

Maiden Re expands into equipment breakdown

Maiden Re's move into equipment breakdown reinsurance is a natural progression for the client-centric reinsurer.

As a reinsurer whose primary focus is on working layer business for regional and super-regional insurance companies, Maiden Re's recent move into the equipment breakdown reinsurance space could be seen as a natural progression.

While the company was founded on a portfolio of traditional property and casualty reinsurance products, its product offering today goes well beyond traditional reinsurance solutions as Maiden Re frequently partners with cedants to provide access to rate and form filings, and critical information for entering new states, for example.

An innovative company, it also employs advanced predictive modeling resources to identify opportunities for improving clients' profitability, for example, and has even evaluated in-house client IT proposals to help them maximize efficiencies. Such an approach to client service and a strong commitment to building long term partnerships is perhaps why Maiden Re can boast a 93% retention rate with its current clients.

But Maiden Re is always looking to expand its product offerings to clients and that's why it entered the equipment breakdown reinsurance business earlier this year, hiring Cass Kuhlke as vice president to head the dedicated unit.

"Zurich Insurance had recently exited equipment breakdown for strategic reasons, which meant that the market in the US was limited to just three or four players," Kuhlke said. "The sector is worth \$900m in terms of reinsured premiums, it is a historically profitable line of business, and so we felt there was room for another provider."

Kuhlke has over 30 years' experience in the equipment breakdown sector,

having started his career with Hartford Steam Boiler. Prior to joining Maiden Re earlier this year, he was head of equipment breakdown at the Zurich for over 20 years.

Strategic partnerships

Maiden Re already had in-house underwriting and claims talent in place but was keen to provide its turnkey reinsurance solution for equipment breakdown coverages with superior engineering services and also flexible product design that would meet each client's unique needs and risk appetite.

To that end, Maiden Re formed a strategic partnership with an industry leading engineering firm to provide engineering and jurisdictional inspections with a quick turn-around time and also a competitive expense structure.

"Our strategic partnership, gives us access to over 200 engineers who can provide the jurisdictional inspections that are required in the US," Kuhlke said.

Maiden Re will handle most of the necessary claims management services but has partnered with an external resource for unusual claims handling and investigations. "Their involvement will depend on the nature of the claim, but we aim to provide our clients with the claims authority to work quickly with their policyholders in turn," Kuhlke added.

Different equipment breakdown reinsurance solutions are available, ranging from the industry standard 100% cession to quota share structures, depending on each company's risk appetite.

Kuhlke says that a 'one size fits all' approach rarely provides clients with the best solution. Maiden Re can draw on its experience of offering tailored reinsurance solutions to provide clients with customized

equipment breakdown coverage that suits their particular needs and desire to participate in risk sharing.

"We believe that there is room for alternatives to the traditional approach to equipment breakdown reinsurance and Maiden Re can offer significant flexibility in terms of program structure," he said. "Our model makes us very efficient and competitive: we don't have the overheads of other carriers, but at the same time we have access to strong resources, in claims handling and inspections."

Client relationship synergy

Moving into equipment breakdown reinsurance is about more than just offering another product to our clients. Equipment breakdown is a historically profitable line of business where we can assist our clients' growth and prosperity. Maiden Re's equipment breakdown reinsurance proposition fits in well with its existing insurance company client base. The company focuses on mutual, regional and super-regional companies which in turn tend to specialize in Main Street businesses, farm and agricultural companies and also manufacturing, as well as service industries.

Like its longstanding cedants, Maiden Re isn't looking to reinsure volatile, high hazard risks in the energy or chemical industries, for example. This sustainable approach contributed recently to AM Best upgrading Maiden Re's financial strength rating (FSR) to A (Excellent) from A- (Excellent), the rating agency citing the reinsurers' consistently profitable underwriting and operating performance within its niche market segments.

The addition of equipment breakdown reinsurance to its book can only reinforce that positive outlook. ●

