ENERGY REVIEW

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OCTOBER 2018

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The last few weeks of October are like the calm before the storm. Mid-term elections are due in the United States with the Democrats feeling confident; the UK will submit a plan (as yet unknown) to the EU on what terms it wishes to leave the European Union; the date for another summit between the leaders of the US and North Korea is due to be set; a show-down between the US and China could take place if the American navy continues to send its ships into that part of the South China Sea claimed by China; tough US sanctions on Iran are due to take effect and not everyone wishes to follow the US; Scotland may reconsider another vote on independence if it does not agree with the Brexit plans the UK puts before the EU; the Democratic Unionist Party in Northern Ireland may withdraw its support for the Prime Minister May's Conservative government, thereby taking away the current majority in the House of Commons and Mrs May will have to go to the country before a deal with the EU has been thrashed out. There is a lot of uncertainty.

Although these issues may not form the immediate background to the rise in the price of oil, they contribute to the malaise in the world and the oil market. The main factors behind the price of a Brent barrel of oil reaching US$85 are: Russia and Saudi Arabia are increasing oil production and the trade war between China and the US is affecting demand. Some commentators are saying that the price of oil may not continue to go up but there will be more volatility and large price fluctuations – once again leading to uncertainty.

While people are watching and waiting, one well-known player in the financial services industry is taking action. Whatever happens – or doesn't happen – the Lloyd's market has made a clear move and has announced that Lloyd's Brussels is authorised to write all EEA business from 1st January 2019. If the UK leaves the European Union before then with no transition or implementation period, Lloyd's underwriters will continue to honour their contractual commitments including the payment of valid claims.

This is a clear signal which others should follow in order to be prepared for the future. It has been reported that as few as 630 UK-based finance jobs have been shifted or created overseas with just six months to go before Brexit – and hardly any of those jobs are insurance-related. This is far less than the 5,000 a UK minister had forecast. There are career opportunities here for people to expand their horizons and gain key international experience. In the past the major UK carriers had overseas programmes for management trainees and they benefitted from the understanding of foreign markets and business cultures these individuals developed. You don't hear much of these programmes nowadays and in the current Brexit environment this represents a missed chance.

In the oil world, major milestones like the opening of the power-from-shore solution, which will provide the Johan Sverdrup field in the North Sea with electricity for more than 50 years, are pushed somewhat into the shadows as the Brexit crunch looms closer. Similarly, Libya's National Oil Corporation, BP and Eni have signed an agreement which is expected to lead to Eni and BP working together to resume exploration activities on a major exploration and production contract in Libya. This is also good news. Late last month President Trump applauded European nations' efforts to diversify their sources of energy during his address to the United Nations. And so, in spite of the uncertainties in international affairs, there is always something to write home about in the energy world.

There is, therefore, a lot to talk about and we hope to do this with our clients and readers this autumn.

ENERGY CASUALTIES

Eni's Goliat hit by gas leak

Italian oil company Eni's Goliat FPSO in the Barents Sea off the coast of Norway has reportedly been hit by gas leak.

According to a report by Sysla, a Norwegian news website, a gas alarm sounded on the Goliat platform on the evening of Sunday 16th September, forcing around 115 people to gather at lifeboat stations, while 383 workers on the Floatel Endurance gathered at the living quarters of the accommodation rig.

The gangway from the accommodation rig to the Goliat FPSO was withdrawn until the situation cleared.

Sysla further said that the gas leak was brought under control a few hours later, allowing the workers to return to their cabins.

It is not clear how much gas was emitted during the incident.

According to a report on 19th September, oil production from the Goliat field was shut down on 17th September due to scheduled maintenance. The stoppage was scheduled to last for about ten days.

This was not the first time for Goliat's production to be affected by a safety incident.

Norwegian media report that, in the last two and a half years, four major gas leaks have been reported to the country's safety watchdog, the Petroleum Safety Authority.

'Major incident' disrupts operations at New Brunswick refinery

Irving Oil Ltd is resuming turnaround work following a *"major incident"* on 8th October at its 300,000-b/d St John refinery in the eastern Canadian province of New Brunswick.

The refinery as a whole is safe, and the specific site of the incident is isolated and contained, Irving said in a news release.

The company said there are no concerns with air quality and, accordingly, the turnaround team was aiming to be back on site for the night shift on the evening of 9th October.

Plans for when the refinery will resume full turnaround mode have yet to be released.

While local and national media reports have categorised the incident as an explosion and subsequent fire, Irving has yet to publicly confirm the nature of the upset.

Wisconsin company hit with fine following refinery explosion
Federal officials have fined a north-west Wisconsin refining company more than US$83,000 for safety violations related to an explosion which injured dozens of people and led to an evacuation.

The Occupational Safety and Health Administration (OSHA) cited the Superior Refining Company for eight serious violations of safety management procedures.

The violations stem from an explosion and fire on 26th April which injured 36 people and prompted police to evacuate some residents of Superior, a city just across the Minnesota border from Duluth.

Wisconsin Public Radio reports that, among its findings, OSHA said the refinery failed to inspect and test equipment to ensure it was fit for service.

The company is owned and operated by Husky Energy. A Husky Energy spokesperson says the company looks forward to meeting with OSHA to discuss its findings and recommendations.

Pipeline spill dumps 8K gallons of jet fuel into Indiana river
A Texas company has said that one of its pipelines has spilled more than 8,000 gallons of jet fuel into a river in the north-eastern Indiana city of Decatur.

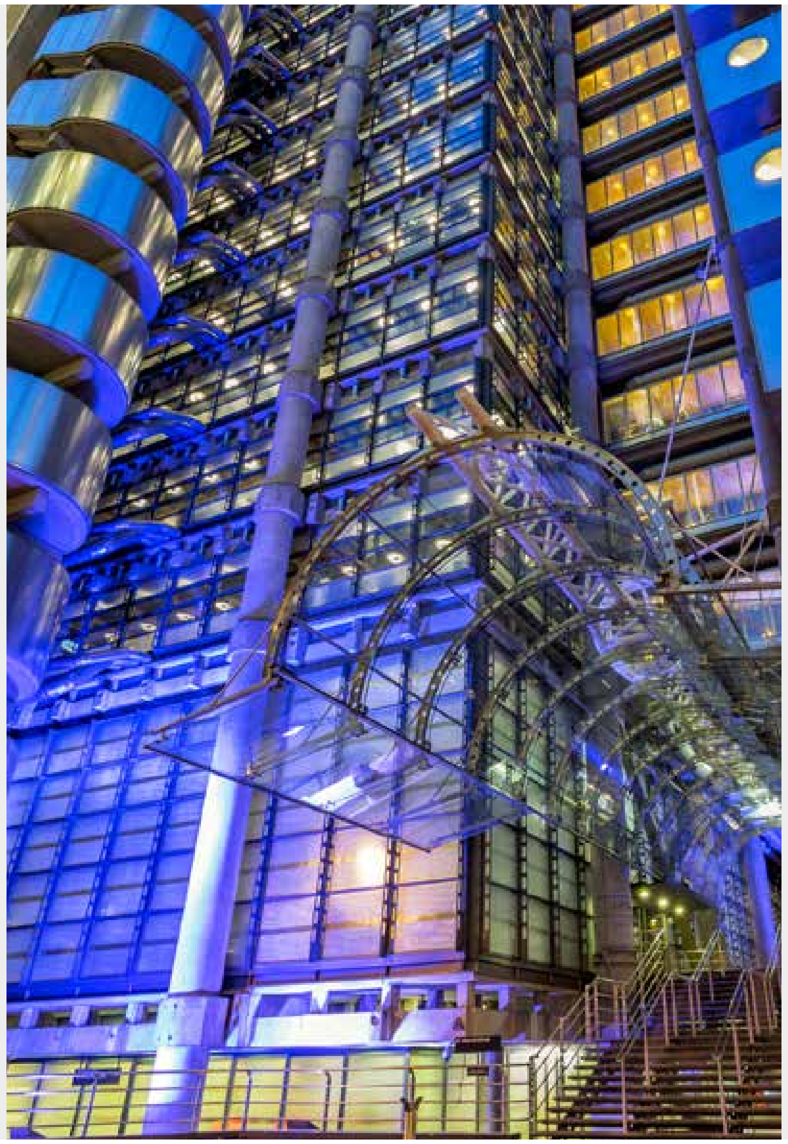
Houston-based Buckeye Pipe Line says it immediately shut down the line the evening of 7th September when it detected a pressure problem.

The fuel spilled into the St Marys River in Decatur, a community of about 9,500 people roughly 100 miles north-east of Indianapolis.

Local officials said booms were placed in the river to contain the fuel, which was being vacuumed off the water's surface.

Decatur Mayor Kenneth Meyer said the clean-up could take weeks.

The US Environmental Protection Agency (EPA) says it was monitoring air in neighbourhoods and businesses near the river. The EPA said it is also monitoring water quality at several locations downstream.



INSURANCE NEWS

Norwegian offshore safety watchdog PSA reports on Ivar Aasen and Jotun B
Irregularities found during Ivar Aasen control room probe
Norwegian offshore safety watchdog, the Petroleum Safety Authority (PSA), has found irregularities during an audit of Aker BP and the control room solution for the Ivar Aasen field.

The PSA said on 4th October that the objective of the audit, conducted on 21st August, was to verify whether the implementation of the selected solution with a control room in Trondheim was prudent and in compliance with regulations.

The audit by the safety body identified a non-conformity in connection with the emergency shutdown system.

The PSA also found improvement points in connection with risk reduction and continuous improvement, the emergency preparedness analysis, communication analyses, and the security analysis.

The safety watchdog told Aker BP to report on how the non-conformity and improvement points would be addressed by 26th October.

Discovered in 2008, the Ivar Aasen field is located in the northern part of the North Sea, about 175 kilometres west of Karmøy. The water depth is about 110 metres. It contains around 186 million barrels of oil equivalent (BOE).

The field started oil production on Christmas Eve (24th December) 2016, four years after the Plan for Development and Operation (PDO) was submitted to Norwegian authorities.

It was developed as a stand-alone platform for partial processing and water conditioning and injection, with transfer of the multiphase hydrocarbon mixture through two pipelines to the neighbouring Edvard Grieg field for final processing and export.

The economic life of the Ivar Aasen field may be 20 years, depending on oil prices and production development.

The partners in the field are Aker BP with 34.7862% interest, Equinor with 41.4730%, Bayerngas Norge with 12.3173%, Wintershall Norge with 6.4651%, VNG Norge with 3.0230%, Lundin Norway with 1.3850%, and OKEA with 0.5540% interest.

PSA details findings on dropped riser incident at Jotun B

The Petroleum Safety Authority has identified numerous breaches of regulations in connection with a dropped object incident on the Jotun B platform in the North Sea on 19th May.

Operator Point Resources had commissioned a well plugging campaign on the production facility.

A high-pressure riser fell around eight metres (26 feet) onto the wellhead. The riser was 15 metres (49 feet) long with a weight of 15.7 metric tons (17.3 tons), corresponding to around 1.23 megajoules in kinetic energy just prior to impact.

The PSA concluded that the direct cause of the incident was the failure of the locking mechanism on the lifting appliance. This appliance lacked a secondary locking mechanism for suspended loads in the event that the primary device failed.

The incident caused damage to equipment and a temporary postponement of the plugging programme which lasted for several days. But under different circumstances, there could have been fatal or serious injuries affecting two or more people who were standing relatively close to the dropped riser.

Investigations have revealed numerous breaches of the regulations, including risk analyses, training, user manuals for lifting equipment, use of uncertified lifting equipment, classification of equipment in the drilling module, and the division of responsibility for lifting appliances and drilling equipment.

Point Resources had until 15th October to explain to the PSA how it will deal with these non-conformities and provide an assessment of the identified improvement point.

Previously, the PSA had issued an order to Point Resources and contractor Halliburton after its investigation had identified serious deficiencies in systems and processes.

Loom of ‘No-Deal’ Brexit triggers reactions from the Bank of England, EU financial regulators and Lloyd’s of London and LMA

Lloyd’s commits to paying claims in ‘no-deal’ Brexit

Lloyd’s is working on transferring all European Economic Area (EEA) business to Lloyd’s Brussels before the end of 2020 via a Part VII transfer.

In the event that the UK leaves the European Union before then with no transition or implementation period, Lloyd’s underwriters will continue to honour their contractual commitments including the payment of valid claims.

Lloyd’s expects that this will have the support of all European regulators as it goes to the heart of treating customers fairly. In the event that it does not, Lloyd’s will direct its underwriters, or take such other steps, to ensure that contractual commitments are met in full whilst the transfer is being completed.

Lloyd’s approach has the full support of the UK’s Financial Conduct Authority.

Lloyd’s Brussels is authorised to write all EEA business from 1st January 2019.

Lloyd’s Market Association & Lloyd’s issue policy documents in preparation for Brexit

A new suite of policy documentation, to support the underwriting of risks from the European Economic Area by Lloyd’s Brussels, has been published.

The new documents were prepared by the Lloyd’s Market Association’s (LMA)* wordings team, working closely with the Lloyd’s Brexit and Regulatory Affairs teams.

In advance of Brexit, Lloyd’s has established a new Brussels-based insurance company, Lloyd’s Insurance Company SA, which will underwrite non-life insurance and facultative reinsurance risks located in EEA countries from 1st January 2019.

The new policy documentation for Lloyd’s Brussels includes:

- Generic coverholder certificates and open market policies, with country-specific variations where required
- Ancillary clauses such as service of suit, language declaration clause, data protection/privacy notices
- Complaints notices for individual countries

Alison Colver, Head of Wordings, LMA, said, *“We are pleased that, through the collaborative efforts and hard work of the respective teams at LMA and Lloyd’s, we have been able to prepare and publish these documents, ahead of January renewals, and of course, Brexit.”*

For ease of access by the market, all the documents and clauses, including a new Coverholder Appointment Agreement for use through Lloyd’s Brussels, have been published within the dedicated *“Lloyd’s Brussels”* section of the Lloyd’s Wordings Repository (LWR).

Translations of certain documents will also be published on the LWR as soon as they are available.

** The Lloyd’s Market Association (LMA) represents the interests of the Lloyd’s community, providing professional and technical support to its members.*

Urgent EU action needed to address threat of hard Brexit, warns Bank of England

The Bank of England ratcheted up the pressure on the European Union to help stave off the threat a no-deal Brexit poses to trillions of pounds of derivative contracts and millions of insurance policies.

The EU has made *“only limited progress”* in mitigating the financial-stability risks of a disorderly Brexit, and the need for action is now *“pressing”*, the BoE said. The UK regulator has been warning for months that a disorderly Brexit with no transition period could put financial contracts at risk, disrupt clearing and complicate the transfer of crucial data across the Channel.

On clearing, urgent EU action is needed to remove legal uncertainty about whether the bloc’s banks could continue to use London clearing houses after Brexit, the BoE said. UK-based firms such as LCH Ltd., a unit of London Stock Exchange Group Plc, dominate the lucrative business of clearing euro-denominated interest-rate swaps.

While the UK has announced steps to reduce the risks, including a plan to issue temporary licences if needed, the EU has largely insisted that it is up to the industry to prepare for the worst. That has started to change in recent weeks, however, as EU regulators talk openly about preparations for the divorce.

Clearing deal

Steven Maijoor, Chairman of the European Securities and Markets Authority, said a transitional access deal is needed so continental banks and trading venues are not cut off from London clearing houses. Danièle Nouy, the European Central Bank’s (ECB) Head of Supervision, said the ECB is *“ready to help ensure a smooth Brexit — no matter the outcome of the political negotiations”*.

Absent EU action, EU banks would need to close out or transfer the contracts they have with UK clearing houses, the BoE said. *“This will be costly to EU businesses and could strain capacity in the derivatives market,”* it said.

That warning was echoed by the International Swaps and Derivatives Association, which said that the *“migration”* of thousands of contracts would result in higher costs and pose significant operational challenges.

Stress test
For all the risks, on 9th October the BoE's Financial Policy Committee reiterated its judgment that the UK financial system *"would be strong enough to serve UK households and businesses through a disorderly, cliff-edge Brexit"*.

Other key takeaways from the FPC statement:

- Given the resources needed for banks and regulators to get ready for Brexit, the BoE will delay the start of next year's stress test to September 2019, with results to be published in June 2020
- The results of this year's stress test will be published on 5th December
- The committee is concerned by the rapid growth of leveraged lending, including to UK businesses, and will assess any implications for banks in this year's stress test
- It maintained the UK countercyclical capital buffer at one percent and will review the rate at its meeting on 28th November

EU watchdogs step up plans to avert market meltdown from no-deal Brexit
After months listening to the UK warn about the risks posed by a no-deal Brexit, European Union financial regulators are now stepping up plans to avert a market meltdown.

Danièle Nouy, the European Central Bank's Head of Supervision, set an assuring tone on 4th October when she said the ECB is *"ready to help ensure a smooth Brexit – no matter the outcome of the political negotiations"*. And she is not alone. The EU's top markets cop called on Brussels to guarantee that the bloc's banks do not lose vital access to London's clearing houses in a disorderly divorce.

That is a change, because up to now the EU has largely said that preparing for a cliff-edge Brexit, with no transition to give governments and financial firms time to adjust, is the industry's responsibility.

Ms Nouy and Steven Maijoor, Chairman of the European Securities and Markets Authority, signalled that EU institutions would take action if needed.

Potential risks
The Brexit talks are entering a crucial phase, with about two weeks of intense negotiations planned to try to wrap up a withdrawal agreement before a summit of political leaders on 17th October.

With the clock ticking down to Britain's planned withdrawal next March, and both sides talking openly about the negotiations possibly collapsing, calls from the UK and the industry to address the risks are growing louder.

ECB Governing Council member Ewald Nowotny said the potential risks are still underestimated. *"There are many signs that the risk of a hard Brexit will become relevant,"* he said.

For most of the last year, Bank of England Governor Mark Carney and Financial Conduct Authority Chief Executive Andrew Bailey have urged their EU counterparts to join them in promising regulatory or legislative responses to calm markets and ensure insurance and derivatives contracts can continue uninterrupted.

The Bank of England has said that a disorderly Brexit could put as much as 96 trillion pounds (US$125 trillion) of derivatives contracts at risk, along with billions of pounds of insurance liabilities.

'Transitional provision'
The European Commission, the EU's executive arm, has so far downplayed the BoE's alerts, insisting that the onus is on firms to Brexit-proof existing contracts.

The commission has said it *"stands ready to adapt to the developments in the negotiations"* and will review the situation after the October summit.

Mr Maijoor said this week that EU lawmakers need to adopt a *"transitional provision"* swiftly which ensures the bloc's banks do not lose access to a critical cog in world markets – London's derivatives clearing houses.

In a no-deal Brexit, UK clearing houses could lose authorisation to do trades for EU clients.

The urgency to act was thrown into sharp relief in recent days when European banks were told they need to give notice by the end of December if they intend to close positions at London Stock Exchange Group Plc's clearing house, the world's biggest for euro-denominated interest-rate swaps.

Mr Maijoor also said ESMA would start talks with the FCA to have partnership agreements in place in time for Brexit, so they can continue to exchange information and work together on supervising financial firms.

Robert Ophèle, head of France's markets regulator, likewise said EU regulators are committed to establishing cooperation agreements with UK authorities.

Mr Bailey said on 4th October that he was *"encouraged"* by Mr Maijoor's remarks.

"We've all been very clear that we mustn't let Brexit cause a sort of breakdown in relations," he said.

UK sanctions post-Brexit
The UK currently imposes sanctions via the powers contained in the European Communities Act 1972. This Act provides for the incorporation of all European Community law, and its Treaties, Regulations and Directives into UK law.

This is, however, due to change as a result of the European Union Withdrawal Act 2018 which provides for the UK's withdrawal from the European Union (EU) on 29th March 2019 via the repeal of the European Communities Act 1972 and the incorporation of most EU laws into UK law.

The UK's sanction making powers will thereafter be governed by the new Sanctions and Anti-Money Laundering Act 2018. This will presumably take effect simultaneously with the UK's withdrawal from the EU. The scope, nature and possible implications of the new UK sanctions regime have been discussed by the House of Commons in a recent briefing paper.

Imposing sanctions with EU allies
It has been commonly accepted that sanctions are more effective when imposed in conjunction with allies. With this in mind, the UK Government has expressed its desire to maintain a regular dialogue with the EU on foreign, security and defence policy. However, in its briefing paper the House of Commons suggests that a formal agreement to implement EU sanctions is unlikely, and that even if sanctions targets were the same in practice, methods of enforcement are liable to differ.

There is some speculation that the UK may adopt similar measures to either Norway or Switzerland. Norway, for example, has the option to impose EU restrictive measures 'with which Norway has aligned itself'. Switzerland, too, has the discretion to align itself with EU sanctions on a case by case basis.

Sanctions or trade?
There are also concerns that the UK's desire to enter into new trade deals in a post-Brexit environment may take priority over the enforcement of a tough sanctions policy and the resulting lack of coordination amongst leading nations may cause sanctions to appear less legitimate.

Lack of clarity
As it stands the terms of agreement on which the UK will be involved with EU foreign policy and sanctions remains unclear. For further details, the House of Commons' briefing paper may be found on its website.

A.M. Best downgrades credit ratings of Trust International Insurance & Reinsurance Company
A.M. Best has downgraded the Financial Strength Rating to B++ (Good) from A- (Excellent) and the Long-Term Issuer Credit Rating to "BBB+" from "A-" of Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re (Trust Re) (Bahrain). The Credit Ratings (ratings) remain under review with negative implications.

The ratings reflect Trust Re's balance sheet strength, which A.M. Best categorises as very strong, as well as its adequate operating performance, neutral business profile and marginal enterprise risk management (ERM).

The rating downgrades reflect A.M. Best's revised assessment of Trust Re's ERM and governance frameworks following extended delays in the release of its audited financial statements for the year-ended 31st December 2017. The under review with negative implications status reflects uncertainty regarding the financial position of Trust Re in light of the delayed publication of the company's financial statements.

The ratings are expected to remain under review pending publication of Trust Re's audited financial statements for year-end 2017 and A.M. Best's subsequent assessment of the rating fundamentals of Trust Re.

Standard Club announces withdrawal from underwriting at Lloyd's
The world's fourth largest P&I club, The Standard Club, has decided to withdraw from underwriting at Lloyd's beginning from 2019.

The club, which began underwriting marine and energy risks with Syndicate 1884 back in 2015, pointed to *"current overcapacity and a weak pricing environment"* for its decision – noting that Lloyd's has a *"challenging environment for it to develop a profitable underwriting business with sufficient scale"*.

According to Chief Executive Jeremy Grose, the club is now looking at alternative approaches to bring additional insurance covers to its members – possibly including establishing an underwriting agency.

"Conditions in the Lloyd's market are far more challenging today than they were when we planned the launch of the syndicate and it is the right decision to pull out now and allocate the capital to other initiatives," he said.

"Lloyd's represented a small part of our overall growth strategy. The plan is delivering in line with expectations. We are diversifying our business to provide an even stronger and more stable business to meet our members' core P&I insurance needs."

Corresponding with the Club's announcement, Charles Taylor Managing Agency also released a statement following the decision to place Syndicate 1884, which was managed by the business, into run-off.

It outlined that the syndicate will write business until the end of the year and that Charles Taylor would be *"focused on developing its business as a provider of syndicate management and operations"*.

"We are very confident in the prospects for Charles Taylor Managing Agency, both as a manager of live and run-off syndicates," said Barnabas Hurst-Bannister, Chairman of Charles Taylor Managing Agency. *"We established the managing agency as a third-party syndicate manager in 2015 and developed up-to-the-minute systems and processes, designed specifically for that purpose."*

Charles Taylor Adjusting expands LatAm reach with FGR buy
International loss adjuster, Charles Taylor Adjusting (CTA) has acquired FGR group, a loss adjusting and claims programme management group, headquartered in Chile.

FGR employs around 385 people in 17 locations in Chile and Peru and has a growing presence across Latin America. It provides specialist technical loss adjusting and claims programme management services.

The loss adjusting business operates in the Property & Casualty market, with particular strength in construction, engineering, liability and catastrophe losses. The claims management business provides insurance claim settlement services to insurance companies in the Chilean market.

The business handled around 3.1 million claims during 2017.

FGR is located on the 'Pacific Ring of Fire', which gives it greater exposure to CAT events in the region. FGR has worked on recent major CAT events, including the 2015 Chilean floods, 2016 Ecuador earthquake and 2017 Puerto Rico hurricanes, the latter in association with Charles Taylor Adjusting.

FGR will be integrated with Charles Taylor Adjusting's other existing Latin American adjusting businesses, which are led by Felipe Ramirez, Managing Director and Regional Head, Latin America.

Sompo International launches Global Risk Control Services function
Sompo International, the Bermuda-based specialty provider of property and casualty insurance and reinsurance, announced it has launched a Global Risk Control Services function within its insurance business.

Under the leadership of Victor Sordillo, Senior Vice President, Risk Control, the team will work with the company's insureds to deliver advanced risk management programmes as well as more traditional loss control tools.

The team now includes resources across the US and Europe, with certified experts in a broad range of safety disciplines including industrial hygiene, ergonomics, fire protection and product liability as well as professionals with extensive experience in the transportation, environmental services, real estate, hospitality, construction, manufacturing and financial services sectors.

Carlyle acquires majority stake in Sedgwick in $6.7 billion takeover
Private equity firm The Carlyle Group has agreed to acquire a majority stake in claims management group Sedgwick for US$6.7 billion.

Carlyle will buy out existing majority shareholder KKR, which will fully exit its position following the transaction.

KKR and company management paid US$2.4 billion in 2014 to buy Sedgwick. Funds managed by Stone Point Capital LLC and Caisse de dépôt et placement du Québec (CDPQ), together with Sedgwick management, will remain minority investors.

Sedgwick is a leading global provider of technology-enabled risk, benefits and integrated business solutions. The company provides a broad range of resources tailored to clients' specific needs in casualty, property, marine, benefits and other lines.

On an annual basis, Sedgwick handles more than 3.6 million claims and has fiduciary responsibility for claim payments totalling more than US$19.5 billion.

Equity capital for the investment will come from Carlyle Partners VII, a US$18.5 billion fund which focuses on buyout transactions in the US, and Carlyle Global Financial Services Partners III, LP, a dedicated financial services buyout fund.

The deal is expected to close later this year, subject to regulatory approvals and other customary closing conditions.

CNA Hardy has confirmed its plan to exit Property Treaty, Marine Hull and CAR/EAR business on the Lloyd's platform
With immediate effect, CNA Hardy will cease to write Property Treaty, Marine Hull and CAR/EAR at Lloyd's. These lines have struggled to deliver consistent profitability even in light of improving market conditions. Together they represent a small component of the firm's business.

Patrick Gage, Chief Underwriting Officer, has chosen to leave the company. He will stay with the company until the end of the year to ensure stability and a smooth transfer of responsibilities. Lloyd Tunnicliffe, Head of Property, will also be leaving the company at the end of the year. Both Patrick and Lloyd have made significant contributions to the business over the past several years and will be missed.

Going forward, CNA Hardy will move from four to three business units. The remaining Property business lines will merge with Marine and Energy creating a new Property, Marine and Energy business unit under the leadership of Carl Day who will work closely with Lloyd Tunnicliffe through to the end of the year to ensure minimum disruption for staff, brokers and customers.

Specialty, led by Rhonda Buege, and Casualty, led by Craig Bennett, remain unchanged.

Fidelis adds energy market capacity with new MGA Kersey

Bermuda-based Fidelis Insurance has acquired an equity stake in a new managing general agent – Kersey Specialty – which will focus on upstream energy subscription market insurance.

The underwriting capacity will be provided by Fidelis, and Kersey will be managed through Fidelis' subsidiary MGA platform Pine Walk Capital.

The company has appointed Paul Calnan, who has 30 years of re/insurance experience in the Lloyd's market, to run Kersey.

Mr Calnan began his career at Lloyd's in 1988 with Octavian Underwriting and subsequently developed upstream accounts at Navigators, CV Starr and more latterly at Ironshore.

Lloyd's profit halves in first six months despite underwriting improvement

Lloyd's pre-tax profit halved in the first six months of 2018 due to a lower investment return and despite an improvement in the combined ratio.

The pre-tax profit fell to £588 million in the first half of 2018 compared with £1.22 billion in the same period a year ago.

Pre-tax profits were impacted by a reduced investment return of £204 million compared to £1.04 billion in the first half of 2017. This is consistent with the low returns seen across most asset classes over the period, according to a corporate statement.

At the same time, the combined ratio improved from 96.9% to 95.5% over the period.

The underwriting result was £0.5 billion in the first half of 2018, up from £0.4 billion in the same period of 2017. This partly reflects Lloyd's ongoing work, which commenced in 2017, to review the worst performing portfolios, and the subsequent action by the market to reduce loss making lines, Lloyd's noted. Gross written premiums increased to £19.34 billion from £18.88 billion over the period.

Outgoing Lloyd's CEO Inga Beale stressed the return to profitability in her comments after the severe catastrophe losses experienced in 2017.

"These results and return to profit demonstrate the strength of the Lloyd's market following one of the costliest years for natural catastrophes in the past decade.

"Whilst these results are welcome, Lloyd's continues to concentrate on improving the Lloyd's market's long-term performance by taking action to address underperforming areas of the market.

"The corporation also remains focused on making the Lloyd's platform more competitive.

"Alongside the success of the mandate for the placement of electronic risks, we have recently launched the Lloyd's Lab, our new innovation accelerator, which will help Lloyd's use technology to better serve our customers around the world.

"We have also worked tirelessly to secure the Lloyd's market's access to the EU27 and our Lloyd's Brussels subsidiary will start writing business in the European Economic Area from the 1st January 2019."

Thomas Miller acquires MGA operations

Insurer Thomas Miller has acquired the managing general agency (MGA) and insurance services operations of Hamburg-headquartered specialist insurance services group Zeller Associates.

Zeller is an international provider of risk related and insurance services mainly for shipping, trade and transport, and also for specialist areas such as the cruise and tourism industry.

It is made up of six distinct operational businesses covering services including insurance underwriting and management, claims handling, loss adjusting and expert investigations.

Headquartered in Hamburg, the operation employs 37 people.

Hanover Insurance sells Chaucer to China Re

The Hanover Insurance Group, Inc. has announced it has entered into a definitive agreement to sell the entities comprising Chaucer, its Lloyd's-focused international specialty business, to China Reinsurance (Group) Corporation ("China Re"), for total proceeds of US$950 million, including cash consideration from China Re of US$865 million and a pre-signing dividend from Chaucer of US$85 million, received in the second quarter of this year.

The transaction will position The Hanover to continue the successful expansion of its domestic business, building out its strategic capabilities for its partners and customers.

The transaction is anticipated to close late this year or in the first quarter of next year, subject to regulatory approvals and other customary closing conditions. Tangible equity of Chaucer, as of 30th June 2018, was US$520.0 million, net of US$73.2 million of goodwill and intangible assets.

The total consideration, adjusted for the pre-signing dividend, represents a multiple of 1.66 times Chaucer's tangible equity as of 30th June 2018. The transaction is structured so that, subject to certain exceptions, the risks and rewards of Chaucer's business from 1st April 2018 until closing, are transferred to China Re.

Cash consideration of US$865 million (excluding the pre-signing dividend of US$85 million) consists of initial consideration of US$820 million payable at closing and contingent consideration of US$45 million to be held in escrow, which may be adjusted downwards if catastrophe losses incurred in 2018 are above a certain threshold.

The Hanover estimates the sale will result in a net GAAP after-tax gain which will be recorded in discontinued operations at sale execution. Beginning in the third quarter of 2018, the earnings results for Chaucer operations will be reported as part of The Hanover's discontinued operations for all periods presented in The Hanover's financial statements.

The closing is subject to regulatory approvals, including the Prudential Regulation Authority, Lloyd's of London and required approvals from the regulatory entities of the People's Republic of China, in addition to approval from China Re's shareholders.

Lloyd's Market Association taps Ascot's CEO Brooks as Chairman

Andrew Brooks, Chief Executive Officer of Ascot Underwriting Ltd., has been appointed the next chairman of the Lloyd's Market Association (LMA), with effect from 1st January 2019.

Mr Brooks, who has served on the LMA board as a member since 2012, will succeed **Neil Maidment**, who will be retiring as Chairman at the end of the year.

David Gittings, Chief Executive of the LMA, will be standing down at the end of the year after 12 years in the role, to be succeeded by **Sheila Cameron**.

Ascent poaches head of cyber from Brit

Ascent Underwriting, a London-based cyber and specialty lines MGA, has hired a new head of cyber from Brit Insurance.

Caspar Stops will take up his new role at the end of November 2018. He is currently a global cyber, privacy and technology underwriter at Brit, having previously served in senior underwriting roles at AEGIS and Hiscox.

Ascent said the appointment follows that of **James Weatherstone** as Non-Executive Chairman in March and **Rob Harden** as Chief Financial Officer in June.

It added that, with additional capital being provided by Preservation Capital Partners (which acquired a majority shareholding in Ascent in January), further appointments and product announcements are to be expected this year.

International Group names next CEO

The International Group (IG) has appointed **Nick Shaw** to lead the P&I club.

RSA's Turner succeeds Berg as IUMI president

Richard Turner, European Director of Global Risk Solutions at RSA Insurance Group, has been elected President of the International Union of Marine Insurance (IUMI).

Mr Turner succeeds **Dieter Berg** whose four-year term of office has ended.

Mr Turner has served on the executive committee of the IUMI between 2011 and 2015 and, before that, as a member of the nominating committee.

Liberty taps Allianz exec to develop UK, international coverholder business

Liberty Specialty Markets (LSM) has appointed **Lewis Edwards** to the newly created role of head of underwriting, delegated authority for specialty lines.

Mr Edwards joins LSM from Allianz, where he most recently served as head of portfolio solutions in the global corporate and specialty division.

Reporting to Chief Underwriting Officer, Specialty **Mike Gosselin**, Mr Edwards will focus on developing and implementing the underwriting strategy for large, multiline binders, mainly in property, casualty, environmental, personal accident and contingency.

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If you have any questions, suggestions or comments please get in touch with one of the following, or your usual energy contact

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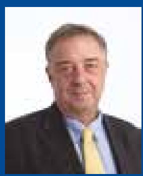

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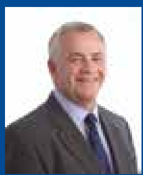

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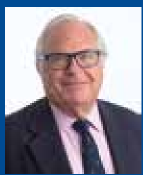

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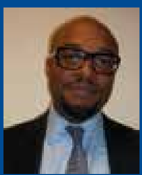

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