to do."

"Clause 11… means insurers will be obliged to pay claims when a breach of a policy term is totally irrelevant to the loss that has taken place"

Graeme Trudgill
British Insurance Brokers' Association

Changes under the core reforms include pre-contractual non-disclosure, the banning of "basis clauses", breach of warranty having the effect of suspending rather than discharging cover and forfeiture being the remedy for fraudulent claims.

"All changes in the law will to some extent produce uncertainty, as the House of Lords committee acknowledged, and the purpose of our guidance will be to identify these areas so appropriate action can be taken in underwriting and drafting contracts," Kees van der Klugt, director of legal and compliance at the LMA, said.

The British Insurance Brokers' Association (Biba) said today it welcomed the new act, particularly as the finalised act had reinstated clause 11, "Terms not relevant to the actual loss", which the association had lobbied for.

"Biba is extremely pleased the bill has received royal assent before the election. This is good news for business customers, and with clause 11 it means insurers will be obliged to pay claims when a breach of a policy term is totally irrelevant to the loss that has taken place, unless of course it defines the risk as a whole," Graeme Trudgill, Biba's executive director, said.

Biba is producing a comprehensive guide for insurance brokers on the new bill. The IUA and LMA will also be producing guidance for their members in preparation for implementation.

Buckingham Palace: the Insurance Bill has received royal assent

Markel earnings rise 14.3% in 2014

US specialty re/insurer Markel Corporation (*pictured*) saw net earnings rise 14.3% to $321.2m in 2014, the first full year of operations to include the results of Alterra Capital Holdings, which Markel acquired for $3.3bn in May 2013, *writes Scott Vincent*.

The Virginia-based group's combined ratio for the year improved two points to 95%, as earned premiums climbed 18.8% to $3.84bn and incurred losses rose 21% to $2.2bn.

Investment income grew 14.4% to $363.2m, partially offset by a $17.2m decline in realised gains. Markel's reinsurance segment swung to segment profit of $39.7m from a loss of $55.6m as its combined ratio improved 13 points to 96%.

The turnaround reflected a $67.1m increase in favourable development on prior-year loss reserves and year-earlier costs of $49.1m in connection with the Alterra acquisition. Segment profit in the group's international insurance segment rose to $70.4m from $51.4m, with a one-point improvement in the combined ratio to 93%, driven by favourable development of prior-year reserves.

Markel's US insurance segment saw segment profit fall to $96.6m from $138.8m, as an $81.5m decline in favourable reserve development contributed to a three-point increase in the combined ratio to 95%.

For the fourth quarter, Markel's net income rose 19% to $117.6m, as earned premiums climbed 9.8% to $971.9m and incurred losses fell 13.4% to $478.8m. The quarterly combined ratio improved seven points to 89%.

Lloyd's operation drives Navigators' 2014 growth

Improved underwriting results in its insurance company and Lloyd's operations, helped US group Navigators boost its net income 50% for 2014, *writes Alexis Burris*.

Navigators reported a net income of $95.3m for 2014, compared with $63.5m for the previous year. Underwriting income rose to $68.9m from $43.9m.

Its Lloyd's operation reported gross written premiums up 5.1% for the year, while net premium earned was up 14.2% on 2013.

Professional liability net written premiums were up 52.2% in the Lloyd's operation, while property/casualty and marine increased 32.1% and 7.2% respectively.

Underwriting income in the Lloyd's segment rose to $19.8m from $18.2m, with increases posted by marine and property/casualty operations.

The group's fourth-quarter net earnings rose 34% to $19.3m, while earned premiums rose 6.5% to $234m. The quarterly combined ratio improved to 93.8% from 94%.

The company's overall combined ratio improved for the year to 92.6% from 94.8% in 2013.

The combined ratio improved three points to 93% for 2014.

"Our profitable fourth-quarter results capped an excellent year, as we achieved our eighth consecutive quarter of underwriting profit," Stan Galanski, president and chief executive, said.