

Ryan, Torus and Lightyear emerge as Jubilee bidders

Ryan Specialty Group, Torus and Lightyear Capital have all passed through to the second round of the Jubilee auction, *The Insurance Insider* understands.

To remain a part of the process Jubilee's suitors were required to submit a letter of intent and make a bid of at least £30mn, it is understood.

The Insurance Insider has learnt that Lloyd's player Canopus and two private equity bidders balked at the asking price and withdrew.

Canopus owns three managing agencies already and it is understood that its interest was directed towards the underlying business and not the agency itself.

It is believed that as such it was not willing to offer the amounts of goodwill that other parties were willing to contemplate.

The Insurance Insider revealed in February that Jubilee Group was being auctioned off, with both Ryan Specialty and Canopus demonstrating an interest.

JLT Advisory is handling the auction process.

Jubilee has so far declined to comment directly on the sale, but the insurer acknowledged to *The Insurance Insider* in February that it had appointed JLT as an adviser without specifying its purpose.

In early March a sales prospectus was issued to approximately a dozen companies. All were required to sign a stringent confidentiality agreement before receiving the prospectus.

Jubilee's net tangible assets are modest at £14.4mn on 31 December 2009, implying a sale multiple upwards of 2x book for a business not regarded as one of the stronger underwriting franchises in Lloyd's.

This valuation owes a great deal to the widespread perception in the market that the doors to Lloyd's are effectively barred against new entrants because of the competitive market conditions. As such, the conventional wisdom is that those that want to get into Lloyd's in the short term will need to buy their way in.

Ryan Specialty, the wholesale broker and managing general agency of Aon founder Pat Ryan, was thwarted in its attempt to get into Lloyd's by the Corporation's tough stance towards new capacity.

It retains an interest in entering Lloyd's

and is headed by former Beazley chief underwriting officer Johnny Rowell, who came close to spearheading his own Lloyd's start-up in the first half of 2010.

US private equity firm First Reserve created Torus in June 2008 with a \$720mn capital injection.

First Reserve is a capital provider for CV Starr Syndicate 2243 and Torus in turn acts as a coverholder for the syndicate.

Lightyear Capital already has involvement in the Lloyd's market as the backer of Antares Syndicate 1274. Antares – in contrast to both Ryan and Torus – already owns a Lloyd's managing agency.

Jubilee has the structure of a traditional Lloyd's managing agency, with little permanent capital and significant amounts of third party backing. In 2010 it wrote £124mn of gross income, but laid off almost £71mn of this to reinsurers.

The combined capacity of its two syndicates – 779 and 5820 – is £127mn in 2011.

Third-party backers and minority shareholders provide the lion's share of underwriting capital.

Caribbean insurance group Guardian, which has a 39 percent holding in the company, writes a quota share on Jubilee's syndicates thought to be in the region of 30-40 percent.

Big four continental reinsurer Scor also puts up underwriting capital and Names provide a sizeable slice, including 15 percent on the firm's main Syndicate 5820.

Unless these third-party capital backers choose to exit voluntarily, any buyer wanting to risk its own capital will need to pay compensation to remove them.

An additional complication to using Jubilee as a Lloyd's shell is the close oversight that the Franchise Board would probably impose on anyone looking to radically change the managing agency's direction or business mix.

Following its withdrawal from commercial motor last year, Jubilee writes a significant amount of life business as well as personal lines like payment protection insurance, mortgage indemnity and affinity business that are not heavily written in the Lloyd's market.

Ryan Specialty, Torus and Lightyear Capital declined to comment.

Omega CEO Pexton gets \$225,000 bonus

Omega Holdings CEO Richard Pexton has received a bonus of 45 percent of his pro-rata salary, or \$224,750, despite the company's well-publicised difficulties.

Pexton took over from Richard Tolliday as CEO of the Lloyd's (re)insurer in March last year and presided over its maiden loss. Omega fell to a \$42.9mn loss on a combined ratio of 112.7 percent, as \$55mn of cat claims collided with a deterioration in underlying claims performance. The company was subsequently placed under watch with negative implications by AM Best, "reflecting concerns about the group's exposure management".

Pexton received the bonus in addition to his pro rata salary of \$498,385.

Omega explained in its annual report that Pexton had not received a bonus allocation tied to the company's financial performance.

"This bonus, at 45 percent of his pro-rata salary for the year under review, was earned in relation to personal performance," it said. "No bonus was earned in respect of the financial targets set for the year under review."

But Omega implied that in future its executives would not be able to receive payments of this magnitude without satisfying hard performance criteria.

"For the current financial year, a revised annual bonus structure will operate based on a 70:30 split between financial and non-financial performance targets," it said. The two measures used will be return on equity and absolute total shareholder return.

Omega reiterated that former CEO Richard Tolliday, who was dismissed following a shareholder rebellion, had brought a suit against it for compensation under the change of control provisions of his contract.

"Were Mr Tolliday successful in this claim an estimated amount of \$6.5mn would be payable," Omega said.

It also reported the departed CEO's remuneration for 2010. Tolliday received a salary of \$989,000 to cover his work for Omega in 2010 and the 12 months of his notice period, which ran up to 16 March this year.