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MARKET NEWS, DATA AND INSIGHT ALL DAY, EVERY DAY

ISSUE 5,907

Lloyd's 2019 YOA improves but still in loss

p3

Focus: ESG and CSR

The ability to measure the value of ESG strategy is a competitive advantage

p4-5

Communication and tech 'key to hybrid working success'

p2

NEWS

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Insurance Day is the world's only daily newspaper for the international insurance and reinsurance and risk industries. Its primary focus is on the London market and what affects it, concentrating on the key areas of catastrophe, property and marine, aviation and transportation. It is available in print, PDF, mobile and online versions and is read by more than 10,000 people in more than 70 countries worldwide.

First published in 1995, *Insurance Day* has become the favourite publication for the London market, which relies on its mix of news, analysis and data to keep in touch with this fast-moving and vitally important sector. Its experienced and highly skilled insurance writers are well known and respected in the market and their insight is both compelling and valuable.

Insurance Day also produces a number of must-attend annual events to complement its daily output, including the *Insurance Day* London Market Awards, which recognise and celebrate the very best in the industry.

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Communication and tech 'key to hybrid working success'

London market will not return to the pre-pandemic way of doing business, broker Miller's head of HR says

Marc Joes
News editor

The Covid-19 pandemic might make a return to the old pre-coronavirus ways of doing business in the London market unfeasible, according to the head of human resources at broker Miller.

Speaking to *Insurance Day*, Susan Downey said while the market is reliant on personal connections, which are what makes this sector unique, the pandemic has been such as significant event that it seems unfeasible for the market to revert back to the way it was working before.

Despite this, Downey said a new form of working practice will emerge.

"Communication and technology will be absolutely key to the adoption of hybrid working and the companies that get that right will thrive," Downey said. "We are heavily investing in technology and looking carefully at our office space to ensure it is set up effectively for hybrid working so we can offer seamless interactions between colleagues in the office and those working remotely."

Downey said the majority of people now demand flexibility in the way they work and forward-thinking companies that offer this will become magnets for the best market talent.

"We know from the insight gained from our people and clients that in-person interactions are beneficial for collaboration, learning and connection and so the office remains an important place to be," she said. "However, this has been a habit-changing pandemic, showing we can deliver the same high-quality service while working remotely, meaning working from home will play a major part in our working practices from now on.

"We know colleagues will have a range of preferences for what way of working will make the most sense moving forward but the one thing which is consistent is our people want flexibility in their working location."

When the lockdown started, for Miller the key was to find a balance between ensuring the business could continue to meet the needs of its clients, while providing colleagues with the support they needed during what was a challenging time.

The steps Miller took to support its people have included weekly updates from its chief executive, Greg Collins, and a number of wellbeing initiatives. The broker made sure to regularly take on board feedback from colleagues via surveys. Downey said the steps the firm has taken have been well received.

Miller had already completed a full laptop roll-out by the time the pandemic hit early last year, so from a technological perspective it was able to pivot its workforce into a home working situation overnight.

Of course, like others, Miller took some time to adjust to video conferencing and virtual working, but Downey described the Miller workforce as "incredibly adaptable and collaborative".

"As the situation has gone on, our teams are talking more and continue to think of creative solutions to how we service our clients' needs in this environment," Downey said. "Over-communication has been absolutely key to keeping our people together and we are incredibly proud of what we have achieved together over the past year."

Another key element at Miller as the lockdowns were eased was clarity and an providing much advance notice as possible when it comes to making changes to the way the company works, Downey said.

At present, Miller's London office is open for voluntary use for those with business-critical needs or for respite. The company recognises that, despite the loosening of restrictions on July 19, many employees are still cautious about returning to the City, particularly as there are a number who have not completed the vaccination course.

As a result, Miller has developed a two-step plan to reopen, depending on the external environment. The first step is to provide increased access to its London office but for access to continue to remain voluntary throughout the summer.

This will then switch to the second step, a new hybrid working solution from September, known as "Work Your Way", which has been developed following a series of internal workshops, surveys and understanding of best practice.

"Our colleagues told us they didn't want a one-size-fits-all approach, so we have developed a team charter solution where teams can develop individual charters for how they want to work in the future," Downey said. "We believe empowering our colleagues to work in this way is motivating and will help them find the best work-life balance, which will have a positive impact on how they perform at Miller."

'This has been a habit-changing pandemic, showing we can deliver the same high-quality service while working remotely'

Susan Downey
Miller

Sign up now for our Monte Carlo webinars

Hear top executives from the world of reinsurance, and from the world of insurtech, lay out the path ahead for our industry, *writes Lorenzo Spoerry*.

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NEWS

Lloyd's 2019 YOA improves but still in loss

Robert Evans/Alamy Stock Photo

Covid-19-hit underwriting year benefits from positive reserve movement but social inflation hits liability business

Michael Faulkner
Editor

The performance of the Lloyd's 2019 year of account improved slightly but the year is still expected to post a loss, according to the latest syndicate forecasts.

The forecast result for the 2019 year of account, which bears the majority of Covid-19 losses, improved by 0.63 percentage points.

But the year is still expected to make a loss, with a 4.1% loss on capacity at the mid-point of the forecast range.

The 2019 year of account, which is due to close at the end of this year, bears around two-thirds of the market's £6.2bn ($8.4bn) of Covid-19 claims. Syndicates writing international liability business have also been hit by large losses driven by social inflation.

Of the non-aligned syndicates, 16 reported an improved forecast, with the greatest improvements reported by special purpose arrangements, SPA 6107 (Beazley) and SPA 6104 (Hiscox).

SPA 6104 remains in loss (-16.6% at the mid-point), largely owing to poor catastrophe experience including typhoon losses in Japan, members' agent Argenta said.

But SPA 6107, which writes a combination of cyber and catastrophe exposed business, has improved to a meaningful profit (12% at the mid-point), albeit the range of outcomes remains wide, Argenta noted.

The greatest decline was reported by QBE syndicate 386, which booked an 8.7-point worsening of its forecast. It is still expecting a profit of 1.3% on capacity at the midpoint, however.

This was followed by Coverys syndicate 1991, now in run-off, which reported a 4.4-point decline to a loss of 20% at the mid-point.

Both syndicates suffered from losses in international liability business, Argenta said.

Of the non-aligned syndicates, the best result for the 2019 year of account is still forecast to be from Chaucer's nuclear syndicate 1176, with a 30% profit on capacity.

Argenta said the 2019 year of account had benefitted from positive reserve movements from closed years of account that had been included in the 2019 year.

"Managing agents begin to include movements on closed years of account at this stage, and happily, given the conservative reserving of many Lloyd's syndicates, the balance of reserve movements has improved the overall result," Argenta said.

It was also "encouraging that Covid-19 reserves are robust".

Argenta added that the final result for a year of account tends to be better than the 10th quarter estimate. "There are some unusual features this year, including the Covid-19 reserving, and a low interest but potentially volatile investment market, but we would nonetheless expect this trend to continue."

The 2020 account improved 0.3 points to a mid-point profit of 0.6% on capacity, according to the latest forecast.

Argenta said the slight improvement was "encouraging at this stage of its progression".

The 2020 underwriting year remains on risk for much of the rest of the 2021 calendar year, in particular for direct business and for business written under delegated authority, the members' agent noted.

US brokers join Tysers bidders

US brokers Risk Strategies and Alliant are the latest firms reported to be interested in bidding for London market broker Tysers, *writes Marc Jones*.

Tysers has been up for sale since late June, with a shortlist of potential buyers that is thought to include PIB, Miller and BMS, none of which have publicly commented on the sale.

As *Insurance Day* reported at the time, investment bank Rothschild was reported to have been brought in by Odyssey Investment Partners, which owns Tysers' parent company Integro, to run the auction.

The future of Tysers has been the subject of much speculation over the course of recent months.

In May, it was reported that Odyssey had ordered the company be made ready for sale.

Integro bought Tysers in 2018 and the broker had been expanding, buying RFIB in 2020 and saying that it had plans for further expansion.

A spokesperson for Risk Strategies declined to comment. Alliant and Tysers were both approached by *Insurance Day* for comment.

It is not known how close to completion the auction of Tysers is.

Tysers was founded in 1820 and is one of the oldest remaining Lloyd brokers, with more than 1,100 employees in 140 countries across the world, controlling close to $3bn of insurance premium.

Hurricane Grace set for second landfall

Hurricane Grace has been projected to make landfall for a second time over the weekend as a category one hurricane, *writes Marc Jones*.

Grace became the first landfalling hurricane of the 2021 Atlantic hurricane season after it struck Mexico's Yucatán Peninsula on August 19 with 80 mph (130 kph) winds.

Before coming ashore in Mexico, Grace tracked across the Caribbean and brought periods of heavy rainfall and gusty winds to several territories. The system was forecast make its final landfall in mainland Mexico over August 20/21.

According to Aon's Impact Forecasting service, total economic losses from Grace have been estimated into the millions of dollars.

The National Hurricane Center has also predicted that Tropical Storm Henri will strengthen into a category one hurricane by the time it comes ashore in New England on Sunday, August 22.

According to the most up-to-date predictions as *Insurance Day* went to press Henri will make landfall on the coast of Massachusetts and might even hit Boston.

Meanwhile, insurers in the US are still calculating the damage from Tropical Storm Fred, which had earlier became the third named storm of the 2021 Atlantic hurricane season to make landfall in the continental US.

Fred officially came ashore in the Florida Panhandle just west of Apalachicola as a high-end tropical storm with maximum sustained winds of 65 mph (100 kph) on August 16.

Fred and its remnants later generated flooding, rainfall and widespread thunderstorm activity that spawned damaging convective winds and isolated tornadoes across the south-east, Appalachians, and mid-Atlantic from August 16 to August 18.

Flash flooding incidents were reported across western North Carolina on August 17.

Total economic losses from Fred are anticipated to reach into the hundreds of millions of dollars, Impact Forecasting said.

The ability to measure the value of ESG strategy is a competitive advantage

Thodonal/Alamy Stock Photo

The right metrics can help carriers gauge more accurately the impact of their environmental, social and corporate governance strategies in a rapidly shifting risk environment

Penney Frohling, Phil Vermuelen and Simon Woods
Ernst & Young

As insurers navigate a period of immense change in response to environmental, social and governance (ESG) issues and the need to serve a broader set of stakeholders, we believe the metrics of shareholder return, brand value, economic net worth, and return on capital, reflect some of the most immediate risks associated with climate change and the broader environmental agenda.

We believe these four metrics will represent the most accurate and holistic barometers of exposure to climate-related risks and perceptual issues that threaten insurers' value during the next three to 18 months.

This is because they are pragmatic and practicable, universally accepted, already tracked and reported by some insurers, and often signed off in standard audit procedures.

They are also easily decomposed into sub-metrics to enable root-and-branch analyses, support mapping to non-financial metrics and provide line-of-site to different stakeholder groups. Plus, they accommodate multiple time horizons and diverse stakeholder interests, as well as near-term measures of both value destruction and protection.

Because financial metrics will remain the dominant way of communicating to stakeholders, they will be more easily adoptable. The development of more sophisticated "hybrid" metrics to accurately and credibly correlate ESG to financial performance requires more time. Such metrics will be of limited relevance to insurers, who will be net users of data to make investment and underwriting decisions once standards have been established. This is an iterative process involving many industries.

One of the most pressing issues for the C-suite is the ESG rating that a company is given by equity analysts. There are significant concerns associated with the inconsistencies in how these ratings are conferred

Total shareholder return

One of the most pressing issues for the C-suite is the ESG rating that a company is given by equity analysts. There are significant concerns associated with the inconsistencies in how these ratings are conferred. These concerns are justified because of the potential impact of these ratings on share price and investor appetite. Many senior insurance leaders fear that negative, or even mediocre, ESG ratings will make them look bad relative to their peers and lead to stock price depreciation.

ESG ratings are a critical path for ESG index inclusion. Over the past 12 months, flows into "green" funds and exchange-traded funds have increased fivefold in the UK and other markets. Inclusion in these types of funds typically leads to higher stock prices. Missing out could result in underperformance relative to peers.

As more investors introduce ESG criteria into portfolio management, demand and supply will drive up the share prices of the firms that meet the criteria. So, it is highly likely over the short and medium term that share price performance will become a good measure of how well individual insurers present

FOCUS/ESG AND CSR

their ESG credentials and tell their ESG stories.

Over the long term, it is our conviction that firms that make choices to enhance long-term value will also deliver superior returns to investors. While total shareholder return (TSR) is a good overall indicator, the challenges of decomposing it into sub-metrics are well known. The following three metrics offer some correlation to TSR and are more readily decomposed into underlying drivers.

Brand value

In the insurance sector, brands have typically emphasised perceptions of financial strength, stability and longevity. ESG principles, including transparency and accountability, that are geared towards a sustainable, long-term perspective can be excellent complements to traditional positioning.

Conversely, brands that do not credibly demonstrate a commitment to a greener economy, diverse workforces, ethical business practices and a more equitable society may face backlash in public opinion and increased regulatory scrutiny. Decreases in favourability ratings and, ultimately, financial value would likely follow. In other words, damaged brands can make stock prices fall.

Brands are financially valuable to firms precisely because of their value to other stakeholders, including customers, employees, suppliers and partners. While these are often considered "soft" metrics, they are nevertheless measurable and will become more important to tracking value in the age of ESG.

Economic net worth

Economic net worth (ENW) growth over time provides a good barometer on whether a firm is adding to its long-term value or depleting it. However, we are seeing important changes in the risk and return profile on both the asset and liability sides as a result of ESG considerations; therefore, we expect that the approach to evaluation will evolve even further.

On the asset side, particularly for life insurers, the intensifying focus on ESG is creating urgency to rebalance portfolios. There is growing evidence of customer expectations for socially aware investment policies. In recently awarding a major buy-out deal, the trustees of a major UK pension fund took into account ESG policies and how they would best serve pension holders for the next 30 years and beyond.

The pressure to comply with regulations and establish policies to secure a positive ESG rating and sustain brand equity and the stock price must also be taken into account. However, changes to the asset portfolio and investment policy will have value creation and value protection impacts that will be felt for the next 10 to 50 years.

First and foremost, there is the exposure to "brown" sector assets. Insurers must determine their timing and approach to achieve net-zero targets by 2050, and some may choose to move the time horizons forward. A decision must be made as to letting positions naturally run off or making conscious exits. To pick the right course, insurers will need to stress-test the future value of these assets. We would expect to see ENW affected by revised forward-looking assumptions in relation to the risk-adjusted value of brown assets, which would eventually penalise the firms that are slowest to transition.

In addition, Mark Carney, former head of the Bank of England and UN Special Envoy on Climate Action and Finance, has prodded the industry by describing its crucial role in allocating investments to fund long-term projects in renewables. Insurers that embrace the role will need deep insights into and confidence about their projected yields and payback timelines. The long-term and illiquid nature of these investments makes them highly suitable for matching long-dated liabilities, a practice often rewarded by ENW frameworks. Firms that embrace the trend and build deep understanding of the risk profiles of these investments will be more effective in demonstrating their contribution to ENW growth.

On the liability side, particularly for property and casualty insurers, we see similar pressure to be more selective on the projects, companies and industries they choose to underwrite to meet their stated net-zero targets. In some cases, these can be binary decisions; a number of firms have already stated publicly their withdrawal from insuring certain risk pools (eg, thermal coal power stations).

However, in many cases these underwriting decisions will be less clear cut, and more flexible tools will be needed. As with the asset side, "brown" clients and industries will have a different insurance risk profile in the future than in the past; "green" clients and industries will offer new sources of underwriting profit for the firms that can most effectively build an understanding of those risk profiles.

For both assets and liabilities, firms should take stock of the way they measure their current values to reflect the fact that risk profiles and future expectations are changing in response to climate action. They can use this insight to communicate a robust assessment of their current ENW. They should also look to quickly embed new data, assumptions and valuation techniques related to green assets and liabilities into their ENW frameworks as increasingly useful differentiators relative to long-term value creation.

Many insurers already have sophisticated risk modelling, often mandated by regulatory capital standards, and perform stress tests against key risk factors to ensure they remain adequately capitalised. Risk-based capital requirements are a good indicator of exposure to "tail risks" and the firms able to generate a positive return on capital (ROC) are often the ones best able to price for these risks in their underwriting.

There is growing momentum in the industry to include climate risks (including both physical and transition risks) in insurers' internal capital models. There are also regulatory moves toward climate scenario testing. We expect to see significant evolution as data on climate impacts and exposures evolves, and also expect ROC to become an increasingly important indicator of an insurer's success in managing its exposure.■

Penney Frohling is EY-Parthenon partner, financial services strategy, Phil Vermeulen is global IFRS 17 leader and partner, insurance, and Simon Woods is EMEIA financial services insurance strategy leader and global financial services IBOR lead, at Ernst & Young

> **For both assets and liabilities, firms should take stock of the way they measure their current values to reflect the fact that risk profiles and future expectations are changing in response to climate action**

Brands that can demonstrate commitment to ESG principles will be viewed favourably in future

Thodonal/Alamy Stock Photo

Racial diversity is a fundamental challenge for the London market

If London's talent base is to be as skilled and rich as possible, the market's culture must be more welcoming to people from black and ethnic minority backgrounds

Godwin Sosi
Sompo International

It is a truth now universally acknowledged that for decades the London market has been a clubby community of predominantly middle-aged white British men. For a while that did not set it apart from any of the city's other world-leading financial markets. However, there is no doubt that it realised much later than many others that this extreme lack of diversity is not just unacceptable, but also a significant business disadvantage. Leaders need to build workforces that are reflective of the society in which they operate, which is what drove us to set up the African-Caribbean Insurance Network (ACIN).

My first experience of the London market was as an intern with Tokio Marine Kiln in 2013. This came about through a friend's referral – he too was doing an internship arranged by the brokerage, a social mobility charity working with young people and employers to drive positive change in the workplace. Having graduated in economics and finance, I joined Chubb Global Markets before moving to Sompo International where I am a management liability underwriter. According to Chartered Insurance Institute data, in 2017 only 7% of the insurance industry's workforce in the UK came from an ethnic minority and, of that, only 2% was black. This is disproportionate to the number of black people in the UK. While the numbers have undoubtedly improved, it is from a very low base. We decided we could either complain about it or get on and help do something to make change happen.

The ACIN was formed to boost black and minority ethnic representation within the insurance industry. We want to do this by increasing cultural competence in the London market and striving to make the insurance sector a more attractive destination for young ethnic professionals. The insurance market is a hidden gem; unless you know about it, it is really hard to find out what it has to offer as an employer. So, we wanted to build a network that would bridge that gap; by promoting the market through networking and events to encourage graduate recruitment, internships and work experience.

In 2019, we toured 20 careers fairs for the first time in the history of London market, talking about what insurance has to offer as a career, the types of roles available and the role insurance has to play in society. Like the rest of the world, we have switched online through the pandemic, and the result is that we have more than 2,000 students in our network today.

We are moving the needle in building awareness, as well as adding skills materials such as CV writing etc, to encourage more applicants. Building a deep pool of applicants is vital since it helps companies to access the best people for the roles, who also bring diverse experiences to the market. The numbers show real progress is being made. In 2019, we placed around five candidates, and in 2021, this has risen to around 35. However, that is still a fraction of the new entrants each year and we can, and must, do better.

The London market has realised that lack of diversity is a significant business disadvantage
Brain light/Alamy Stock Photo

Educating employers

So, the other side of the equation is educating employers, not just around recruitment but also retention. There is no doubt that the unfortunate events that unfolded in the US last year prompted much greater awareness of the vital need for greater tolerance and inclusivity, and we have seen more companies stepping up their efforts to make our market more diverse. But having attracted the right talent, we then need to keep them.

The first challenge for anyone from a diverse background is the lack of role models – this is not just an issue for black and ethnic minority insurance professionals but is also one that women have faced for some time.

So, mentoring is vital – and I want to give a shout out to Julian James, chief executive International Insurance at Sompo International, for his leadership in this area. He always wants to know how change can happen and what he can do to help. Companies also need to be alive to the need for greater cultural inclusion – not everyone wants to go for a beer after work or play golf. We need to be inclusive in how networks are built and maintained for younger professionals – especially in a more hybrid work environment.

If you can't see people you can personally relate to in more senior jobs, and especially in leadership roles, then it becomes much harder to see yourself progressing in the right direction

Whatever efforts are being made, we need more change and we need it now. Now is the right moment for corporate executives to agree that, if our talent base is to be as skilled and rich as possible, we must make our market's culture welcoming to people from non-white backgrounds.

Now is the time to realise that, for our businesses to achieve the greatest possible success, we must improve ethnic membership at all levels within our ranks. The ACIN's duty is to represent the voice of the London market's black and minority ethnic community and we are stepping up our efforts. We are planning to hold an online event in the late autumn to showcase roles and companies in the market, to help change the narrative and ensure that talent from that community choose to be in insurance. ■

Godwin Sosi is an assistant underwriter at Sompo International and founder of the African-Caribbean Insurance Network (ACIN) in the London market

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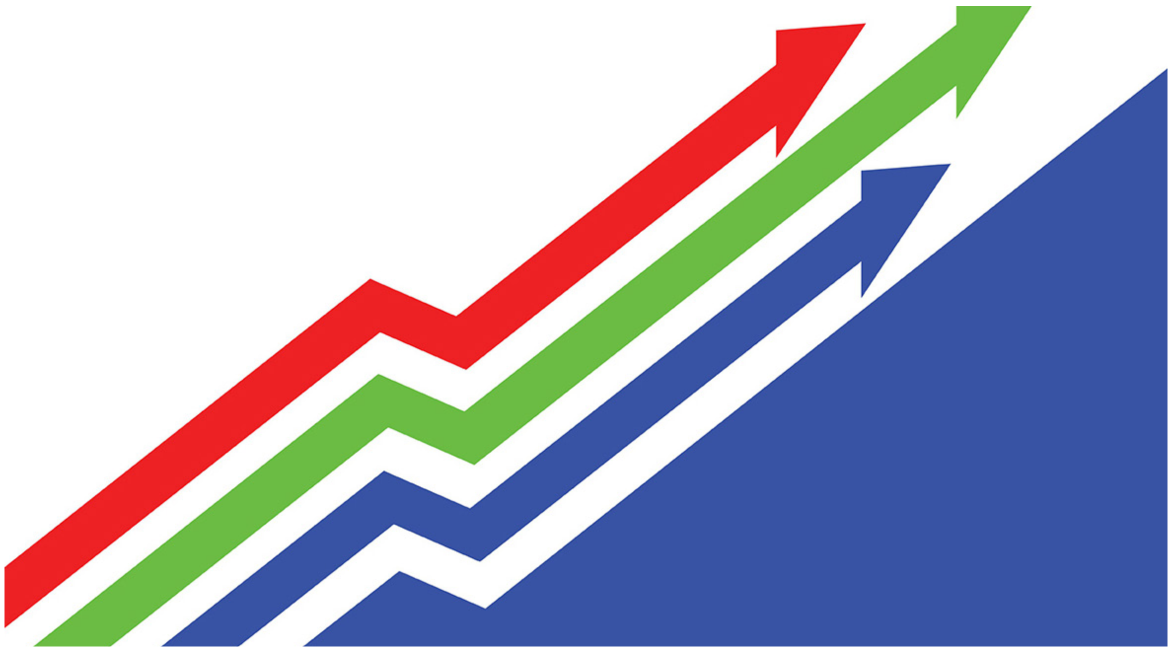
Ardonagh boosted by specialty and international growth

Broker's Ebitda surges 53% to £153m in Q2



Stuart Collins
Journalist

Ardonagh reported a 33% increase in income to £433m ($589.7m) in the second quarter of 2021, supported by strong organic growth and acquisitions in its specialty and international businesses.

Organic growth at the insurance broking and underwriting group was 10% in the quarter. Adjusted Eitda rose 53% to £153m.

The company, which has grown rapidly through acquisition, also announced its existing shareholders have subscribed for £350m of additional equity, while its lenders are providing a £550m additional capital expenditure and acquisition facility.

The combined funding will enable Ardonagh to continue executing its merger and acquisition and investment strategy in the UK and internationally, it said.

During the first half of 2021, the group launched its new international platform through Ardonagh Global Partners and Ardonagh Europe. It agreed to acquire the insurance operations of BGC Partners, its largest acquisition to date. It also launched Inver Re, a new reinsurance broker.

Racunas joins Alliant Insurance Services

John Racunas has joined Alliant Insurance Services as senior vice-president in its real estate business, *writes Marc Jones*.

Racunas will focus on providing solutions for commercial real estate, construction and large hospitality risks.

Before joining Alliant, Racunas served as senior vice-president at Orion Risk Management, where he focused on captives, commercial real estate, hospitality and construction.

He started his career as a commercial real estate broker, followed by 20 years at Lockton, where he focused on commercial real estate, construction and large restaurant chains.

"John's extensive industry expertise and depth of experience within the real estate sector will serve as a significant asset to our clients," Chuck McDaniel, executive vice-president, Alliant Specialty, said.

Tokio Marine Singapore targeted by ransomware attack

Tokio Marine's operations in Singapore have been hit by a ransomware attack, *writes Stuart Collins*.

In a statement, the insurer said some of Tokio Marine Insurance Singapore's internal Windows servers were targeted by ransomware on July 31, 2021.

In response, the affected servers were isolated and immediate action was taken to recover the servers. "None of TMIS' core insurance operating systems were affected and our insurance operations functioned without interruptions," Tokio Marine said.

Additional forensics investigations and testing are ongoing, however, there is no indication of any loss of customer data or confidential information.

The incident was the second cyber attack against an insurer revealed this week. US insurer Ryan Specialty Group disclosed on Monday that it detected unauthorised access on some employee accounts in April.

Axa Singapore ratings placed on negative watch

Fitch Ratings has placed the A+ financial strength rating of Axa Singapore on rating watch negative pending its acquisition, *writes Stuart Collins*.

On August 16, Axa announced it had agreed to sell its Singapore insurance business to HSBC for $575m.

The rating action was driven by Fitch's reassessment of the strategic importance of Axa Singapore to the French group to "limited importance" from "very important".

However, the rating agency said it expects Axa to continue to provide support to Axa Singapore until the transaction has closed.

The ratings watch will be resolved upon completion of the acquisition and Fitch's assessment of the consolidated credit profile of HSBC.

The transaction is expected to complete in the fourth quarter, subject to regulatory approvals.

Axa's ratings are unaffected.