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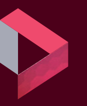
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First published in 1995, *Insurance Day* has become the favourite publication for the London market, which relies on its mix of news, analysis and data to keep in touch with this fast-moving and vitally important sector. Its experienced and highly 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, including the *Insurance Day* London Market Awards, which recognise and celebrate the very best in the industry.

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Insurance Day, Informa, Third Floor, Blue Fin Building, London SE1 0TA

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

Deputy editor: Lorenzo Spoerry
+44 (0)20 7017 6340
lorenzo.spoerry@informa.com

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

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

Business development manager: Toby Nunn +44 (0)20 7017 4997
Key account manager: Luke Perry +44 (0)20 7551 9796
Advertising and sponsorship: Deborah Fish +44 (0)20 7017 4702
Classified and legal notices: Maxwell Harvey +44 (0)20 7017 5754
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
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

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IGI avoids Covid-19 losses in first quarter

Operating income nearly triples to $13m in three-month period

Michael Faulkner
Editor

International General Insurance (IGI) reported a near-tripling of operating income in the first quarter of the year, driven by an improved underwriting result.

The Bermudian specialty re/insurer, which has been acquired by US investment vehicle Tiberius, reported operating income of $13.4m in the quarter, compared to $4.6m a year earlier.

Underwriting income nearly doubled to $23.2m on the back of lower expenses, benign catastrophe activity and significant growth in earned premiums. The group's combined ratio improved 13.8 points to 81.3%.

IGI said it had to date avoided "material" material losses as a result of Covid-19, which came to $2m.

However, pandemic-related foreign exchange losses and mark-to-market investment losses pushed the group to a first-quarter net loss of $900,000.

Gross written premiums for the period grew 24% to $99.2m, in part reflecting the growth in new business and a more than 13% rise in rates across its book of business.

IGI's chairman and chief executive, Wasef Jabsheh, said the group was continuing to monitor the underwriting impact of the pandemic.

Underwriting income nearly doubled for IGI

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'I am particularly pleased with the strong underwriting performance achieved during this period'

Wasef Jabsheh
IGI

"I am particularly pleased with the strong underwriting performance achieved during this period and also that we were able to leverage our long-standing relationships and market position to take advantage of opportunities to refine our portfolio in our core lines and geographies, while writing profitable new business," Jabsheh said.

"During the quarter, we continued to see rate increases of more than 13% across our book of business, with price momentum continuing to build in most lines of business. We are optimistic this will continue throughout 2020 and, with our entry into the US excess and suplus lines markets in April, we will maintain our focus and discipline as we strive to continue to generate attractive risk-adjusted returns for our shareholders," he added.

Investments boost Skuld return to $25m for 2019/20

Skuld booked a $25m return for the 12 months ending February 20 on the back of a "particularly strong" investment return towards the end of the year, *writes Lorenzo Spoerry.*

Global investment market volatility favoured Skuld's investments, with a return of 5.5% helping to overcome a combined ratio that, at 109%, was well into loss-making territory.

Skuld said the underwriting loss "continued to show the clear need to bring premium levels into line with risk" on the mutual book of business.

There were a number of mid-sized claims and some large claims leading to the negative technical result – Skuld's first in 16 years.

The company reported no pool claims on its own mutual book but covered the share of those made by other clubs.

The 2019/20 result was also affected by one-off costs associated with the previous year's closure of Skuld's Lloyd's syndicate 1897.

Ståle Hansen, Skuld's president and chief executive, said he was "very pleased" with the result, which included a 2020/21 protection and indemnity renewal that was "firmer" than in previous years.

On the Covid-19 pandemic, Hansen said the company's focus had been keeping serving levels high and assisting members and clients, while also keeping staff safe.

"The circumstances call for a great deal more flexibility than the industry has perhaps ever needed before and the global Skuld team is ready to accommodate our membership to ease their challenges," he added.

Skuld's contingency reserves stand at $466m.

Calls to hold Monte Carlo Rendez-Vous in digital form

It is crucial the reinsurance market comes together as the sector faces unprecedented challenges, industry executives argue

Michael Faulkner
Editor

The reinsurance industry has been urged to continue the Rendez-Vous de Septembre in virtual form.

This year's meeting in Monte Carlo was cancelled last month owing to the Covid-19 pandemic but, in an open letter, a trio of industry executives said it was crucial meetings continue using digital tools.

The executives – Devk Re board member Bernd Zens; Arndt Gossmann, chief executive of Gossmann & Cie; and Marc Beckers, head of EMEA at TigerRisk Partners – said it was vital for the industry to be "close, connected and [show] solidarity among ourselves and with our clients".

"Events such as Monte Carlo or Baden-Baden go way beyond being an opportunity to meet and entertain. They protect and defend the soul of the industry, re-affirm our shared purpose and values and provide the platform for profound discussions and efficient solutions," the executives said.

Three industry executives have urged for the Monte Carlo Rendez-Vous to go ahead in virtual form
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"We propose we maintain our Monte Carlo agendas blocked for meetings on the indicated days and each one of us proceeds with the meetings as planned, via digital tools and video calls," they continued.

"We don't have to use the same platforms or the same tools. All we need is to dedicate ourselves and our time and to showcase our willingness to facilitate a digital Monte Carlo dimension."

Consideration should also be given to continuing the Baden-Baden reinsurance congress in a physical format if safety allows, the executives argued in the letter.

"Before cancelling the Baden-Baden event altogether, we should carefully and thoughtfully consider its proper and safe implementation, under the right precautionary measures, this year and until the successful development of a vaccine."

The Covid-19 pandemic presented "an unprecedented challenge" that was "a mandate to re-invent our industry", the executives said.

"[T]he economic, social and political implications will be immense. And so our industry today faces another unprecedented challenge. In the context of our role as risk mitigators, capital providers and investors, we are asked not only to face this challenge but to shape it in a way that safeguards our values of trust, integrity, proximity, collective sharing and forward planning.

"The call for action we are facing is not less than the mandate to re-invent our industry. And while that might seem as an impressive task, now more than ever, we should remind ourselves of the founding principles of our industry: trust and personal interaction. Now more than ever, we need to be close, connected and [show] solidarity among ourselves and with our clients," they added.

Lloyd's Covid-19 reinsurance recoveries to be lower than for US hurricanes

The reinsured part of Lloyd's Covid-19 losses is likely to be lower than for large historical North American wind events, according to an analysis by Jefferies, *writes Lorenzo Spoerry.*

Lloyd's has estimated its losses from the pandemic at between $3bn and $4.3bn.

Jefferies' analysts found if social distancing restrictions persist globally until the end of June, only about 50% of the Lloyd's market would be covered by reinsurance, suggesting recoveries of between $1.5bn and $2.15bn. For losses up to and including March 16, recoveries are likely to come in at less than 50%, Jefferies said.

This is a smaller share than was recovered through reinsurance for hurricane losses in 2005 (Katrina, Rita and Wilma) or 2017 (Harvey, Irma and Maria) or the Camp and Woolsey fires of 2018.

It would, however, be in line or slightly higher than was recovered through reinsurance for Japanese cat losses in 2011 (Tōhoku earthquake and tsunami) and 2019 (typhoons Hagibis and Faxai), for the New Zealand earthquake of 2011, or for 2012's Hurricane Sandy.

Lloyd's has estimated 70% of losses accruing to One Lime Street will come from three classes: event cancellation (31%), property (29%), and political risk, credit and financial guarantee (11%). The geographical split reflects the market's premium split, with 40% in the US, 15% in the UK and only 7% in continental Europe.

Jefferies has calculated that syndicates have lost 9% of their capital on average, making this an earnings rather than a capital event. In terms of loss distribution, 95% of syndicates have lost less than 20% and only two have lost more than 30%.

"This reassures us the listed Lloyd's insurers Hiscox and Beazley have not suffered material losses beyond those that are already known by investors," Jefferies wrote.

"Moreover, among the listed conglomerates and reinsurers, most have a Lloyd's syndicate, where the only two that concern us are Munich Re (as a market leader in event cancellation) and Axa (through Catlin)", the analysts added.

For the re/insurance industry globally, Lloyd's has estimated 2020 underwriting losses from Covid-19 at $107bn.

This is the largest industry loss estimate to date for the pandemic. Willis Towers Watson has put Covid-19-related losses for US and UK insurers, including the London market, at up to $80bn.

In addition to the underwriting losses through the profit-and-loss account, Lloyd's estimated the industry will experience falls in investment portfolios of an estimated $96bn.

This would bring the total projected loss to the insurance industry from the pandemic to $203bn.

Opposition mounts to US pandemic proposal

A proposal in Congress to create a public-private insurance backstop against future pandemic-related business losses is meeting mounting resistance as insurers seek to have the federal government address those losses, *writes John Shutt, Los Angeles.*

The proposal, backed by Marsh & McLennan Companies and others, calls for the creation of a backstop modelled on the terrorism insurance programme established following the September 11, 2001 terrorist attacks.

But that proposal is now opposed by the American Property Casualty Insurance Association (APCIA) and the National Association of Mutual Insurance Companies (Namic).

"In the future, the federal government needs to be there for any business it causes harm through mandatory shutdowns," Namic senior vice-president, Jimi Grande, said. "Torturing the current [terrorism risk] model to work for insurers shouldn't be the goal."

Instead, the APCIA and Namic have backed a proposal for businesses to pay the government for pandemic-related business interruption cover.

Last week it emerged the US Department of the Treasury is opposed to nascent legislation that would force the re/insurance industry to pay Covid-19 pandemic-related business interruption claims retroactively in cases where viral infections are excluded.

In a letter to Congress, leaked by *Politico*, principal deputy assistant secretary of the Treasury, Frederick Vaughan, said proposals to force business interruption claims on to the insurance industry would violate terms of agreed contracts between insurers and insureds.

'In the future, the federal government needs to be there for any business it causes harm through mandatory shutdowns'

Jimi Grande
Namic

FOCUS/ PROPERTY

A holistic view of risk is critical to sustainable property underwriting

To write the right risks at the right price, underwriters must have access to the right data at the right time

Richard Smith
Sequel

A strong insurance business model begins and ends with writing the right business. To make good decisions, underwriters need to have a holistic view of any given risk. This means gaining access to multiple layers of accurate, up-to-date risk, hazard, exposure and modelling data that give a complete picture at the point of decision-making.

Rating methodologies defined at actuarial level are fuelled by reams of data, highly complex assumptions and modelling, yet most of that information never finds its way to the underwriters. Instead, those sophisticated calculations may be distilled into over-simplified risk gradings to which predetermined rates must be applied, giving the underwriter minimal nuance or control.

To access all the data they need, underwriters have historically had to manually gather various layers of information from multiple vendors and publicly available sources. This is expensive and time-consuming, and often the data itself is flawed.

Flood risk, for example, is highly localised and can vary significantly from property to property, yet property underwriters still often rely on outdated or inaccurate flood maps that offer nowhere near the level of granularity needed to make informed decisions. This leads to poor risk selection, mispricing, inaccurate claim projections and inflated loss ratios.

Further inefficiencies occur when underwriters fail, willingly or otherwise, to share the information they have gathered. Often that data is stored away on spreadsheets or, worse, in the heads of the underwriters themselves, meaning no one else can benefit from their insights. Decisions based on anecdotal evidence, experience or gut feeling are almost always inferior to those based on reliable data and without access to all available data, poor decision-making damages the bottom line.

As well as truly understanding the risks presented to them, underwriters must also be aware of how their decisions sit within their company's overall portfolio. Providing underwriters with a cross-class view of exposures is fundamental to mature organisations, yet so many insurers continue to make decisions in isolation, primarily at the class level. While underwriters may understand their class very well and believe they are making informed decisions, if they do not know what is going on elsewhere in the business their decision-making is siloed; they are not able to think holistically.

Exposure warehouse

Technology can address many of these issues. Platforms now exist that draw high-quality exposure data from multiple sources into one ecosystem, acting as a conduit through which underwriters and portfolio management teams can access and share holistic data.

Rather than exposure data being hidden away in personal folders, multi-class data is structured, stored and shared in a centralised "exposure warehouse", giving visibility across the organisation. This not only ensures business is written in alignment with group risk appetite, it also means no data is lost or wasted – it can instead be continuously called upon, updated and improved. This also drives better planning at the portfolio management level, helping insurers optimise capital intensity and solvency ratios.

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Underwriters need access to mutiple sources of data to gain a complete picture of a risk

Such platforms are underpinned by exposure data across multiple classes. This data can be integrated with real-time underwriting data, probabilistic models and third-party overlays, giving underwriters access to deeper insights, data visualisation and risk scoring. Crucially, this information is presented in a single view, meaning users can view all the information they need to make an informed decision in one place rather than having to maintain commercial relationships with multiple vendors.

Removing the mystique

Providing underwriters with the information that feeds actuarial models removes the mystique of the actuarial "black box" and allows them to build valuable checkpoints into their decision-making processes. Augmented data can also be fed to pricing and distribution tools such as Rulebook, enhancing rating efficiency and encouraging better business to be written throughout the value chain.

Above all else, tools such as these ensure the next decision an insurer makes is always a better one. With Lloyd's taking an aggressive stance on performance, underwriters must make sensible decisions or they may not be given the chance to do so for much longer.

Working remotely under the Covid-19 lockdown has arguably highlighted the value of data more than ever as the industry has been forced to rely more on hard numbers than personal relationships. Face-to-face interaction has always been an integral part of doing business, particularly in London, but having access to high quality, tangible data has proven to be equally valuable. Business continues to be written in the absence of personal meetings, and the underwriters equipped with the right tools are seizing the advantage.

Those who are accessing the right data at the right time are stealing a march on the competition by ensuring they select the best risks and write the most profitable business. They are striving to be elite and to be the leaders of the future. Those who are not will increasingly be left to fight over the scraps. ■

Richard Smith is head of product management – Impact at Sequel

FOCUS/ PROPERTY

Vigilance is just as important as technology in tackling property fraud

Insurers must remain vigilant both at the claims and the underwriting stages as fraud continues to rise, despite the technologies and other counter-measures in place

Mark Aitken
BLM

It is the curse of a national crisis and the distractions that arise from it that some individuals, including fraudsters, will see it as an opportunity to benefit.

As we celebrate VE Day and the heroism that played a part in national salvation, it is a sobering and perhaps not universally appreciated fact that, despite the Blitz spirit of the Second World War, crime rose during that period in the UK from 303,771 offences in 1939 to 478,000 by 1945. For example, bombed-out buildings were easy pickings for mass looting and boredom even played a part in a rise in juvenile delinquency. Government compensation schemes and rationing were also widely abused.

We live in a different society now and the circumstances that prevailed during the Second World War to enable criminals to flourish are very different. However, there are still going to be opportunists who will stage insurance claims and those who will be tempted to take advantage of genuine claims to exaggerate their losses, in the hope that claims handlers will not have time scrutinise claims as thoroughly because of other distractions or because insurers fear adverse publicity.

In addition, if it has not already happened, in the coming weeks and months there are going to be many disappointed insureds who have had their pandemic-related claims rejected, not least commercial insureds claiming business interruption losses.

Some may not be able to resist the temptation to respond by staging or exaggerating claims in the same climate as the opportunists, but driven by a sense of injustice. Among many different scenarios, businesses re-opening with obsolete stock are going to be challenged.

Whatever the "drivers" to commit fraud, insurers are not so easily fooled.

It is now more than 30 years since insurers started to actively mobilise against fraudulent insureds (as well as third-party fraudsters) with counter-fraud resources made available and the creation of "claims validation" teams. At that time, academics and other commentators on the subject became more prevalent as they sought to collate the insurance fraud experience across both national jurisdictions and types of risk exposed to fraud. Insurers were more willing to test the legal limits of insurance fraud in court and judges became more accustomed to seeing "middle class" fraud (in the shape of company directors and high-net-worth individuals) brought before them.

Red flags

Most insurers now have well-established "red flag" indicators in place to spot the behavioural traits or claim circumstances that point, at least, to an investigation of a suspicious claim. However, the situation today, not least the physical lockdown, presents a unique set of circumstances where the normal rules of investigation do not apply.

Loss adjusters and other claim investigation experts, already dealing with the surge of recent flood claims, may not be able to mobilise and make site visits as usual, or insureds may decide to not make themselves available by reason of social distancing or other anxiety. Interviews taking place remotely by video conference or telephone may fail to elicit the usual physical traits of a suspicious insured and lack the spontaneity of a usual meeting.

However, while modern technology is often quoted as the fraudster's tool for cyber and other internet fraud, it is increasingly a weapon against fraudsters because all their relevant business and personal information is stored online and is available either immediately or accessible with relative ease.

The excuse that all the records "went up in smoke" or that physical movements cannot be independently verified will increasingly fall on deaf ears, with both business transactions and personal movements now being tracked by electronic means.

The information available on personal devices, electronic documents and CCTV to name just a few sources, now leaves very little to the imagination.

Despite all these counter-measures and investigation techniques though, the appetite for committing insurance fraud appears undiminished and unrelenting (even if better detected). The Association of British Insurers' last published figures showed 469,000 detected frauds in 2018, with 98,000 relating to fraudulent claims and valued at £1.2bn ($1.4bn). Property frauds specifically accounted for about 20,000 cases with the total value of claims up 11% on 2017 to £115m.

469,000 Detected frauds in 2018, according to ABI figures, of which...

98,000 Related to fraudulent claims

Insurers should remain vigilant then both at the claims and importantly the underwriting stage, since those with a propensity to commit fraud may also lie to obtain insurance at the point of sale. It is a common feature of many suspicious commercial claims, to discover shadow directors with adverse financial histories using family members or other proxies to take out policies for them. Thorough and robust investigation of that aspect often reveals the evidence to void a policy for misrepresentation where proving fraud can be more problematic. The best advice to insurers is to know their customers.

It is perhaps also a timely reminder that our legal system and the legal principles that underpin it in relation to insurance fraud are robust, even in relation to genuine but falsely exaggerated claims. As a matter of public policy, judges have ensured there should be serious consequences as a disincentive to dishonesty.

Most cases where insurance fraud is alleged do not reach court, but insurers can assert with confidence the firmly enshrined principle that partial fraud in an otherwise genuine claim taints the whole claim. Further, determining fraud is not measured against whether the part of the claim which is fraudulent is sufficiently large as against the claim as a whole (ie, as a percentage) but to consider the fraudulent claim as the only claim and whether the amount is enough in isolation to justify a repudiation of the whole claim. Unless that amount is trivial, the whole claim is defeated.

We are in a time of national crisis; if history is any guide to the handling of property damage claims in difficult times the focus needs to remain on following robust procedures, utilising the modern technology available and remaining vigilant in meeting the challenges of fraud. ■

Mark Aitken is a property insurance fraud specialist and partner at BLM

To combat fraud, robust procedures will be essential alongside the use of modern technology

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FOCUS/ PROPERTY

Government's move on cladding poses questions for latent defects insurers

The Grenfell Tower disaster led the UK government to set up a fund for the replacement of unsafe building cladding
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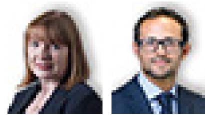
Funding for remediation of non-ACM cladding could see a spike in claims by building owners



Jo Grant and Alex Rosenfield
Fenchurch Law

On March 11, the UK government announced it would provide up to £1bn ($1.22bn) in 2020/21 to fund the removal and replacement of unsafe non-aluminium composite (ACM) cladding systems on high-rise residential buildings.

The announcement is likely to come as a blow to latent defect insurers, which could face a surge in the number of claims made under their policies.

Attitudes towards building safety have undergone a paradigm shift since the tragic events at Grenfell Tower. Since then, the government has introduced a wide-ranging package of measures to ensure buildings, particularly those with ACM cladding, are made safe. Notably, last year it introduced a fund of £600m for the replacement of unsafe ACM cladding from residential buildings, similar to the type that was in place on Grenfell Tower.

Although unsafe ACM cladding remains the government's priority, it has now announced proposals to extend funding for the removal and replacement of unsafe, non-ACM cladding such as high-pressure laminate panels (HPL).

The announcement follows the guidance the government issued earlier in the year in its Consolidated Advice Note on Building Safety and, in particular, the views of its expert panel that HPL systems with a C or D rating (those with a medium or high contribution to fire) would not meet the requirements of the building regulations.

Funding will be available to the social and private sectors. In the private sector, the fund will be for the benefit of leaseholders to ensure that their buildings are made safe; and in the social sector, where remediation costs would otherwise be too prohibitive.

It is likely claims for unsafe non-ACM cladding will be met with a similar resistance until there is a clear steer from the courts on the availability of cover

Eligibility criteria

As with the ACM fund last year, funding will be available for buildings that are 18 metres or taller. The government has also said building owners will be required to pursue warranty claims and take "appropriate action against those responsible for putting unsafe cladding on these buildings, with any damages recovered paid to government once recouped".

Warranty claims refer to claims made under latent defect insurance policies. Those policies provide cover for newly built properties in the event of an inherent defect that was not capable of being discovered through inspection before completion. Those policies are usually triggered in the event of a) non-compliance with the relevant building regulations that applied at the time of the construction/conversion; and b) that causes a present or imminent danger.

Given the insurance market's "wait and see" approach to paying claims for unsafe ACM cladding, it is likely claims for unsafe non-ACM cladding will be met with a similar resistance until there is a clear steer from the courts on the availability of cover.

In particular, insurers may assert their policies have not been triggered because buildings with HPL cladding do not satisfy the "present or imminent danger" requirement. However, that would belie the clear message from the government that owners of buildings with unsafe HPL cladding should replace those materials as soon as possible. Equally, large-scale tests of HPL cladding and phenolic foam insulation carried out earlier in the year failed after less than eight minutes. By comparison, tests in 2017 of cladding systems comprising ACM cladding with a polyethylene core (the same materials used on Grenfell Tower) failed after six minutes.

The incident at The Cube last year, in which a fire swept through an HPL-clad student block in Bolton in a number of minutes, requiring 220 students to be rehoused, is further testament to the risks posed by such buildings.

The announcement of funding for the remediation of non-ACM buildings underlines the government's ever-increasing commitment to building safety. This may lead to a spike in the number of claims made by building owners against latent defect insurers.

The potential for claims will be increased if, as expected, local authorities and fire and rescue services are granted enforcement powers where building owners refuse to either apply for funding or remediate their buildings. ■

Jo Grant is a partner and Alex Rosenfield a senior associate at Fenchurch Law

W&I insurance can be a vital part of real estate transactions

The advantages provided by warranty and indemnity insurance go beyond mere risk transfer

Peter Dzurianik
AIG

Despite the market uncertainty of recent months, investor appetite for real estate merger and acquisition (M&A) transactions has held up, in contrast to corporate M&A activity more generally.

In part this may be because real estate transactions are to some extent insulated from economic uncertainty and demand for quality, energy-efficient assets in the right location is unlikely to disappear.

However, it is important to note this is by no means an entirely risk-free process, something that is underscored by the fact warranty and indemnity (W&I) insurance has become a common feature in real estate deals in many markets. Take a quick look at some of the potential exposures and it is easy to understand why.

Material risks typically fall into one of three main categories. First, matters relating to existing lease agreements may not be fully disclosed by the seller, so may come as an unwelcome surprise to the buyer, with potentially high costs attached. These would typically come to light quite quickly after completion of the transaction and could relate to matters such as inconsistencies in revenue and capital expenses, non-disclosure of full lease agreements, including communication relating thereto, or solvency of the tenants.

Second, construction defects, damage to the building or poor condition of material equipment could be revealed only after the transaction is completed. These can potentially be very expensive to remedy and in most cases are excluded from W&I policies.

The third issue relates to tax claims, particularly where large portfolios involving multiple buildings are involved. A tax audit can take two to three years to start following the completion of the transaction and, in some instances, a further five years to reach a conclusion, presenting a genuine long-tail risk.

Beyond these main risks, there is a range of other things to watch out for. These include deficiency in title, counterparty exposures that can lead to contractual risks and defects in the building planning, zoning and permitting process. Environmental risk can also be a problem – if a new owner finds a building has been used for the storage of hazardous materials, for example, they may be responsible for extensive clean-up costs. The list goes on.

Range of benefits

Given this range of exposures, all participants in the transaction can benefit from W&I insurance, but its advantages go beyond a mere risk transfer.

For the seller, a W&I policy can enable it to take greater control over the sales process, enhance speed to closing and potentially even attract higher bids. In addition, it allows the seller a clean exit, whereby only limited liability remains. There is value in engaging a W&I insurer early in the auction process to give potential bidders better visibility of the sale structure, risks involved and recourse available.

While many potential real estate buyers are prepared to wait out the market downturn, we are still seeing bidders pursuing a small number of targets and a W&I policy can serve as an advantage in a competitive bidding process.

Over time W&I has proven to be a sophisticated insurance product that gives certainty of recourse. But perhaps equally importantly it helps to protect relationships. Large funds and property developers are mainstays in the market and, as such, the same parties deal with each other repeatedly over the long term. It is therefore important to maintain good relationships, something W&I insurance can help protect.

Finally, given its increased use, it is important for advisers to understand W&I insurance and how to incorporate it into the transaction process to keep the deal moving at speed. Those who are not familiar with the impact W&I can have on the sales process and the specific documentation or due diligence requirements may find it difficult to make the necessary adjustment at short notice without affecting the deal timeline.

Range of insurers

It is therefore vital insurance buyers select their carrier with care. In the past year there has been a combination of increased W&I insurance capacity and a limited and diminishing pool of transactions. As a result, it has become very hard to differentiate between some W&I insurers whose offerings have converged. With most insurers closely aligned on price and processes, as well as terms and conditions, it is important for buyers to be aware of who their insurance providers are.

With the economic future uncertain, insurers could face significant losses and some may decide to pull their capacity altogether. Those taking out a policy from an established and market-leading insurer have the reassurance of financial strength, as well as the advantage of a single point of contact throughout the process.

When selecting a W&I insurer, longevity is key; there is a distinct advantage in seeking out a provider with a long track record of experience in the market and of paying claims. Having underwriters on the ground in the market where assets are located is also vital, as their local knowledge can actively help to identify, mitigate and navigate the risks that are present in real estate transactions. ■

Peter Dzurianik is financial lines underwriter at AIG

Engaging a W&I insurer early can give bidders better visibility of the sale structure, risks involved and recourse available

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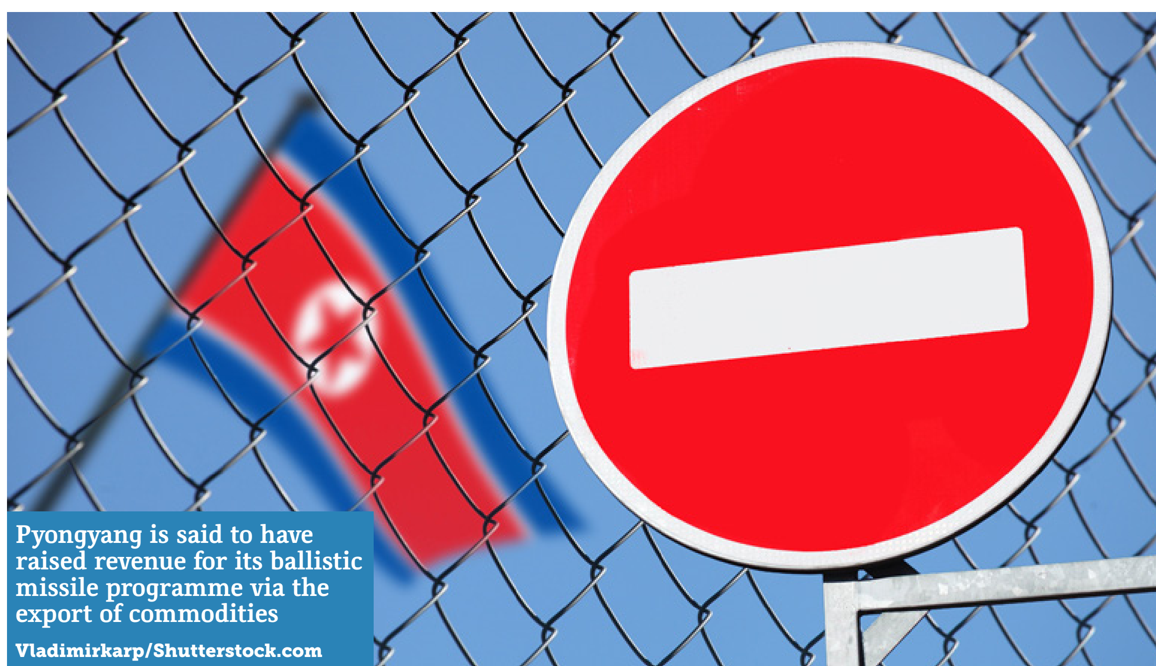
Trading with North Korea 'will invalidate P&I cover'

International Group of P&I Clubs warns against doing business with the secretive country

David Osler
Lloyd's List



Pyongyang is said to have raised revenue for its ballistic missile programme via the export of commodities

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International Group of P&I Clubs members have issued a health warning about doing business with North Korea, reiterating to their members insurance cover will be withdrawn where sanctions are breached.

The move comes after *Lloyd's List* reported the Trump administration is likely to ramp up shipping sanctions targeting the communist country ahead of the impending elections this November.

US shipping lawyers have also echoed the message, with a partner at Watson Farley & Williams adding: "The entire shipping community is on notice that the Office of Foreign Asset Control [Ofac] is very willing to go after significant players in the market for purposes of enforcing US sanctions."

A report by the UN Security Council's panel of experts on North Korea has accused it of continuing its nuclear programme in violation of earlier UN resolutions.

Pyongyang is said to have illicitly imported refined petroleum while raising revenue for its ballistic missile programme through the export of commodities such as sand and coal, with shipping activity facilitating its efforts.

"Shipowners are strongly advised to take note that sanctions monitoring and surveillance continues at a pace and through the co-operation of UN member states more evidence is being collated and reported where there has been such a breach," according to the Steamship Mutual version of the circular.

The report highlights ongoing use of vessels flagged other than North Korean to perform ship-to-ship cargo transfers at sea, often in international waters in an attempt to evade detection.

Ship-to-ship transfers frequently take place at night, with the automatic identification systems disabled. Subsequent transfers of cargo are made to smaller vessels without IMO numbers, ahead of delivery to the port of Nampo.

As a result, last year North Korea received almost three times the UN-specified total cap of 500,000 barrels of refined petroleum.

Some 14 vessels were designated in consequence, although none was entered with an International Group club.

Most of the vessels' registered owners were dissolved or struck off company registers or were operating under false or fraudulent flags, concealing the true identity of the ownership and financial interests behind the ships.

Tanker operators in particular should make every effort to identify and confirm the true intended destination of cargoes carried on board, Steamship advises.

Last year, Ofac set out its expectations for sanctions compliance, and International Group clubs at that time highlighted the need to mitigate risk when dealing with North Korea.

The potential penalties for failing to do so include designation, asset freezing and listing by the UN, Ofac and other enforcement agencies.

Referring to North Korea by the acronym of its official name, the Democratic People's Republic of Korea (DPRK), the circular said: "Any activity assessed to be in breach of sanctions will result in the withdrawal of insurance cover.

"Even if it were possible to undertake legitimate trade with DPRK and/or DPRK interests, members should consider an International Group club is unlikely to be able to support vessels trading to DPRK, with payment of claims and fees and the provision of security liable to be delayed and perhaps completely prohibited."

This article first appeared in Lloyd's List, a sister publication of Insurance Day

Liberty Mutual net income falls 22% in first quarter

Boston-based property/casualty insurer Liberty Mutual has reported a 22% fall in net income to $519m for the first quarter of 2020, *writes John Shutt, Los Angeles*.

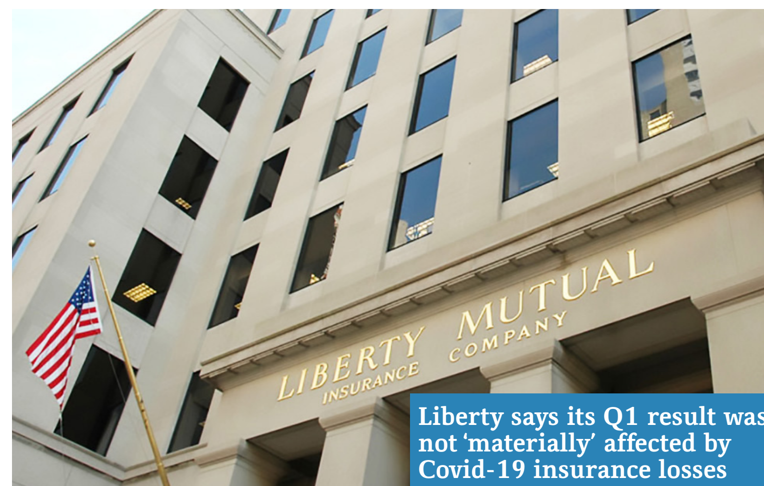
The result included recognised investment losses of $247m.

The US insurer said the first-quarter result was not "materially" affected by Covid-19 insurance losses, although Liberty expects the impact of the coronavirus to be similar to that of a moderately sized catastrophe loss in 2020.

The insurer is exposed to pandemic-related losses from trade credit, general liability, workers' compensation and event cancellation.

Liberty posted a combined ratio of 96.3% in the first quarter, no change from the same period of the previous year.

Net written premium grew 3.5% to $10bn in the first three months of 2020.



Liberty says its Q1 result was not 'materially' affected by Covid-19 insurance losses