Insurance Regulatory Capital

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MAIDEN HOLDINGS, LTD.

Maiden Re steers a specialist course

The trend for industry consolidation may benefit Maiden Re as it allows the reinsurer to be more nimble than its competitors, says Art Raschbaum, Maiden Re's CEO.

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Maiden Re's operating ROEs continue to be amongst the highest of reinsurers, what aspects of the business have been most successful?

Maiden's successful reinsurance business benefits from a carefully developed, purpose-built operating platform that drives significant operating and balance sheet efficiencies, profitable underwriting results and stable investment returns. Our lower volatility business model allows us to more efficiently utilise our balance sheet in comparison with more severity oriented reinsurers.

Similarly, our conservative investment portfolio of primarily highly rated fixed income securities results in more stable returns relative to net assets. We believe that these operating and balance sheet efficiencies translate to significant value for our clients. Today, Maiden is one of the most efficient reinsurers operating in our target market. However, it all starts with risk selection and strong underwriting. Our goal is to maintain stable and strong returns through superior underwriting and effective risk management.

With so much market consolidation recently how can Maiden Re compete with these increasingly large competitors?

We have always effectively competed with large reinsurers and do not anticipate the growth of competitors to impact our competitive position. We clearly recognise that there are many formidable and capable reinsurers operating in the market. As a result our competitive strategy focuses on developing highly differentiated and client responsive capital solutions while effectively leveraging our operating efficiencies. We grow our business one client at a time with a focus on building strong customer relationships by delivering responsive solutions and exceptional value and support to our clients. Beyond our specialist focus and efficiency we have developed a number of important product differentiators.

As an example, while providing support of our strong and growing balance sheet, Maiden offers the additional security of collateralised reinsurance solutions. We believe that in the coming Solvency II environment, this will be an increasingly important differentiator by ensuring that our customers receive optimal regulatory capital credit. Overall, we feel that the consolidation trend can benefit Maiden. Because of risk management constraints and philosophical strategic changes at merged entities, consolidation has historically created opportunities for Maiden. Our current size and strategy allow us to be nimble and we are confident that we can pursue our business objectives organically both in Europe and elsewhere.

Are there any specific business lines you are looking to expand into?

In Europe, Maiden IIS is continuing to develop auto OEM opportunities with additional expansion possibilities under development, which will add to our existing European platform. We have won several new auto accounts in the UK, Germany, and Russia. We recently announced a joint-venture with our long term insurance partner Allianz to provide payment protection insurance (PPI) and have identified a strong European PPI pipeline. Maiden capital solutions activity in Europe has been actively marketing and entertaining quoting opportunities with our Dublin-based majority-owned subsidiary Insurance Regulatory Capital (IRC).

Together Maiden and IRC offer highly differentiated capital solutions through a combination of traditional reinsurance and subordinated debt. As the implementation of Solvency II approaches, we are seeing a number of opportunities that respond to our blended capital solutions capabilities emerge. The Maiden Re team in the US has also been developing a capital solutions model for the US, similar to Maiden Bermuda's approach in Europe.

Maiden Re has put a lot of effort into having an attractive proposition for clients that are facing Solvency II. Why did you chose this to focus on this area of the market?

We believe that the European adoption of Solvency II will have broader implications, as regulators around the globe work to strengthen capital management standards. Similar to the US, we are focused on regionally oriented European and Latin American companies that could benefit from capital support.

While we believe that risk based capital is important to industry solvency, for many companies it will pose challenges both pre- and post-Solvency II implementation. We believe that in a Solvency II risk based capital environment many companies may look for approaches to improve their relative risk based capital position. At Maiden, we offer a continuum of capital solutions from traditional reinsurance to sub debt.