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Nearly 30 companies commit to project launched today in Rio

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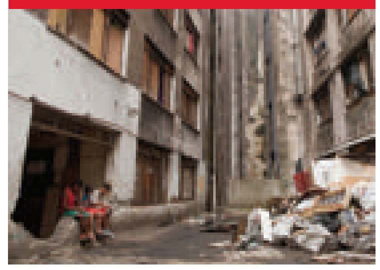

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NEWS

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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 info.insuranceday.com

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Australia introduces standard flood definition

Greg Dobie
Managing editor

Australia's government has enacted regulations that will introduce a standard definition of flood to insurance contracts following 18 months of discussions with the insurance sector.

According to the regulations, flood will be used in insurance contracts to mean "the covering of normally dry land by water that has escaped or been released from the normal confines of: any lake, or any river, creek or other natural watercourse, whether or not altered or modified; or any reservoir, canal, or dam".

The influential Insurance Council of Australia (ICA), whose members represent approximately 90% of the A$30bn-plus ($30bn) total premium income written each year by private sector general insurers in Australia, welcomed the government move.

Yet it was quick to point out many carriers had already adopted this definition, with other members well advanced in their preparations, in the wake of public criticism of a number of carriers' handling of the fallout from last year's floods in Queensland and Victoria.

According to the government, ambiguity over previous interpretations of the word "flood" in insurance policies has proven problematic for consumers, with many unsure whether they were covered or not.

However, ICA chief executive, Rob Whelan, advised the insurance-buying public they would still need to assess whether they needed flood coverage.

"Introducing a standard definition does not mean they [consumers] have flood cover if they have not purchased the appropriate policy," he cautioned.

The regulations allow a two-year transitional period for insurers for product disclosure statements to be updated, staff to be retrained and systems to be changed, the government said.

However, they allow insurers to use the standard definition with immediate effect.

Whelan said the regulations should serve as a reminder to all levels of government they should not overlook the importance of protecting communities from flood risks.

"The standard definition is one part of a complex issue," he added. "Insurance can only help communities recover from the impact of floods. Governments are responsible for protecting at-risk communities in the first place," he added.

"Urgent investments in permanent, well-designed physical mitigation measures – such as levees, barrages, flood gates and improved drainage – are still needed."

The ICA first attempted to introduce a standard flood definition into insurance contracts four years ago but it was rejected on anti-competition grounds by the competition commission.

Insured losses from last year's Queensland floods totalled A$2.4bn, with almost 60,000 claims received.

"The standard definition is one part of a complex issue... Insurance can only help communities recover from the impact of floods. Governments are responsible for protecting at-risk communities in the first place"

Rob Whelan
ICA

Queensland floods: A member of the Australian Air Force, helps evacuate flood victims

AP Photo/Royal Australian Air Force, Leading Aircraftman Benjamin Evans

New reinsurance broker StoneHill promises fresh approach to business

Newly launched StoneHill Reinsurance Partners is promising a fresh approach to reinsurance broking by servicing clients' needs without "fitting their need to an in-house product offering", *writes Richard Banks.*

The new Minneapolis-based company's principals, experienced broking figures Dan Koshiol and Lindsay Ginter, have an established track record in the professional liability field but also boast strong relationships with a wide array of reinsurers and other service firms, which, they claim, will provide "broader access to services and capabilities than the traditional intermediary".

Koshiol, whose 15-year career includes stints at Guy Carpenter, John B Collins and EW Blanch, said: "We see a market need for a broker who will solely invest time and resources on their clients. As brokers consolidate and look for additional revenue growth, some clients are being asked to purchase, at an added cost, products and services that historically have been included in the brokerage relationship."

Ginter has also held positions at Collins and EW Blanch and most recently managed a reinsurance captive for Wells Fargo and Company.

"We see a market need for a broker who will solely invest time and resources on their clients."

Dan Koshiol
StoneHill

@ More IIS news online

NEWS

Brazil's regulator urges insurance focus on dignity and environmental protection


Scott Vincent,
Rio de Janeiro
Deputy editor

Brazil's insurance regulator called for insurance industry innovation to help achieve the twin goals of environmental protection and human dignity in Latin America's largest nation.

In his address to the opening ceremony of this year's International Insurance Society seminar, taking place in Rio de Janeiro, Luciano Portal Santanna, superintendent of the Superintendência de Seguros Privados, said the international insurance sector has an important role to play in the country's development.

"It is a happy coincidence this event is being held alongside the Rio+20 conference. Today there is a consensus environmental protection is a need for humanity. It must also be highlighted sustainable development does mean development," he said.

"Another important principle which must be considered is the dignity of human beings. We must have a balance between all these principles.

"Here in Brazil, we have millions of people excluded from having power supply – a most basic need.

"In time, these people will move to a consumption market and to do this, investment in development through technology will be needed."

Santanna said it is important for the industry to reflect on incentives to make this happen.

"There must be ways to incentivise so insurance can play an important role in the development of new technologies," he said.

Dyogo Henrique de Oliviera, secretary to the Ministry of Finance with responsibility for insurance, said the Brazilian insurance sector will grow in line with the country's economic growth. "The more incentives there are, the more people will buy insurance," he said.

"The Brazilian economy has very favourable forecasts for the future. During the past 100 years, actual growth in the Brazilian economy has averaged 4.8% each year, despite a 20-year period of low growth during this time.

"Brazil today has a stable economy at a macro-economic level with inflation under control. We have investment in development – our acceleration growth programme forecasts \$1.3trn of investment over the next four years."

De Oliviera said there are a number of social and demographic developments that will aid development. "The economy is becoming more formal and income is being better distributed – a very prosperous middle class is expanding," he said.

"Investment and innovation are needed to translate this into results for the global insurance industry, but I'm sure the industry will be able to succeed in this task."

Children outside a squat in downtown Sao Paulo: the building lacks electricity and running water and is occupied by many homeless families
AP Photo/Andre Penner

BIG INTERVIEW

‘Restructuring has provided greater clarity and focus to the business’

One of the publicly stated objectives of Carl Beardmore’s tenure as chief executive of BMS is to double the size of its brokerage by 2015

Rasaad Jamie
Global markets editor

Few companies have been so radically transformed in terms of both business strategy and structure as specialist London market insurance group BMS over the past 18 months. This process of change, which is still ongoing, is described by Carl Beardmore, BMS’s chief executive, as a “complete re-engineering” of the business which will change the dynamics of the company even more dramatically over the next few years.

Although Beardmore, who was appointed chief executive in June 2010, is very much part of the change, he was no stranger to the board of BMS, having been involved with the company for the previous eight years, first as a strategic adviser, then for the past two years as a non-executive director.

According to its results statement released last week, BMS generated revenues of £53.2m ($83.4m) last year through its four business divisions: reinsurance, wholesale insurance, specialty insurance and its Pioneer-branded underwriting platform. But 2010 (when the company passed the £50m revenue mark for the first time in its 32-year history) was clearly a critical time for BMS. Two years earlier, the board of directors had agreed and begun to implement a more dynamic, aggressive business strategy. While BMS was recognised as a highly reputable and credible organisation, it was also perceived as a little too pedestrian in its way of doing business. Certainly, by 2010, the company did not generate a great deal of excitement in the market.

Beardmore, then still acting as a strategic adviser, was asked to become a non-executive director on the board of BMS. He says he took on the position with the full intention of fulfilling the traditional non-executive role of constructively challenging the execution of the strategy. “But what happened during that period was it became quite clear the new strategy required a different form of leadership. At the beginning of 2010, the board acknowledged things needed to be changed and, as a result of a combination of factors – the board’s familiarity with me, my understanding of the strategy of the business, my previous roles as business leader either in other companies or for myself – led them to conclude there was somebody already within the business who could fulfil the role of chief executive, whose familiarity with it would minimise any interruption in momentum,” Beardmore says.

A key, publicly stated objective of the new strategy and Beardmore’s tenure as chief executive is to at least double the size of BMS’s brokerage to £100m by 2015.

Employee-owned

BMS is a largely employee-owned business in which a third-party investor (AHJ Holdings) historically held a 25% stake. When BMS was originally formed in 1980, AHJ acted as the umbrella organisation for the company which, in effect, involved providing a guarantee of support in the early days of BMS’s evolution. In return for that duty, AHJ acquired an ownership stake in BMS. For a whole host of reasons, Beardmore explains, the investment remained in place right up to the time when he took over as chief executive. “I felt one of the first things we needed to do was to re-acquire that shareholding and make us 100% employee-owned and independent.”

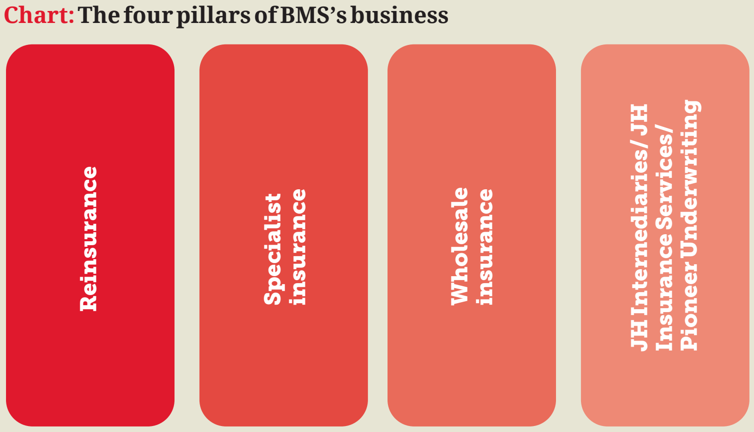
In 2011, BMS reached agreement to acquire the shares owned by AHJ for £8m. The transaction was structured in two tranches. “During 2011 and the first quarter of 2012, we acquired the first tranche of the AHJ holding and this share buy-back resulted in a reduction in net assets of £4.2m at the year end. We intend to acquire the balance of the AHJ shares during 2013.”

Beardmore, whose original background is financial accounting, had previously worked in a number of industrial sectors across a range of managerial roles including financial, operational, commercial, sales and marketing. Mainly working for multinational companies, the experience provided him with a grounding in most of the key disciplines necessary for the successful running of any organisation. In 1997, after a period of running his own business, he began working as a strategic adviser to a number of companies in the London insurance market.

“The type of consulting we did was to help with the strategic re-engineering of businesses, so I was always dealing in the boardroom. The London insurance world is quite small and we were working with one chief executive in a particular sector who happened to have a chief executive friend in the insurance sector who had a problem growing their business. That was quite literally how I came to be working in insurance.

“But once I was working in the sector, it became really interesting because here was an industry that seemed to have been doing the same things the same way for an awfully long time. And there was the rise of companies like Aon and Guy Carpenter, which grew rapidly through acquisition, and, as a result of that, the position of the traditional London correspondent broker position was being threatened because these large brokers were winning the business directly from clients and then increasingly pushing it through their own houses into the London market. It was a situation that was creating a lot of new dynamics in the market-

Chart: The four pillars of BMS’s business



Carl Beardmore CV

Beardmore was appointed chief executive of BMS Associates in June 2010 and heads both the UK and US operations. His primary focus is to lead the successful execution of BMS’s strategy: doubling the size of the broking business by 2015 and developing the overall business proposition.

Beardmore has been actively involved with BMS for eight years, initially as a strategic adviser and from July 2008 as a non-executive director.

He has a wealth of experience, advising in the insurance markets as well as running businesses in other industries. He has worked as a strategic adviser to leading players in the London insurance sector since 1997.

Beardmore began his career in the 1970s in the manufacturing industries and moved on to establish his own strategic consulting business in 1993.

place, which companies were having to respond to. Many companies were struggling to grow and expand. Profitability was getting harder to achieve. I thought it seemed like an ideal sector to deploy our talents of inspiring business success."

Decision-making

The immediate challenge for BMS, which was founded in 1980, was to improve the company's performance and manage costs at the business unit level. In 2010, this involved one of the company's most experienced brokers, Hugo Crawley, moving from his position as chairman of the holding company to chairman of the broking business. Indeed, a number of proven practitioners moved from the main board on to the broking board and the focus became far more oriented towards improving performance at the business unit level.

"We changed the way in which decisions were taken. Too many of the decisions were being made at the top of the organisation. To me, if you don't delegate the decision-making to the appropriate levels within the business it slows the business down, which inevitably manifests itself in the form of slow customer service.

"One thing I know as a customer myself of many products and from having spoken to customers within a number of different contexts is they want fast and effective responses, they want a timely response, so you have to engineer your business in a way where decisions can be made quickly so the client feels the benefit of that. In our market, which is dominated by some very large players, being fast, nimble and flexible is an important differentiator. Without being disrespectful to some of the bigger companies, a large organisation tends to be slower to react and making decisions. So if we are more nimble, we can service clients more efficiently than the competition."

Four pillars

The key focus of the restructuring, which has absorbed £15m of investment over the past 18 months, was to divide the business into four pillars: reinsurance, which in 2010 accounted for 57% of BMS's overall revenue; specialist insurance (26%); wholesale insurance (17%); and the fourth pillar, which is represented by BMS's two underwriting platforms JH Intermediaries (JHI) in the UK and JH Insurance Services (JHIS) in the US and by the launch of a managing general agency, Pioneer Underwriting, in April 2011. The restructuring, Beardmore says, immediately provided a greater clarity and focus to the business. At present, the investment is focused on the reinsurance platform in the US, on the wholesale business and on establishing BMS's underwriting platforms.

JHI and JHIS, he explains, were part of the traditional Jensen & Hastings business that became part of BMS a few years previously. Both businesses were heavily focused on the construction sectors in the UK and in the US. "As we are all aware, from 2008 onwards when the world went pear-shaped, the construction sector was affected dramatically. As a first action, we had to re-engineer completely those businesses which, through no fault of their own, found the carpet pulled from under their feet. What we have been doing is trying to retain the profitable parts of the business as well as those parts of the business we think have got potential in the long term. But to be absolutely candid, these businesses are now much reduced in size and they now form part of our Pioneer-branded underwriting platform. They are still using the JHI and JHIS names but under the umbrella of Pioneer."

Freeing up wholesale

There was a notable investment in the wholesale insurance division in 2010, when a team of brokers, led by Nick Cook, moved from Willis to BMS, where they merged with the company's existing wholesale team. The result, Beardmore says, was the creation of a strong, highly productive unit that in the first 12 months hit all its objectives in terms of business generation. The wholesale division, which focuses on traditional facultative lines of business, has also made a very strong start to 2012.

"The wholesale team is now empowered to act under its own authority and autonomy as often as it needs to. I think it is a great example of what happens when you get really good people, with good strong leadership, and give them the ability to act and not burden them with bureaucracy but just tell them to go out there and play well, but play hard. We felt if we allowed them the freedom and the autonomy to express themselves and optimise their skillssets, this would manifest itself in better solutions, better service and better relationships for our clients who, we hoped, as a result of our performance, would increasingly choose us as their provider. And that is exactly what is happening."

Although BMS reported a pretax loss of £2.1m in 2011 (largely as a result the restructuring charges and the cost of investing in its new strategy), there has been an increase in its underlying profitability. "We have started to win new business with the brokers and producers we have bought on board. Then there is the new business we have won but which did not have much of an impact on 2011 but it is making an impact on our 2012 revenues. Looking at 2012, we are predicting with some confidence revenues will grow close to 25% and our underlying profitability will increase significantly. So 2011 was very much a year of building, re-engineering and investing in the business. But the fruits of those efforts will show quite radically in 2012."

Business mix

A key question in terms of BMS's objective of becoming a company with a revenue of £100m by 2015 is how the revenue split is likely to change. Beardmore anticipates the revenue of the reinsurance division is likely to stay within the 50% to 60% region, despite the level of investment in this side of the business, which includes setting up offices in the US and strengthening the analytical and actuarial services on offer. "As the wholesale side of the business grows, that will become a greater percentage of the revenue than it is at the moment. By contrast, the specialty side is likely to reduce in percentage terms but not in performance because that will stay the same. And then obviously as the Pioneer underwriting agency develops, that will account for a greater percentage of revenue."

It is envisaged the underwriting platform will be a very strong contributor to the business by 2015. Indeed, as much as 10% to 13% of BMS's revenue at that time is predicted to come from underwriting. "But for me the strongest contribution that underwriting platform will make to the business at that point is as part of our new business model, which will combine our underwriting facilities and our traditional broking facilities to enable us to offer a unique service to our clients, a service that will be extremely beneficial to their businesses."

BMS, Beardmore says, is a very US-centric business. He says the percentage of business sourced from the US is greater than the 57% identified geographically; the exact figure is more like 80%. A significant volume of US business is brought into the London market by BMS in its role as a correspondent broker and consequently the geographic origins of the business is obscured.

"At the moment, we are very focused on the US and I think for the next two or three years we will continue to be that way, but as the wholesale side of the business – which focuses on areas like South Africa, the Middle East, Asia and Australasia – grows, that will change. Our long-term ambition is to serve reinsurance clients globally. To begin with, we are focusing on the areas we know very well, but over time we will take more of a global view. It is essential we do this to achieve our vision of becoming the most compelling independent broker of choice."

Trusted adviser

According to Beardmore, another key objective is for BMS to be a truly trusted adviser to clients. "It is a phrase that has been overused but I believe we can live up to it better than anybody else. Virtually all our clients, whatever the nature of their business, have a large amount of capital they are putting at risk to create and develop a sustainable business and they need truly trusted advisers that will ensure their capital is protected to its optimal level, so only the amount of capital they are wanting to put at risk is exposed."

According to Beardmore, BMS's clients also need help in analysing both the existing and future state of their businesses to ensure they are getting the best return on their capital. "That is what is being expected of insurance brokers now. Typically, when I sit down with clients they don't want me to tell them we are great brokers or we can put together a very good insurance programme for them. As far as they are concerned, every other broker can do that and we shouldn't be sitting in front of them if we can't.

"They are looking for added-value services to help them to sleep at night knowing their capital is protected and the use of that capital is being optimised. So the protection and optimisation of our clients' capital is right at the top my list of priorities. A key ambition is for our performance to please clients so much they're very quick to share that with each other. We want them to say: 'You should deal with BMS, you can really trust those guys to deliver on their promise to help grow your business.'" ■

Beardmore on...

Getting involved in the industry

"The London insurance world is quite small and[as a strategic adviser I was] working with one chief executive in a particular sector who happened to have a chief executive friend in the insurance sector who had a problem growing their business. That was quite literally how I came to be working in insurance."

Strengthening the wholesale division

"The wholesale team is now empowered to act under its own authority and autonomy as often as it needs to. I think it is a great example of what happens when you get really good people, with good strong leadership, and give them the ability to act and not burden them with bureaucracy but just tell them to go out there and play well, but play hard."

Extending firms' geographical reach

"Our long-term ambition is to serve reinsurance clients globally. To begin with, we are focusing on the areas we know very well, but over time we will take more of a global view. It is essential we do this to achieve our vision of becoming the most compelling independent broker of choice."

WORLD LOSS INTELLIGENCE/PROPERT

Disasters: Federal government's 99 disaster declarations cost insurers $35.9bn

US: The Federal government issued a record number of disaster declarations last year, with 99 events defined as such causing some $35.9bn of insured loss.

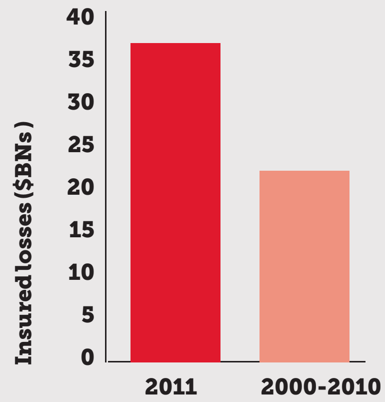
This total greatly surpasses the $23.8bn average insured US catastrophe loss total for the years 2000 to 2010. However, the Insurance Information Institute (III) figures also show, despite the enormous losses incurred last year, insurers themselves remain strong.

At the end of 2011, policyholders' surplus stood at $550.3bn, down just 1.6% compared with the previous year.

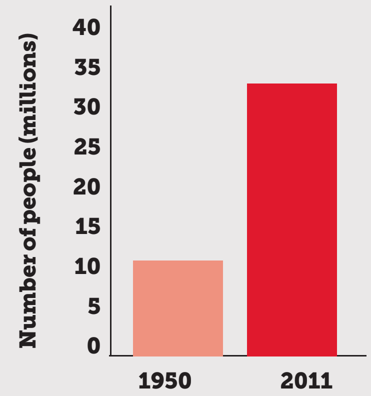
The losses faced by insureds from catastrophic events are likely to rise in the coming years, the III has also noted, particularly from coastal areas owing to huge increases in development.

According to the III, data from the Census Bureau, collected by USA Today, show that in 2006, 34.9 million people were seriously threatened by Atlantic hurricanes, compared with 10.2 million in 1950.

Graph 1: US insured losses

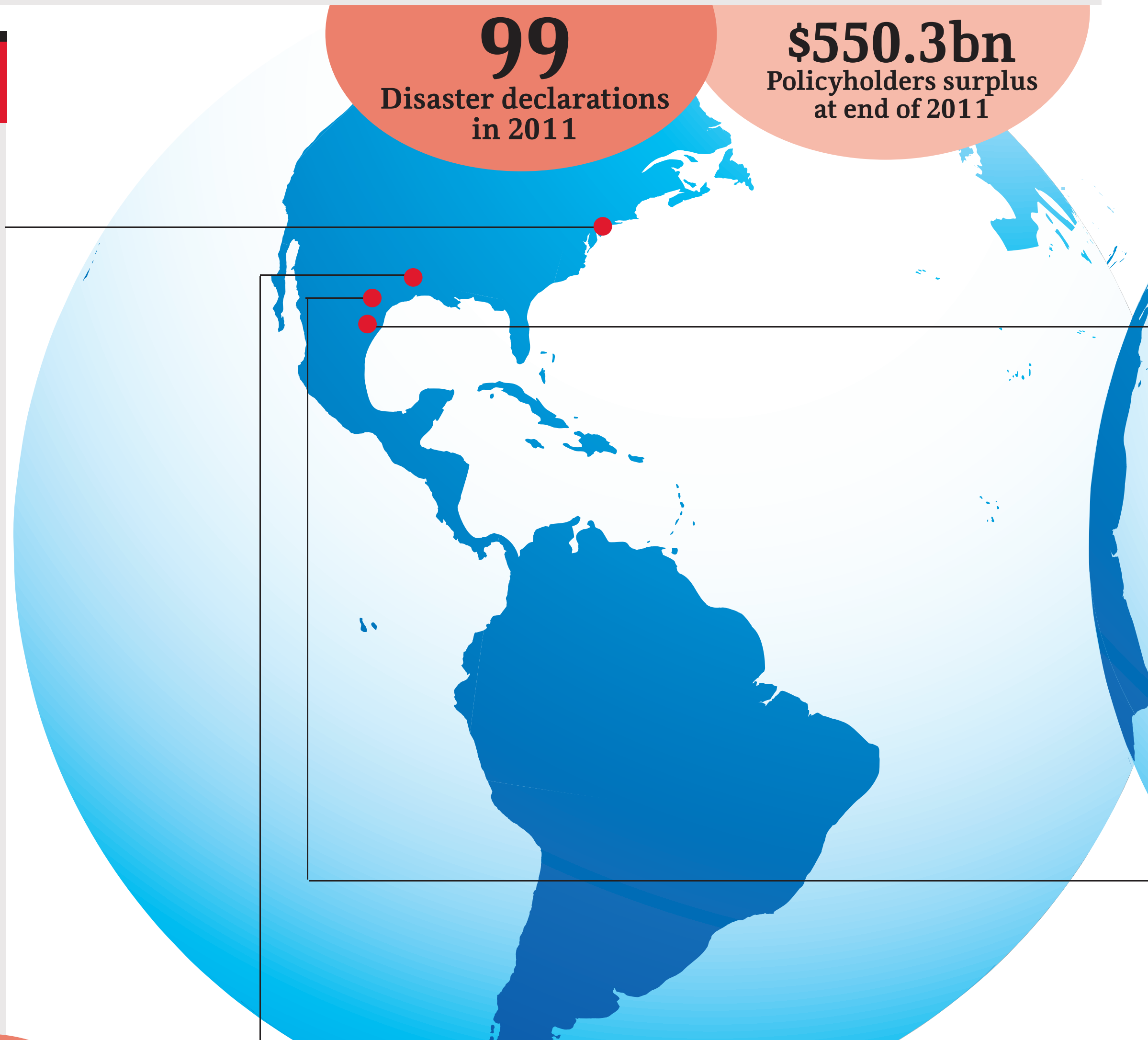


Graph 2: People affected by Atlantic hurricanes



99
Disaster declarations in 2011

$550.3bn
Policyholders surplus at end of 2011



Catastrophe cover: Assurant ups cat reinsurance programme to $1.5bn

NEW YORK: Assurant has increased its 2012 reinsurance programme by more than 15% to offset the considerable increase in its catastrophe prone exposure.

The company has $1.5bn of per-occurrence catastrophe coverage, excess of a $240m retention. The coverage is structured into five layers, with Assurant holding a 5% co-participation on the fifth layer. Last year's per-occurrence catastrophe coverage was limited at $1.3bn.

Its Florida hurricane catastrophe fund coverage provides state-specific protection for 90% of losses up to $465m after retaining $181m of the loss in the first instance. In 2011, Assurant's Florida hurricane catastrophe fund coverage stood at $407m.

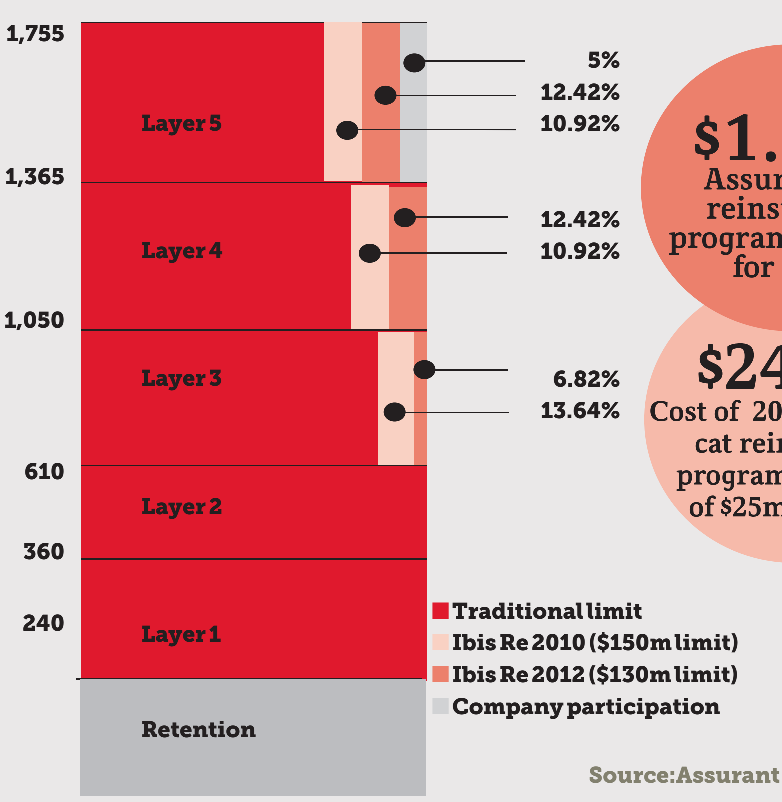
In addition, Assurant has catastrophe bonds in place that provide it with $280m of multi-year, fully collateralised hurricane coverage. This was issued in April 2010 by Ibis Re and in January 2012 by Ibis Re II, both of which are special purpose reinsurance companies.

Further protection is provided by Assurant's multiple storm protection coverage. This is multi-year, and lowers the programme retention to $120m, up from $90m in 2011, subsequent to the first event and provides for a maximum recovery of $100m for the second and subsequent events. However, this coverage does not provide for an automatic reinstatement.

The expanded reinsurance programme comes at a cost, however, with Assurant's protection costing $240m this year, up $25m on the previous year.

"The change reflects an increase in coverage primarily resulting from growth in our exposure in catastrophe-prone areas. Actual reinsurance premiums will vary if exposure growth changes significantly from estimates or if reinstatement premiums are required due to reportable catastrophe events," Assurant explained.

Graph: Assurant 2012 comprehensive catastrophe insurance programme



$1.5bn
Assurant cat reinsurance programme limit for 2012

$240m
Cost of 2012 Assurant cat reinsurance programme, a rise of $25m on 2011

Source: Assurant

Hailstorms: Dallas storm will cost insurers up to $2bn

DALLAS: Insured losses from a hailstorm that hit Dallas on June 13 could amount to as mu according to the Southwestern Insurance Information Service (SIIS).

The storm was the worst to hit the region in almost a decade, with SIIS members, which cover insurers in Texas and Oklahoma, already regarding the event as a catastrophe.

"Based on the claims filed in the past 36 hours, this storm could reach $1.5bn to $2bn in insu This is preliminary and we are hopeful the damage estimates fall short of what we are predictin Helin, president of the SIIS, said.

Insurance Information Institute figures show for the 20 years to 2010, hail, wind and flood los the US reached $14bn.

State Farm, which holds close to quarter of the property insurance in Texas, making it the larg of its type in the state, said before the weekend it had already received close to 8,000 vehicle c more than 3,000 homeowners' claims relating to the Dallas storm.

USAA, the military-focused insurer and fourth-largest property carrier in Texas, said it ha some 4,000 home and vehicle claims.

Hailstones the size of baseballs rained down on parts of Dallas last week, smashing car winds denting bodywork. Roofs and other parts of buildings also suffered damage.

TOMORROW IN WORL
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European windstorm cluster: Perils revises Joachim estimate downwards

FRANCE: Switzerland-based loss modeller Perils has once again reduced its industry loss estimate from windstorm Joachim, this time by an additional €4m ($5.1m).

Joachim struck western and northern Europe from December 15 and 17, 2011, and in January Perils estimated the insured loss at €300m. That estimate was later reduced to €289m and has now been cut further to €285m. Perils will issue a fourth loss estimate on December 15.

The loss figures do not include the impact on France's CatNat government scheme.

The windstorm caused power cuts in more than 300,000 homes in France, with strong winds causing significant damage. Some coastal areas also suffered flooding, with the areas of Gironde, Charente-Maritime, Vendee, Loire-Atlantique, Morbihan and Finistère particularly affected.

The French Federation of Insurance Companies has estimated the storm could generate 80,000 to 120,000 claims at a total cost ranging from €180m to €250m.

As well as France, Joachim also caused insured losses in Germany and Switzerland.

€285m
Revised estimated insured loss from windstorm Joachim

Hurricane Carlotta: AIR anticipates minimal insured losses

MEXICO: Insured losses from hurricane Carlotta are not expected to be particularly significant with the storm quickly dissipating over the country's more mountainous terrain.

Carlotta, the third named storm of the Pacific hurricane season, made landfall on Friday evening as a category-one storm near the Oaxacan town of Puerto Escondido, some 200 miles south-east of Acapulco.

Although maximum sustained winds reached 90 mph at landfall, AIR Worldwide "does not expect significant insured losses from Carlotta", the catastrophe-modelling company said.

"Carlotta was a relatively small hurricane at landfall, with hurricane-force winds extending less than 30 miles from the eye," Dr Tim Doggett, principal scientist at AIR, said. "As a result, damaging winds affected only a small portion of the coast."

Local reports said trees and billboards were blown down and windows that had not been boarded up were shattered by flying debris. AIR also said the metal roofs of some commercial buildings peeled off, with informally built homes suffering more serious structural damage. Up to 50% of residential structures are thought to be constructed without a building permit and these are unlikely to be insured.

The storm passed to the north of the 330,000 barrels-per-day oil refinery facility at Salina Cruz, the largest installation of its type in Mexico; the refinery remained open. At the same time, no damage has been reported in the popular resort city of Acapulco.

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Estimated cost of storm

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Homeowners' claims received by State Farm

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Wildfires: Nine states suffer from fires with costs continuing to rise

COLORADO, NEW MEXICO: Nine separate states continue to suffer from the effect of wildfires although the neighbouring states of Colorado and New Mexico have been faring the worst.

In Colorado, the most notable blaze was the High Park fire, which was ignited by a lightning strike last week to the west of Fort Collins, Aon Benfield said.

The fire has been burning in an area where 70% of trees had been killed by mountain pine beetles, with the blaze having charred at least 49,760 acres. More than 100 homes and other buildings have been damaged or destroyed in Rist Canyon, Paradise Park, Stove Prairie, Poudre Canyon, Old Flowers, Stratton Park, Kings Canyon and Cloudy Pass.

Hundreds of residents have been forced to evacuate their homes. So far, one person has been killed after her cabin was engulfed in flames and the total cost of fighting the fire has reached $3m.

New Mexico has suffered several recent fires, the most damaging of which was the Little Bear Fire. This blaze erupted on June 4 after lightning struck dry vegetation. Close to 40,000 acres have already burned downand 224 residential structures and 10 outbuildings have been destroyed.

In addition, the Whitewater Baldy Complex Fire has now been burning for more than a month, with the blaze now thought to be 75% contained. More than 290,127 acres of land have been scorched, with the cause of this fire also thought to be lightning. Total costs to fight this fire have reached $22.6m.

US Wildfires in numbers

49,760 acres
Charred by the fires at High Park

100
Homes and other buildings damaged or destroyed by by the High Park Fires

40,000 acres
burnt at the Little Bear Fire

290,127 acres
Scorched by the Whitewater Baldy Complex Fire

RIO+20 PREVIEW

New sustainability principles to strengthen risk management of insurers

Astrid Zwick
Munich Re

On the eve of the Rio+20 conference, the Principles for Sustainable Insurance (PSI) will be presented and signed in Brazil by close to 30 insurance companies today. The signatories will enter into a commitment to systematically and increasingly apply sustainability criteria in their day-to-day business. This sounds a lot easier than it is. But all sides stand to benefit from the new principles: society, because of its implications in terms of responsible corporate decision-making, and the signatory insurers, whose risk management will thus be further strengthened.

In subscribing to the PSI of the United Nations Environmental Programme Finance Initiative (UNEP FI), the signatories are taking the commitment to sustainability inherent in the very concept of insurance a stage further. Insurance is essentially a promise given to the customer regarding the future. First, insurance companies are a stabilising factor – because the risks are shared among many, the extreme financial impact on the individual is reduced. Second, insurance mitigates losses because the risks are quantified via the rating process, which effectively puts a price tag on them. In other words, reducing the risk lowers the premium. Last but not least, by underwriting risks, insurers facilitate progress and innovative insurance concepts help promote the development and diffusion of new technologies.

This can be seen from the way engineering insurance evolved. When the industrial revolution got under way in the 19th century, fire insurance alone was no longer sufficient to cover the production facilities. The machines were generally steam-driven and extremely costly. Steps had to be taken to prevent breakdown and explosion to protect the workforce and minimise financial loss. Engineers began carrying out routine inspections of the machines and instructing the workforce on how to operate them. Armed with the experience gained by the engineers, the insured and the insurers got together to develop new covers. Ultimately, it became possible to cover material damage and business interruption as individual risks. All this helped facilitate the necessary capital-intensive investment in modern machinery, and thus the industrial revolution itself.

The latest example showing how insurers promote sustainability is renewable energy. They support this technological transformation by providing the experience and expertise required to develop new insurance concepts. By way of an example, the geothermal energy sector benefits from exploration risk insurance, which covers the extremely high costs involved if exploratory drilling is unsuccessful. Similarly, insurance against reduced photovoltaic output facilitates the funding and planning of major projects.

Insurers seek solutions to pressing global issues because they affect their core business. Climate and demographic change and overstretched healthcare systems are among the many issues analysed by insurers as emerging risks, relevant to their business. Thus, the industry performs an early-warning function for society as a whole. Munich Re, for instance, began drawing attention to the threat of climate change as early as the 1970s. And we continue to be actively involved in the debate on this issue.

Where major social issues are concerned, insurers research the causes of loss and apply their findings to loss prevention and product development. The list of new, sustainability-based products and initiatives is a long one and the approaches vary. Insurers can apply premium discounts to encourage drivers to opt for low-carbon vehicles. Unit-linked pension funds can be tailored to clients' ethical, social and ecological concerns. Special crop insurance systems help farmers protect themselves against drought and other effects of climate change, while public-private partnerships are a key factor in the close collaboration necessary between farmers, state and insurers. What these product developments have in common is they can be seen as small steps forward in solving the challenges faced by society. Munich Re has "gone the extra mile" by collaborating with the Desertec Foundation to launch an industrial initiative designed to realise the Desertec vision. Now comprising some 55 companies and partners, Dii GmbH is promoting the vision of a sustainable energy supply from the deserts of the Middle East and north Africa region.

55
Companies that have joined the Dii, a private industry consortium working towards enabling the Desertec vision

1,000+
Companies that have applied the UNEP FI's Principles for Responsible Investment, published in 2006

All these examples show sustainability is very much of concern to insurers, and indeed, fundamental to their business model. Awareness of the issues involved will be further boosted by the adoption of the PSI. The world in which we live is complex, interconnected, global and fast moving. To ensure we can continue to operate within a secure environment, we have to have a reliable framework. That is precisely what the PSI will be with regard to the ecological, social and governance (ESG) issues faced by insurers. The principles are not a checklist but a first step in getting the process moving in the right direction. Each individual company will have to draft binding guidelines implementing the PSI along the value chain. Consequently, risk analysis will be extended to comprise all types of risk, including some never previously considered that could nevertheless involve long-term loss and damage.

This will bring challenges and opportunities. In some cases, it may mean risks can only be underwritten subject to strict limits. In any event, greater awareness of sustainability issues will have the effect of mitigating expected losses and could also increase demand for innovative insurance solutions. At the same time, we will have to exercise caution in applying the principles, and take due account of the legitimate needs of investors, clients, employees and the public.

By acting responsibly, the insurance sector, with its global premium volume of more than $4trn and $24trn in investments, can be a highly effective role model. The UNEP FI's Principles for Responsible Investment (PRI) published in 2006, demonstrated just how successful a voluntary, transparency-based initiative can be. They address the issue of how sustainability concerns can be included in investment decisions. The PRI have now been accepted and applied by more than 1,000 companies and institutions investing a total of some $30trn. Munich Re was also among the founding signatories.

In signing the UNEP FI's PSI principles, insurers will agree to take account of ESG considerations along the entire value chain. This means systematically incorporating ecological, social and corporate governance issues into our activities with all stakeholders (clients, business partners, employees, investors, analysts and supervisory authorities). In keeping with these principles, companies will set themselves individual objectives and formulate specific action plans. They will have to report regularly on their progress in applying the principles. In short, insurers are about to embark on a process of ongoing improvement. ■

Reinsurance fuels modest growth for brokers

Brokers kept their heads down during the first quarter, concentrating on cost control, client retention and development in select lines and emerging markets

Graham Village
Global markets editor

Leading broking firms turned in a steady performance during the first quarter, keeping a tight hold on expenses and picking up revenue from some modest improvement in rates for several classes. Growth remains hard to come by in North America, western European and other developed markets but global brokers are making strong headway in South America and Asia.

Reinsurance and related activity has proved an area of good growth for the major brokers this year, driven by the stronger rates for catastrophe-exposed business in reaction to 2011's extraordinary losses.

Rating agency Moody's last week awarded a stable outlook to the global broking sector, reflecting the steady performance of the market through shifting economic and trading conditions, offset in part by integration risk and the need of some players to reschedule their debt.

Insurance-buying patterns provide brokers with some insulation against extreme price swings, according to Moody's.

When rates decline heavily, buyers tend to increase their level of cover; conversely, when rates shoot up, buyers scale back their insurance. Many brokers still derive a large part of their revenue from commissions based on the premium paid, so over time the organic revenue of brokers proves more stable than rates for commercial non-life insurance, Moody's said.

Merger and acquisition (M&A) activity is likely to continue in the US, the agency said, owing to the fragmented nature of the sector and the large number of independent, smaller players.

Using information provided by Reagan Consulting, Moody's noted an estimated 4,200 brokers with annual revenue of less than $500m each account for about 44% of total broking revenue in the US.

There are close to 3,300 local firms with revenue of less than $5m each.

Our analysis of the opening three months of 2012 concentrates on the handful of quoted broking groups who issue results on a quarterly basis. We also bring brief details on recent developments at other brokers active in the international market.

MMC: Net profit for Q1 2012 increased 6.8%

Daniel Acker/ Bloomberg News

$347m
MMC profit for Q1 2012

Marsh & McLennan Companies (MMC) produced improved operating profit and revenue growth for both broking and consulting activities during the first three months and the group's net profit increased 6.8% to $347m.

Broking operations – comprising Marsh's retail business and Guy Carpenter's reinsurance broking division – recorded an operating profit of $417m, up from $383m, as revenue growth of 7% on both an overall and organic basis more than offset a rise in expenses.

Marsh experienced revenue growth of 5% in Europe, the Middle East and north Africa (Mena); 6% in North America; 18% in Latin America; and 10% in Asia-Pacific. The rise in underlying revenue was driven by higher retention rates and new business development.

Guy Carpenter's revenue was up 7% organically and 5% overall to $357m, led by the division's international operations.

Broking expenses climbed 6% as a result of a 5% underlying rise and a 2% increase from acquisitions, partly offset by a 1% reduction for currency exchanges.

MMC's consulting activities produced a 4% increase in revenue and a 24.2% rise in operating profit as business growth outstripped a 2% rise in expenses, mainly because of higher compensation costs.

MMC spent $148m during the quarter on three acquisitions by its broking division and three in its consulting operations. Of the $148m total cost, $73m was in cash.

Marsh bought South African bro-

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Table 1: Broking sector financial highlights, first quarter ($m)

Company	Aon		MMC		Willis		AJ Gallagher		Brown & Brown	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Commissions and fees	1,840	1,893	1,634	1,747	999	1,005	315	383	262	297
Consulting/HR etc	1,851	1,905	1,261	1,313	–	–	130	140	–	–
Investment income	11	12	19	20	8	5	2	2	–	–
Total revenue (after eliminations)	2,759	2,841	2,884	3,051	1,007	1,013	446	546	262	303
Compensation and benefits	1,597	1,661	1,721	1,796	583	506	290	339	127	150
Other expenses	764	778	691	728	185	190	–	–	59	70
Total expenses	2,361	2,439	2,412	2,524	768	696	418	507	186	220
Operating result	398	402	472	527	239	317	–	–	–	–
Pre-tax result	356	345	447	507	28	285	28	39	77	83
Net result	246	238	325	347	34	225	18	32	46	49
Net result as % of total revenue	8.9	8.4	11.3	11.4	3.4	22.2	4.0	5.9	17.6	16.2
Shareholders' funds*	8,078	8,358	5,940	6,265	2,517	2,702	1,244	1,357	1,644	1,685

Source: Insurance Day/company announcements
*2011 figures as at December 31

COMPANIES HOUSE

Continued from p9

Table 2: Aon, revenue breakdown, first quarter ($m)

	2011	2012
Americas retail	631	651
International retail	822	843
Total retail broking	1,453	1,494
Reinsurance broking	387	399
Risk and insurance broking segment total	1,840	1,893
Consulting services	371	380
Outsourcing	552	568
Consulting/HR solutions total	915	945
Total after eliminations	**2,755**	**2,838**

Table 3: Aon, operating result, first quarter ($m)

	2011	2012
Risk and insurance broking	399	407
Consulting/HR solutions total	167	156
Total after eliminations	**534**	**529**

Table 4: Willis breakdown by division, first quarter ($m)

	2011		2012	
	Revenue	Operating result	Revenue	Operating result
North America	358	85	349	82
International	289	86	292	81
Retail total	647	171	641	163
Global	360	176	372	179
Overall total after eliminations	**1,007**	**239**	**1,013**	**317**

ker Alexander Forbes Risk Services, US employee benefits agency KSPH and Cosmos Services (America), the US broking division of Japanese company Itochu Corp. MMC spent $106m on acquisitions during the first quarter of last year.

Last month, Marsh UK agreed to sell four businesses within its Gibbs Hartley Cooper (GHC) unit to RK Harrison (see below). Marsh UK became the owner of GHC on the acquisition of HSBC Insurance Brokers. GHC is now focused on providing London wholesale services to third parties and Marsh UK's businesses.

MMC made no share repurchases during the first quarters of both 2011 and 2012.

Alexander Moczarski, head of Guy Carpenter, took on the additional role of chairman of Marsh & McLennan Companies International in March.

Aon had a steady first quarter, recording a 3% increase in both revenue and expenses, closing the period with a slightly reduced net profit of $238m.

Organic growth was 4%, the best rate since the second quarter of 2007, as both broking and human resources (HR)/consulting operations produced strong underlying increases.

In the group's risk solutions (broking) division, revenue climbed 3% overall, comprising organic growth of 4% and a 1% boost from acquisitions, offset in part by a 2% unfavourable impact from currency exchanges.

Retail broking showed growth of 4% at both Americas and international operations, fuelled by renewals and new business in Latin America, Asia, New Zealand and emerging markets.

Reinsurance brokerage was up 5% owing to new treaty business and some favourable pricing for international accounts, offset in part by higher cedant retentions.

Expenses rose 6%, partly because of a $14m charge for acquisitions, primarily Glenrand MIB. Operating profit for broking was up to $366m from $347m.

The group completed its restructuring plan associated with the acquisition of Benfield in 2008 with a final $8m expenses charge during the first quarter, bringing the total cost to $161m. The plan led to the loss of 810 jobs. HR solutions recorded operating profit of $73m, reduced from $83m, as the rise in compensation and other expenses outweighed a 3% increase in revenue produced by growth across Asia, and in compensation and investment consulting.

The restructuring plan the group adopted following the purchase of Hewitt in 2010 resulted in costs of $12m, down from $23m. Cumulatively, the group has incurred $169m of restructuring costs and shed 1,186 posts since the start of the plan.

Two small acquisitions cost Aon $27m during the first quarter. In April, the group agreed to buy the commercial broking activities of Dutch company ABN Amro Bank for an undisclosed sum. Some 78 staff will transfer to Aon as a result of the takeover.

Aon repurchased shares worth $100m during the first quarter, compared with repurchases of $350m for the comparable period of last year.

And in April, Aon's board approved a $5bn repurchase plan.

Aon completed the redomiciling of its parent company from the US to the UK during April. In its 10-Q filing to the Securities & Exchange Commission, Aon said it expected to benefit from the "UK dividend exemption system for certain UK source dividends repatriated to the UK thereby increasing our financial flexibility".

First-quarter results for **Willis** looked much better than for the comparable period of 2011 but much of the bottom-line improvement was because of one-off operational review expenses and debt repurchasing costs, collectively totalling $268m. For the 2011 period, overall, operating profit increased to $317m from $239m while net profit was up to $225m from $34m.

Revenue grew 2% on an organic basis owing to development at the global and international retail divisions, offsetting contraction in the North American retail account. After an adverse impact of 1% owing to currency conversions, revenue climbed 1% overall to $1.01bn.

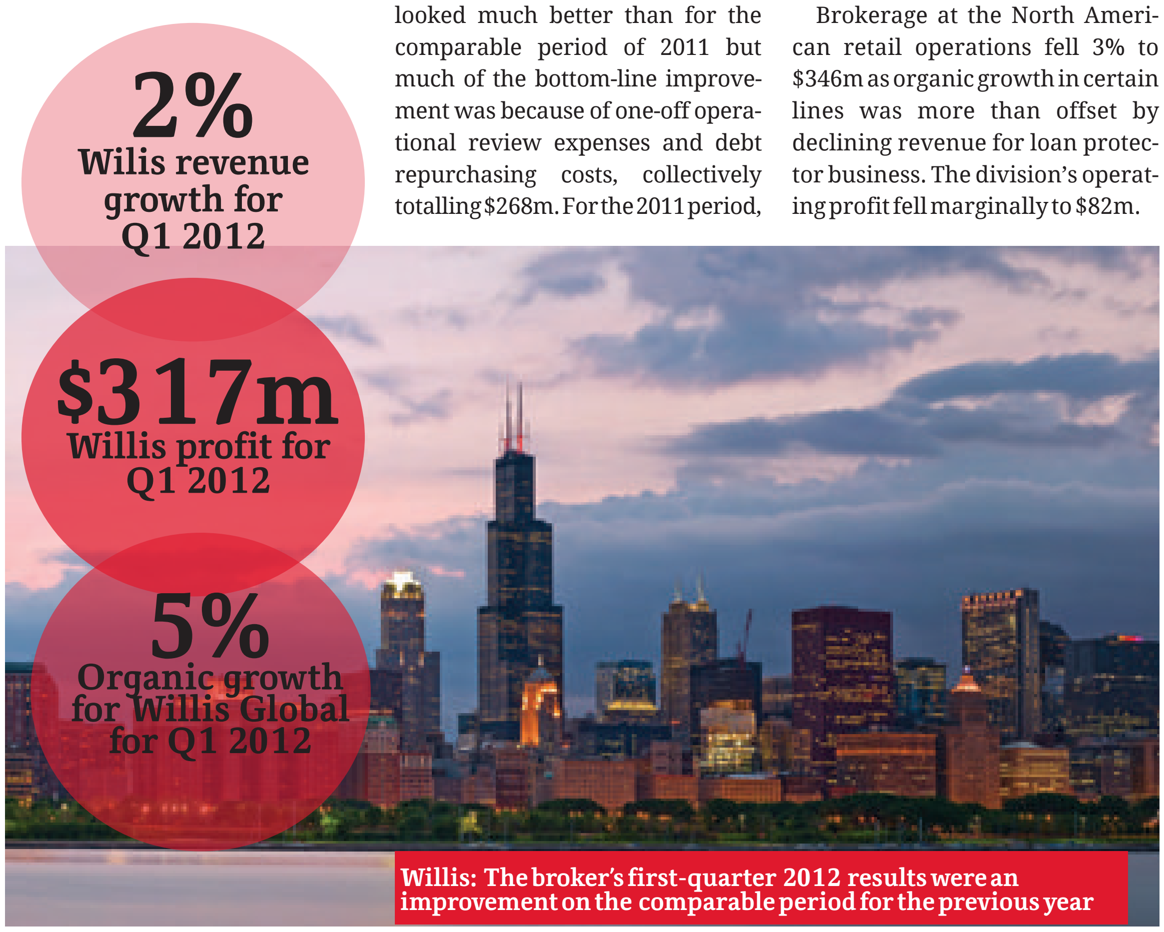
Willis Global – comprising global specialty, reinsurance, wholesale business under Willis Faber & Dumas (WFD) and Willis Capital Markets & Advisory (WCMA) – produced organic growth of 5%.

Reinsurance broking recorded high single-digit growth led by North America, international and specialty operations. Growth was in the low single-digit range for specialties, driven by marine and energy business, and at WFD. WCMA's revenue declined.

This month, Willis consolidated the many businesses within the division into three broad units covering reinsurance, placement and specialty.

International retail business lodged a 4% rise in organic brokerage in the first quarter, driven by double-digit growth in Latin America and eastern Europe, as well as more modest development in Asia and continental western Europe. Brokerage was down for UK retail operations owing to general economic pressures, Willis said. Operating profit for the division was up slightly to $292m.

Brokerage at the North American retail operations fell 3% to $346m as organic growth in certain lines was more than offset by declining revenue for loan protector business. The division's operating profit fell marginally to $82m.



Willis: The broker's first-quarter 2012 results were an improvement on the comparable period for the previous year

During the first quarter, Willis paid $29m to buy the 49.9% of French reinsurance broker Gras Savoye Re that it did not already own. The group also sold 49.9% of its retail operation in Peru, Willis Corredores de Seguros, to Grupo Credito for $2.8m, reducing its stake to 50.1%. Last month Willis Risk Services (Ireland) acquired Irish employee benefits firms Attain Consulting and Trustee Principles.

Willis took a charge of $13m for the write-off of uncollectible accounts receivable and associated legal fees due to the discovery of possible fraudulent overstatement of close to $28m in commissions and fees since 2005 relating to employee benefit activities.

Arthur J Gallagher (AJG) recorded higher revenue and operating profit at both broking and risk management divisions during the first quarter. Group net profit increased to $31.8m from $17.9m for the opening three months of last year.

In its broking division, AJG reported brokerage of $384.6m, up 21.6% from $316.3m for the same period of last year. Most of the increase was due to the effect of acquisitions during the last nine months of 2011 and the opening quarter of the present year.

Organic growth was 3.5%. AJG acquired London market broking group Heath Lambert for $164m in May last year and that purchase brought revenue of $32.7m over the first quarter. For a full 12-month period, Heath Lambert should bring revenue of $145m to $155m.

AJG's brokerage total included $75.1m of fees, $17.1m of supplemental commissions and $19.0m of contingent commissions. Broking represented 70% of the group's total revenue during the quarter.

The risk management division produced increased revenue of $141.3m, up from $130.6m, and pre-tax profit of $23.6m, up from $15.2m. Organic fee income rose 7%. In addition to its insurance and risk management operations, the group holds investments in clean energy operations.

AJG continued its spending spree during the first quarter, acquiring 12 firms for a maximum purchase price of $89.8m.

That figure includes the maximum potential earnout under purchase terms. The largest acquisitions were First Premium, a managing general agent and wholesale broker based in Louisiana, in February and BenefitLink Resource, a Canadian employee benefit broker, in March.

Table 5: MMC breakdown by type, first quarter ($m)

	2011		2012	
	Revenue	Operating result	Revenue	Operating result
Marsh	1,282	–	1,379	–
Guy Carpenter	340	–	357	–
Risk and insurance services total	**1,622**	**383**	**1,736**	**417**
Mercer	922	—	957	–
Oliver Wyman	339	—	356	–
Consulting total	**1,261**	**128**	**1,313**	**159**
Total (after eliminations)	**2,884**	**471**	**3,051**	**527**

Table 6: Marsh's revenue by region, first quarter ($m)

	2011	2012
Europe, the Middle East and Africa	551	577
Asia-Pacific	125	142
Latin America	61	74
International total	737	793
North America	545	586
Marsh total	**1,282**	**1,379**

Brown & Brown, based in Florida, recorded a 15.4% increase in revenue in the first quarter, rising to $302.5m from $262.2m for the same period of last year.

However, the group's account is likely to develop considerably following the acquisition in January of Arrowhead General Insurance Agency, a national programme manager and one of the largest US managing general agents. Arrowhead accounted for the bulk of the $41.5m core brokerage that acquisitions brought Brown & Brown during the first quarter.

The group's core brokerage (excluding contingent commissions and profit commission) for the 2012 period was split retail 56.3%, national programmes 19.9%, wholesale 14.2% and services 9.6%. The quarter was an important one, Brown & Brown said, as it marked the first time following 20 consecutive quarters the firm achieved positive growth in its core organic broking account.

The small positive growth, of 0.9%, stemmed from stabilising exposure units in the middle-market economy and slight rises in premium rates.

However, in its core retail division, the group recorded contraction of 0.7% on an organic basis, although revenue increased 6% overall owing to the effect of acquisitions. Brown & Brown posted net profit of $49.4m, up 6.8%.

US broking group **Amwins** has welcomed private equity firm New Mountain Capital as an investor after the withdrawal of Parthenon Capital, which had held a 45% stake. New Mountain has taken an interest of slightly more than 60% in Amwins, while the broker's employees continue to hold more than 33%.

Amwins owns London market broking firms THB, acquired in January, and Colemont.

$31.8m
AJG group net profit for Q1 2012

$384.6m
AJG brokerage for Q1 2012

3.5%
AJG organic growth for Q1 2012

New Mountain has previously taken investment positions in Validus Re and Paris Re, the company that took over the old Axa Re account and was subsequently acquired by PartnerRe.

BMS reported underlying profit of £7.8m last year, up 9% on its profit in 2010. Revenue climbed 5% to £52.9m. By revenue, the firm's account was split reinsurance 54%, specialist insurance 29% and wholesale 17%.

Reinsurance revenue fell 3% due mainly to lower collection fees in the run-off services business.

Specialist revenue climbed 14% as both marine and aviation finance and direct marine posted strong increases.

Wholesale revenue was up 13%, driven by business from the new risk solutions team.

BMS has launched a global construction capability, headed by Gavin Madell, who joins from Price Forbes. He is supported by David Lazell on general liability and Paul Hutchinson on professional indemnity. Steve Ferns handles claims.

US broker **Frank Crystal & Co** has entered into a co-operative venture with European broker **PL Ferrari & Co** to set up a US marine insurance practice that will provide protection and indemnity services for shipowners based in the US. Heading the new practice is

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COMPANIES HOUSE

Continued from p11

Paul Barnes, formerly with the management firm of the American P&I Club.

Hub International has continued its long run of acquisitions with several more over the past few months. Recently it has bought Association Benefits Insurance Agency, based in Massachusetts; Knauff Insurance Agency in North Carolina; Signature Insurance Group, based in Washington; and Bettinson, based in Ontario.

Recent acquisitions at expanding broking group **USI Insurance Services** include Impact Benefit Services, based in Georgia, and BBVA Compass, based in Texas. The two firms had combined annual revenue of close to $30m.

UK broking and underwriting group **Hyperion** has agreed to buy Lloyd's broking group Windsor from its management and employees, and its institutional backer Hutton Collins Partners. Windsor carried out a private buyout in 2007, backed by Hutton Collins, which took a 22% stake in the broker. Windsor produced a pre-tax profit of £12m ($18.8m) from revenue of £37.5m last year. Following takeover, the enlarged Hyperion London market division will be led by Windsor's chief executive, John Bennett, who will report to Tim Coles, chief executive of Howden Broking Group.

Separately, Hyperion has agreed to sell its majority stake in managing general agent CFC Underwriting to the management team and consortium of private investors, including Richard Corfield, previously with Lloyd Thompson and RK Harrison, and Mike Rees, one of the founders of Benfield.

Last month, venture capital company **BP Marsh & Partners** raised £4.5m from the sale of part of its holding in Hyperion. The purchaser was Murofo Investments, an existing Hyperion shareholder, which now has a stake of 14.46% in the broking group.

Integro has opened an office in Chapel Hill, North Carolina to serve the Carolinas. The firm has hired Chefir Hafez, a healthcare specialist, as managing principal of the office.

JLT said trading in the first three months of the year was 'in line with expectations'

Miller Insurance Services has expanded its limited liability partnership in a bid to secure stronger staff retention and recruitment. On May 1, the business of the firm and its employees transferred to Miller Insurance Services LLP, and more than 90 employees became partners of the partnership.

Jardine Lloyd Thompson (JLT) issued a brief trading statement for the period January 1 to April 25 this year, reporting what it called "a positive start to the year and the overall trading performance is in line with expectations". Insurance markets remain competitive, JLT said, but rates have stabilised in some areas and hardened for some catastrophe-related risks.

In its broking division, JLT said it had seen encouraging levels of organic growth, with Latin America, Asia and reinsurance developing. The employee benefit business has expanded its international presence. The acquisitions of Alta SA in Chile and FBD Insurance Brokers in the Irish Republic, acquired in the second half of 2011, are performing well and in line with expectation, JLT said.

€757m
Annual turnover of French broking group April

Lockton recorded an 8.5% increase in revenue last year, up to $836.1m from $770.3m in 2010. Last month, Lockton Mena joined forces with local investment firm Capital to set up an office in Abu Dhabi. Lockton Mena gained a licence to operate in the Dubai International Financial Centre in October 2010.

At the end of April, Lockton acquired the minority stake in its operations outside the US held by investment fund Trident III, managed by Stone Point Capital. The Trident fund and Stone Point provided financial and other support to Lockton when it acquired the international operations of Alexander Forbes in 2006.

Lonmar Global Risks has agreed to sell MediCare International to French wholesale and travel broking group **April** for an undisclosed amount. MediCare offers healthcare cover to expatriates and their families from 86 nationalities in 121 countries. April is one of the largest French broking groups, with annual turnover of €757m ($956.3m).

The firm will complete the MediCare acquisition through its UK subsidiary, April Medibroker Ltd, which markets international private medical insurance mainly over the internet.

MediCare will continue to operate from its present premises in Aldgate, London and under the managing directorship of Debbie Purser. Lonmar will provide broking and placing services to MediCare through its accident and health division.

April reported sales of €191.4m during the first quarter this year, up 4% on the comparable total for the same period of last year.

The split for the 2012 period was brokerage 65%, premium income 35%. By division, the split was health and personal protection 64%, non-life 36%.

RFIB Holdings has transferred its Australian energy business to the management, led by Simon Race. The buyout group, known as ToleHouse Risk Services, will take over RFIB's ownership of RFIB Energy Australia Pte. ToleHouse and RFIB intend to continue working together.

RK Harrison has completed the purchase of four businesses within Marsh UK unit Gibbs Hartley Cooper. The businesses are GHC's specie and cargo practices as well as most of the North American non-life and accident/health and contingency businesses. RK Harrison will integrate the incoming practices into its existing specialty lines operations.

Ryan Specialty Group has agreed to acquire WKFC Underwriting Managers, an MGA in the US excess and surplus lines market. WKFC, based in New York, sources more than 90% of its account from a network of 150 wholesalers.

Towers Watson Re(Insurance) Brokers has expanded further in continental Europe through the opening of an office in Munich, called Towers Watson (Re)Insurance Brokers GmbH. Leading the office is Herbert Sedlmair, who has joined the firm from Guy Carpenter. In time, the Munich platform will service reinsurance clients in Germany, Austria, Switzerland and eventually some of the central and eastern European countries.

Hawkes Bay Holdings, the parent of London market broker Tysers and underwriting agency Aquila, recorded revenue of £37.6m last year, up 6% on the previous year and up 8% at constant currency exchange rates.

Pre-tax profit increased to £5.2m from £2.7m.

Australian group **Wesfarmers**, through its Crombie Lockwood broking unit, has agreed to buy New Zealand broker ACM Insurances. Crombie Lockwood is already the largest broker in the country. ■

Table 7: Big three brokers, reinsurance operations, first quarter ($m)

Company	Revenue 2011	Revenue 2012	As % of total broking revenue 2012
Aon Benfield	387	399	21.1
Guy Carpenter	340	357	20.6
Willis Global*	360	372	36.7

*comprises reinsurance, global specialties, London market wholesale, and Willis Capital Markets & Advisory