

Crittenden's

# Specialty Coverages Insider™

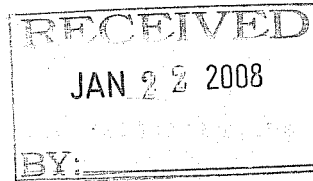
Excess & Surplus Lines ■ Admitted Carriers ■ Alternative & Offshore Markets

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## SPECIALTY INSURERS MAKE MARKS IN 2008

The New Year is already shaping up to be a busy one in the United States specialty insurance playing field with carriers maneuvering to increase market share in an increasingly competitive market. Look for **Ironshore**, **QBE**, **Cincinnati Specialty Underwriters**, and **Plaza Insurance Co.** to play prominent roles in ensuing months. In all likelihood, carriers, especially standard writers of the caliber of Cincinnati and QBE, will either launch new specialty platforms either in-house or through the acquisition of ramped up or dormant specialty programs as the commercial lines market heads into another year of soft pricing. Furthermore, insurance executives are noticing the specialty surplus lines segment can be exceedingly profitable with appropriate underwriting and marketing talent.

The well-calculated acquisition of shell company **TIG Specialty** last year rewards Ironshore with a valuable excess and surplus lines underwriting platform. The newly named **Ironshore Specialty Insurance Co.** already has regulatory approval to write E&S lines in 40 states and the District of Columbia. It has licenses to write in five states. Ironshore Specialty will complement the admitted underwriting operations of Ironshore Indemnity. Ironshore Specialty will offer retail producers, wholesales, and program managers a complete lineup of specialty covers including the D&O, excess liability and employment practices liability covers available under the IronPro banner. In addition, Ironshore Specialty offers construction wrap-up and subcontractor coverage available under IronBuilt. In 2007, Ironshore drummed up \$330 million of business and plans to increase that premium volume in 2008.

### Rating Upgrade Means New Business

Look for **Rockhill** to grow its specialty P&C business now that the group nets an A- financial strength rating from A.M. Best. The FSR assignment signals Rockhill Group's plan to use its 2007 acquisition of shell company **National Alliance Insurance** as a U.S. specialty admitted market. Rockhill changed the name of National Alliance to **Plaza Insurance Co.** Plaza will write on an admitted basis specialty surety and commercial umbrella liability with in-house limits up to \$5 million. Perhaps later this year, Plaza will offer workers' compensation and difference in conditions earthquake cover. **Rockhill Insurance Co.** will continue to concentrate on E&S business especially in the areas of Southeast wind property, commercial umbrella, primary GL for residential home builders on the West Coast and West Coast earthquake.

It now looks like **Cincinnati** will go ahead with plans to enter the specialty excess and surplus lines with the launch of **Cincinnati Specialty Underwriters Insurance Co.** Look for CSUI to unveil additional details. Throughout 2007, the admitted standard carrier had set sights in creating the surplus lines carrier for its agents. Cincinnati has so far committed \$200 million in capital to get the A-rated Cincinnati Specialty up and running in 2008. Cincinnati Specialty will be accessible to appointed agents and brokers.

Watch **QBE** provide the increased capital that specialty insurer **North Pointe** needs to grow its specialty commercial lines especially in the areas of bowling centers, roller rinks, convenience stores, bars, restaurants and mechanized logging operations. QBE will pay North Pointe \$146 million or \$16 per share. Although QBE is already well known in the U.S. for insuring restaurants, bars and main street business, the timely acquisition of North Pointe shows just how interested the Australian-based international insurer wants to grow its U.S. business

Last year, QBE spent nearly \$3 billion buying **General Casualty**, **Unigard**, and specialty insurer **Praetorian**. QBE will eventually add North Pointe as one of its specialty underwriting companies. North Pointe writes about \$150 million of gross written premium. Last year, North Pointe bought Capital Cities, a Southeastern regional specialty insurer. QBE will add about 1,900 North Pointe independent agents. When the deal is finalized, North Pointe will become part of QBE the Americas.

## TOW TRUCKS

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## CARRIERS FIND SHELTER WITH MARINAS

Mergers and new coverages rule the marina insurance market as carriers and their intermediaries fight for profitability and possibly even survival. **Britt/Paulk Insurance Agency** has merged with a Florida broker in order to write this class. **Great American Ocean Marine** offers a popular new coverage and plans to expand internationally while **RLI** plans to add a new form. **OneBeacon with International Marine Underwriters (IMU)** adds to its property coverages and **Essex** looks for continued growth. **Scottsdale** and **Northern Assurance** also write this class.

Expect some capacity in the marina market to dissipate in the next year or so because many carriers have written accounts so far under market value that they are suffering huge losses they cannot support and new start-ups may begin to implode. Also look for 2008 to likely bring more downward pressure on rates for both inland and coastal marinas, despite the change in the hurricane forecast. However, it is not expected these decreases will be as significant as other property and casualty lines, especially in the coastal states.

The boating industry has seen a slowdown due to various economic factors such as higher gas prices and the slowing economy and that has caused many marinas to close and sell their real estate for a significantly higher profit than what they could make operating the marina.

Looking for Hurricanes

The 2008 hurricane forecast is expected to be a feisty one, which could create some more problems and higher rates for marinas in coastal states. With most of these businesses already paying very high premiums compared to marinas in other parts of the country, one major hurricane could push their rates to unaffordable levels. Although carriers say hurricane forecasts do not affect rates, no one is disputing the fact that these areas of the country are prone to catastrophes and rates for these businesses will always be high. Look for coastal area premiums to remain high, unless the next two hurricane seasons go against the predictions.

Britt/Paulk Insurance Agency began offering marina coverage and other marine options in November after its acquisition of Florida marine insurance brokerage **Mitchell, York & Cooper**, which has been working with the marine business for 20 years. The acquisition provides Britt/Paulk with access to the marine market, which was previously an untapped area for the company. Mitchell, York & Cooper, which has become the Britt/Paulk Marine Division, now has the ability to sell its product nationwide. In the few months since the acquisition, the companies have seen substantial interest and expect to see growth as high as 50 percent in 2008. The companies see a lot of new entrants into this market but predict these others will be the first to drop out if the market tightens up. Although the market is tough for coastal states, marina owners find some solutions for the high rates such as self insurance or property coverages from European markets. It is all part of the insurance cycle and in a few years rates may be lower again — barring no further major catastrophes in the high-risk areas.

The companies provide marina operators coverage normally on a package basis which includes general liability, marina operator's legal liability, protection indemnity, personal property, marina equipment, pier, docks and jetties, and pollution for fueling mishaps or any type of unintended spillage. Because of the acquisition, workers' compensation is now available. Britt/Paulk is hoping to automate the application process sometime in 2008 but is unsure at this time exactly when that will go into effect. The average premium in Florida with all coverages except WC is \$16,000 to \$20,000 and will be lower in the middle of the country and on the West Coast. Britt/Paulk will work with independent agents and use Northern Assurance, RLI, Great American, Scottsdale and Essex as its carriers.

*Continued on Next Page*

### AVIATION

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## CARRIERS FIND SHELTER WITH MARINAS...

*Continued from Previous Page*

Great American began offering pollution coverage this month and will offer it for non-owned vessels in a marina for which the marina is held responsible. The company, which is one of the top underwriters for marinas in the U.S., also expanded its program into Canada this month and eventually will go internationally as well because of its recent purchase of Lloyd's syndicate **Market Form**. This syndicate gives it license to operate in 80 countries. Great American plans to have an office in London by January 2009 and will begin its operations by offering traditional marine coverages and some specialty ones that have been successful in the U.S. such as pollution, boat dealers, GL and artisan boat forms. The company does not expect the 2008 hurricane report will have an impact on rates because the market doesn't look forward. It looks backward, and 2007 was not a bad year for catastrophes. However, rates in coastal states will remain high and the company goes out of its way to give marina operators the lowest rate it can, but the fact remains that these locations prove to be a major obstacle and probably always will. In addition to pollution, GL, piers and docks, and limited auto, Great American began offering a popular coverage for storage tanks last year. Brokers like the coverage because it allows one-stop shopping and all risks can be placed with one underwriter. Great American anticipates no growth for existing business in 2008. With a new office in Miami and one opening in London, it is hard for the company to estimate what growth will be for new business. Limits go up to \$10 million. Great American accepts business from independent agents.

### New Coverage Added

OneBeacon, which delivers its marina coverage through IMU, a member of the OneBeacon Insurance Group, added equipment breakdown to its property coverage for marinas as of January 1. The company also plans to significantly upgrade its property coverage enhancement in the first quarter and is considering adding a commercial auto product. OneBeacon/IMU operates in 50 states and offers marina operators liability, protection and indemnity, marine general liability, boat dealers, piers, wharves and docks, property, mobile equipment and owned watercraft, and physical damage. OneBeacon/IMU uses a claims-made form and works with independent agents and brokers who have a contract with IMU or OneBeacon.

RLI plans to break out its marina operators legal liability limit onto a separate limit rather than combine the form with GL at some point in the first quarter of 2008. The company, which is a more recent entrant to the marina market, is planning to create a presence on the West Coast, northeast and mid-Atlantic states during 2008. RLI is already able to write nationwide but its concentration so far has been in the Midwest where it has written about \$2 million in premium volume since the programs inception. The company is not out to write a huge market share but would be pleased if its product grew about 50 percent this year while writing only good business. It also offers territorial limits and coverage for commercial watercrafts, particularly where a boatyard may perform recreational and commercial marine repairs. Limits are up to \$5 million per risk and the average premium for a package is about \$15,000 to \$25,000, with packages premiums as low as \$5,000. RLI writes through appointed marine agents only, but is pretty flexible and will evaluate and entertain business for an agent it sees good potential with.

Essex projects the marina business will continue to be one of its top classes in the next year and expects about 10 percent growth to its current \$10 million in premium volume for this class. The company began offering its marina package on a non-admitted basis and an admitted basis with Markel last year in order to better compete on preferred risks. It also increased its capacity in most coastal areas to handle the perils of wind and wavewash on docks. Essex's package policies generally include marine general liability, marina operator's legal liability, P&I on third party boats and workboats, physical damage and liability coverage on rental boats, physical damage on docks, tools and equipment, and property. The company also writes non-marine exposures at a marina including restaurants, cabin rentals and swimming pools. Premiums go as low as \$1,500 with the average package being about \$10,000. Essex writes in all 50 states and works primarily with wholesale agents and brokers.