Maiden Re targets capital deals in Europe

Maiden Re is continuing its campaign to extend its reach into Europe, its president told *Monte Carlo Today*.

Pat Haveron, president of Maiden Re, said that the company was making a long-term effort to provide capital solutions for European insurers as it continues to build out its global product offering.

Maiden Re offers a combination of pro-rata and excess-of-loss reinsurance products along with tailored capital management solutions designed to assist small to mid-sized insurance companies to maintain strong risk-based capital in the post-Solvency II regulatory environment.

As it is a Bermuda-domiciled reinsurance company, Haveron believes Maiden Re is highly differentiated. Its focus is on optimising capital support for clients through the creation of specialised reinsurance solutions oriented around more predictable and lower-layer risks rather than severity-oriented reinsurance such as catastrophe risks, he said.

According to Haveron, the reality of risk-based capital rules globally will require companies large and small to focus on capital management in a way they never have before. As a result, Maiden Re thinks its product offering dovetails well with the new environment those companies have to operate in.

Pat Haveron

Maiden Re began to actively market its European risk offerings in 2015 and Haveron stressed that the company is pushing to build enduring relationships with clients that match its own long-term ethos. This necessitates a long-term approach to viewing business, Haveron said.

"Our solutions in the European market, and throughout our business, focus on delivering sustainable capital support, particularly for companies with more limited access to capital markets," he said.

"We are sensibly growing our top line; maintaining our profitability and a strong balance sheet is foremost in our minds. As a relatively new business, the deal flow has been strong across Europe.

"We've been successful in providing long-term capital solutions for a number of clients and we see an additional pipeline building, so we're encouraged by that.

"In the new risk-based regulatory environment, companies are having to think about capital management a bit more—by definition they're going to be more deliberate about deploying solutions. Being just two years in I think that the early returns are positive," he concluded.

M&A will kick-start again in Q4—if right partners can be found

More mergers and acquisitions (M&A) are likely in the industry with deals going to emerge in the last quarter of 2016 and the first quarter of 2017, Arthur Wightman, PwC Bermuda leader and insurance leader for Bermuda & the Caribbean, told *Monte Carlo Today*.

"We won't see the sort of mega deals we saw last year but the industry is very fragmented. If you are a big player or a niche player you are OK, but the middle tier players will be exposed to potential consolidation," Wightman said.

The pause in M&A activity in the industry is largely because the industry has been digesting some of the previous mega deals and also watching to see how those pairings work out. He said valuations are being hindered by the industry's lower profitability—especially if potential cat events are added in—but they will not prevent deals happening on that basis alone.

"The main thing slowing consolidation is simply the fact that people are focused on trying to find the right partner," Wightman said. "We have seen some very good deals such as ACE-Chubb where the companies have great synergies. People need to feel confident they have found the right strategic partner."

He added that the market should take many positives from the fact that there remains so much uninsured risk in the world, offering the industry great growth potential.

It is estimated that only between 10 and 14 percent of all risks are insured.

"We are all swimming around the same bait ball yet we have the whole of the ocean to explore," Wightman said.

"Margins are thin in traditional lines of business so we need to invest more heavily in exploring these potential new markets."

He added that collaboration with bodies such as the World Bank and the UN could help open up some markets.

"We also need to convince governments to hive off more risk and more innovation around how we manage that," he said. "There are pockets of innovation in the industry, around insurance-linked securities for instance, but we need more."

Arthur Wightman