

TSM the latest to raise 'for sale' sign on Lime Street

TSM Agency is the latest Lloyd's insurer to put itself up for sale a mere 18 months after launching the specialist engineering Syndicate 1110, *The Insurance Insider* can reveal.

TSM Agency began underwriting on 1 January 2010 with capacity of £53mn. Argenta Syndicate Management is the syndicate's turnkey provider, which was providing 40 percent of capacity to the pre-existing TSM Consortium.

In its first year of underwriting, Syndicate 1110 lost £9.8mn due to a combined ratio of 243 percent.

It also wrote substantially below its £53mn stamp, signing just £28.2mn of gross business and ceding £7.5mn of this to reinsurers.

"The result for the first year's trading of the syndicate has been impacted by the combined effect of start-up costs, a change in market trading conditions resulting in reduced premium income and a series of significant insured events towards the end of the year," the 2010 syndicate accounts said.

TSM, which is owned by the Electrical Contractors Association, provides 90 percent of Syndicate 1110's capacity.

The proposed exit comes as market rumours circulate of outsize losses from the New Zealand earthquake in February.

No details of the pricing or scheduling for the sale are known.

However, the move is the latest in what is becoming a broad trend of both public and privately owned Lloyd's insurers putting themselves up for sale.

Last month, Ryan Specialty Group (RSG) trumped competing bids from rivals such

as Torus and Barbican to acquire Jubilee group for £35mn and become the first broker to own a Lloyd's syndicate in almost 30 years.

Speaking at *The Insurance Insider's* InsiderScope 2011 event in New York last month, Pat Ryan said he acknowledged that Lloyd's would apply restrictions to the amount of business RSG flows into its own syndicates, as the Society manages the potential conflict of a broker controlling an underwriting platform.

"They're going to have some strict discipline on the amount of internal business that can be generated as a percentage – the 20 percent rule. We're very conscious of that and will abide by it," he explained.

But he added that Ryan Specialty's plans would be "accretive to the market" because his wholesale broker would bring more business into Lime Street as a consequence of its new platform.

One of Ryan's rivals in the Jubilee auction – the private equity backed Torus – is believed to be a frontrunner in the auction of Sagicor's Lloyd's operations (see below).

In addition to these auctions of privately held Lloyd's insurers, London Stock Exchange-listed underwriters Chaucer and Omega are both in differing stages of M&A talks (see page 12). Meanwhile, the Singapore-headquartered Whittington Group is believed to be mulling bids of around \$50mn for its Lloyd's turnkey provider of the same name.

Despite (re)insurance companies trading at historically low multiples, Lloyd's strong financial strength ratings, its worldwide licences and capital efficiencies are all cited by potential investors as reasons for owning a platform. The time and complications involved in launching a start-up (see page 10) are also fuelling interest in M&A of existing operations.

TSM declined to comment.

Lloyd's insurers in recent sale talks

Lloyd's insurer	Potential buyers	Comments
Chaucer	The Hanover; others on sidelines	£313mn offer from US specialty insurer accepted last month. Terra Firma and also Cap Z/Martin Reith on the sidelines...
Jubilee	Ryan Specialty	Ryan Specialty in throes of completing £35mn deal
Omega	Barbican (Lightyear), Canopus, Delphi, Novae	The list gets longer...
RITC Syndicate Management	?	Soros-backed legacy firm is being advised by Lexicon Partners; see page 25
Sagicor at Lloyd's	Torus, private equity	Loss-making Syndicate 1206 put up for sale in auction managed by Morgan Stanley
TSM	?	Names backed engineering syndicate/consortium managed by Argenta
Whittington	Tawa, Stone Point, Scor	Turnkey provider valued at approximately \$50mn. Tawa leads shortlist

Source: *The Insurance Insider*

Torus bids to buy Sagicor Lloyd's insurer

The private equity-backed energy specialist Torus is a frontrunner in the auction to acquire the Sagicor Lloyd's syndicates, *The Insurance Insider* understands.

It is understood that after Ryan Specialty Group took Lloyd's insurer Jubilee with a knockout £35mn bid, private equity-backed Torus is among a shortlist of those who have turned their attention to the syndicates.

The Insurance Insider revealed last month that Sagicor at Lloyd's had been put up for sale after it lumbered its Caribbean parent with losses of \$13.1mn in 2010.

Morgan Stanley has been appointed to run the auction process and the deadline for bids was the end of May.

In addition to First Reserve-controlled

Torus, *The Insurance Insider* understands that other interested parties include private equity funds.

Sagicor Lloyd's comprises multi-line Syndicate 1206, with capacity of £230mn, and life Syndicate 0044, which is the Corporation's smallest active syndicate with capacity of only £5.5mn.

The Sagicor at Lloyd's results were driven by a £10.9mn loss for Syndicate 1206, according to the managing agent's 2010 syndicate accounts. Significant losses include the Chilean and New Zealand quakes, political unrest in Bangkok and a deterioration in its growing motor portfolio.

The motor book grew from £36.1mn of gross premiums written in 2009 to £63.1mn for 2010 – the equivalent of around 20

percent of its book. Net incurred claims were £47.9mn, despite earned premiums of just £48.8mn.

Overall, Syndicate 1206's book grew quickly, with gross premiums written increasing by 32.8 percent year-on-year to £291mn.

Sagicor at Lloyd's sapped the group's overall profitability, with its negative swing of \$26.8mn playing a big role in a 52.5 percent drop in headline profit to \$41.6mn.

The Caribbean insurance group, which has shareholder equity of \$565.6mn and revenues of around \$1.25bn, purchased its Lloyd's operation in September 2007 from Gerling at Lloyd's.

Sagicor and Morgan Stanley declined to comment.