

Profits rise at R&Q

First half results from R&Q showed a healthy rise in profits, while the group continued its strategy of growth by acquisition.

Randall & Quilter Investment Holdings reported pre-tax profits of £5.8 million (2009: £1.2 million) with group income up 52 per cent at £16.1 million (2009: £10.6 million). There will be a return of cash to shareholders in the form of a B share scheme equivalent to 2.9p per share (2009: 2.8p interim dividend) accompanied by a one-off share capital consolidation. The B share scheme provides a more efficient way of returning capital released from owned run-off companies, rather than treating this capital as revenue.

Chairman & CEO Ken Randall said the results were 'in part attributable to a particularly good result from the Insurance Services Division which delivered a pre-tax profit of £3.6 million. As anticipated, the division benefited during the period from significant profit commission earned in respect of the management of syndicate 3330.' The 'exceptionally good result' on 3330 was, Randall told *Run Off & Restructuring*, due to several factors, chief among them being the settlement in the US of WTC sub-

rogation claims between aviation and property underwriters, which caused reserves to be reduced and profit commissions to be triggered.

R&Q made four acquisitions during the period: JMD Specialist Insurance Services, which focuses on the Lloyd's market; Callidus which provides company secretarial and compliance services to the London market; French run-off insurer La Licome; and US audits and inspections specialist John Heath. It has since acquired AM Associates in Canada, also a provider of coverholder audits and underwriting reviews. A joint venture captive management company has been launched in the Nordic region.

'We now have an "A list" of clients through these acquisitions – we were already in these areas but we were not getting critical mass,' explains Randall. 'These relatively small acquisitions have given us a specific boost in these various different areas. So now we are market leader in terms of US and Canadian coverholder and underwriting reviews.'

In London, a further broker run-off contract is being finalised, following the acquisition of RK Carvill's legacy portfolio last year.



Ken Randall

More acquisitions on the services side are in the pipeline and all will be brought under the R&Q brand. 'Our rebranding exercise wasn't really about the past it was about the future,' says Randall.

On the run-off side, Randall sees opportunities in the US, in Europe driven by Solvency II, and in London, including RITC at Lloyd's. 'There are quite a lot of legacy opportunities in the London market at the moment but they won't necessarily be of the same sort as we have seen in the past.' In future, he thinks, there may be more focus on buying portfolios rather than companies.

The service provision side will see further expansion into the live market, while overall the aim is to maintain diversification over a broad spread of business.

'There's more to come. We are active in each segment of our business, both in terms of new business development and also acquisitions,' says Randall, adding: 'We have not lost our enthusiasm to be in the legacy market.'

Restructuring at Compre



Rhydian Williams

Compre Holdings is to undergo a financial restructuring. Shares in the holding company have been sold to new, specially-created holding company, Oval Ltd.

Current chairman, Mikko Sinko, will reduce his shareholding and become a non-executive director; Nick Steer will become the main individual shareholder and CEO; and one of the current owners, Ken Davies, will relinquish his entire shareholding to Oval.

The majority shareholding in Oval will be owned by Milestone Capital Partners and two new executive directors – Will Bridger, formerly a partner in Ernst & Young, and Rhydian Williams, an independent consult-

ant formerly a senior manager in Equitas. Milestone has committed to provide appropriate funding to finance the new management team's plans for growth.

'Through this arrangement we have secured the investment needed to facilitate Compre's ambitious plans and acquired the services of two very experienced and well-known market practitioners,' says Sinko. 'The owners of Compre have known Will and Rhydian for many years and we are pleased they have pledged their future to the group.'

Steer comments: 'With Milestone's backing and the additional skill and experience of Will and Rhydian we are seeking to take Compre to a new level in this highly competitive market'.

Ken Davies continues as a consultant to the group.

Lagerwall joins NRC

NRC (National Reinsurance Consultants) has appointed Johan Lagerwall as a senior consultant. He will act as NRC's representative in Stockholm, Sweden and will head up its Scandinavian office.

Lagerwall's company, Lagerwall Consulting, will also have access to the expertise available within NRC. Prior to setting up his own company, Lagerwall was head of business development at Wasa Run-Off.

NRC is an independent company specialising in consultation, investigation and support services to the re/insurance industry, headquartered in New York.



Johan Lagerwall

First Rhode Island plan

The first Rhode Island commutation plan, akin to a UK solvent scheme, has been sanctioned and is to be put before a creditors' meeting. Although for several years the state of Rhode Island has, uniquely in the US, had legislation in place to enable such an accelerated run-off plan, this is the first one to have been brought to court.

On 21 July 2010, GTE REinsurance Co Ltd, a solvent reinsurer based in Providence, RIs, appeared before the Providence County Superior Court. The court issued an order for the plan to move forward and approved the single class of creditors proposed by GTE RE. The meeting of creditors will take place on 30 November 2010.

'The proposed commutation plan would be a first in this country,' says Joseph Torti III, deputy director and superintendent of insurance for the RI Department of Business Regulation. 'If the plan is approved by creditors, it would mark the first time a solvent insurance company has entered into an arrangement to bring finality to its obligations with creditors.'

GTE RE, which has no direct insurance

exposures, is owned by Verizon Communications. 'Verizon inherited GTE RE through a number of legacy transactions and has been managing the run-off of the GTE RE business in a professional manner since 2000,' says Sheila Small, Verizon's risk manager and president of GTE RE.

Andrew Rothseid, principal of RunOff Re.Solve, who designed and drafted the plan and will oversee its implementation, says: 'GTE RE enters the plan with the support of cedants comprising almost 60 per cent of its total reserves, which underscores the fact that its cedants agree that GTE RE and, by extension, Verizon, has devised a formula that intends to satisfy the company's obligations in full.'

'In addition, the company has selected completely independent experienced insurance and reinsurance professionals to serve as chairman of the meeting of creditors and as commutation plan adjudicator.'



Andrew Rothseid

Bill Perry to head IADC

Bill Perry, senior partner with law firm Carter Perry Bailey, has become the first non-American president-elect of the International Association of Defense Counsel. Founded in



Bill Perry

1920 and headquartered in Chicago, the IADC is the world's oldest organisation of defence lawyers. It is an 'invitation only' organisation, with about 2,500 members.

The IADC's members specialise in acting for corporations and insurance companies.

'This historic decision by IADC is a great honour for me personally, and for Carter Perry Bailey,' says Perry. 'My election shows IADC's commitment to the "international" in its name and its continued efforts to reach out to the best worldwide, as well as American, lawyers.'

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Tawa acquires Island

Tawa is to acquire Island Capital, a Bermudian run-off with a specialist underwriting portfolio of trade credit and political risk business. The company went into run-off in November 2008 following the sale of its underwriting platform. Tawa says the acquisition cost will be financed from its existing cash resources.



Gilles Erulin

'One of our goals is to expand our involvement and develop our expertise in specialist and niche areas of the insurance arena,' says Gilles Erulin, CEO of Tawa. 'Trade credit insurance is definitely an area where the conjunction of Tawa and Island Capital will provide for further portfolio expansion.

'This acquisition fits with our strategy of enhancing our long term expansion by combining the existing skills of our people with those of acquired teams and represents an interesting development for Tawa,' he adds.

Following completion, Paul Mooney, presi-

dent and CEO of Island Capital, who owns 5.7 per cent of the issued shares of Island Capital, will join the Tawa team and continue to manage the portfolio from the group's offices. There will be no change to the board or senior management of Tawa arising from the acquisition.

Tawa has entered into a share purchase agreement to acquire 94.3 per cent of the issued shares of Island Capital Ltd and its wholly-owned UK subsidiary, Island Capital (Europe) Ltd, for an initial consideration of \$7.4 million and deferred consideration dependent on future financial performance of the company. As at 31 December 2009 the company had gross reserves of \$20.6 million.

The transaction is subject to regulatory approval from the Bermuda Monetary Authority and the FSA.

Solvency II experts defect

Both KPMG and PwC have recruited Solvency II experts from the soon to be abolished Financial Services Authority.

KPMG has recruited Solvency II specialist Paul Brenchley from the FSA. He joins as a director in KPMG's insurance risk team, within the risk and compliance advisory practice. Brenchley was previously a manager in the FSA's Solvency II department.

PricewaterhouseCoopers has recruited Tim Edwards to join its UK insurance

group as director. He will be responsible for assisting clients in achieving the requirements of Solvency II, drawing on his previous experience in the FSA's Solvency II project office.

In another change to the Solvency II team at PwC, Paul Clarke replaces Mark Batten as chairman of the European Steering Group on Solvency II. Batten will remain active in the insurance market and will continue to be involved in Solvency II.

CTC issues profits warning

First half pre-tax profits at Charles Taylor Consulting rose to £5.7 million (2009: £5.6 million) but the company warned full year earnings would be below previous expectations. Adjusted profit before tax fell by 1 per cent to £6.8 million (2009: £6.9 million) while group revenue rose 6 per cent to £48.4 million (2009: £45.9 million).

The company said earnings per share were reduced due to significantly lower profitability from adjusting services; increased

staff costs; and reduced attributable earnings from insurance run-off companies where higher pre-tax profits of £2.7 million (2009: £0.7 million) were more than offset by higher tax and minority interests.

'Despite the lower earnings generated in the first half of the year the group is continuing to build on the investment it is making in its broadly based insurance services business,' said non-executive chairman Rupert Robson.

events

16 September

IAIR London Seminar

Reynolds Porter Chamberlain, London
Contact: www.iair.org

28 September

Insurance Run-Off Market

Central London
Contact: www.informaglobalevents.com

29 September

Asbestos & Latent Claims

Central London
Contact: www.informaglobalevents.com

6 October

Reinsurance Contract Wordings and Disputes

Bermuda
Contact: www.falconbury.co.uk

7 October

ARC Academy – Tomorrow's Claims: 2010 and Beyond

Barlow Lyde & Gilbert, London
Contact: www.arclegacy.eu

18-20 October

New Jersey Rendez-vous

East Brunswick Hilton, New Jersey, USA
Contact: www.rqjh.co.uk/rendezvous; www.airroc.org

18-21 October

IAIR Quarterly Meeting

Orlando, FL, USA
Contact: www.iair.org

21-22 October

Reinsurance Claims Management

London
Contact: www.falconbury.co.uk

28 October

Current Issues in Insurance Exit Strategies

London
Contact: www.falconbury.co.uk

1 November

Spiralling Up and Down the London Market – ARC Breakfast Briefing
Balls Bros Lime St, London
Contact: www.arclegacy.eu

4 November

ARC Members Annual Dinner & Awards

London
Contact: www.arclegacy.eu

7 December

Jackson Costs Reform – ARC Breakfast Briefing

Balls Bros, Lime St, London
Contact: www.arclegacy.eu

8-9 December

IntAP Technical Meeting

Cologne, Germany
Contact: www.intap.org

26-27 January 2011

Insurance Exit Strategies and Run-Off

Cologne, Germany
Contact: www.c5-online.com