

Maiden Re looks to Europe

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Explain for us how Maiden's collateralised reinsurance solutions work. What are the differing benefits of this offering to clients?

Insurers will be able to effectively manage their counterparty risk component, as Maiden's reinsurance collateral will offset the capital requirement as it is a deduction to the Loss Given Default (LGD) calculation. The effect of this offset is that Maiden Re's collateralised reinsurance solutions provide greater Solvency II benefits than uncollateralised solutions from higher-rated reinsurers.

Increased transparency is one of the benefits of our collateralised reinsurance offering. On a regular basis, we compute and share with our clients our expectations of the ultimate liabilities for each account. This computation is the basis for our collateral funding and provides an opportunity to regularly review and discuss with our clients how each account is performing. Based on the calculated collateral needs a Solvency II compliant custodial account is established and funded for each client.

The collateral custodial account is placed with an EU financial institution and is funded with highly rated assets. A key aspect of these collateral accounts, is that our clients retain the right to liquidate or retain the underlying collateral in the unlikely event of a reinsurance insolvency.

In what jurisdictions can you offer these collateralised reinsurance products?

Maiden Re's collateralised reinsurance solutions are available throughout the European Union to help insurance companies comply with the coming Solvency II requirements and are tailored to meet the requirements of the specific jurisdictions

in which insurers operate. Unique to Solvency II is the impact collateral has on an insurer's counterparty risk, as collateral offsets the capital requirement as it is a deduction to the Loss Given Default (LGD) calculation. The effect of this offset is that Maiden Re's collateralised reinsurance solutions provide greater Solvency II benefits than uncollateralised solutions from higher-rated reinsurers.

Collateralised reinsurance continues to be one of the fastest growing areas in the industry with London potentially primed to become a hub for collateralised reinsurance space. Where do you see as the biggest opportunities across Europe?

Our approach to collateralised reinsurance is a bit different than how the term is being used in some of the capital market discussions of ILS transactions and cat bonds. Maiden is not looking to securitise a single transaction and Maiden does not participate in catastrophe reinsurance markets. Maiden places high quality securities in an individual custodial account for each of our clients that collateralises outstanding recoverables for our entire relationship with that client. The ultimate anticipated value of those recoverables are reviewed and adjusted periodically with input from our client. Claims and operating expenses are paid out of the normal course of operation, not the custodial accounts. The trust balance provides security in the case of reinsurance insolvency and eliminates counterparty risk from the Solvency II LGD calculation, which we think is unique across Europe.

Will changing regulatory capital standards regulation such as Solvency II provide additional international opportunities for Maiden through offering capital solutions to assist clients with their capital management?

As risk-based capital standards are promulgated and implemented globally, we think Maiden's combination of collateralised reinsurance and subordinated debt will gain traction in many other global markets and we are increasingly engaging with those markets to evaluate opportunities there. Globally, we believe insurers without natural access to this unique range of capital solutions will respond positively to Maiden's offerings and our relationship-based approach to clients.

What does the future hold for Maiden and its international growth?

Maiden is fully committed to expanding our presence within the European Union and providing customised capital solutions to European insurers. We're optimistic that the opportunities we are already seeing here in Europe will expand as the market fully implements Solvency II. As a company committed to being a reinsurance specialist, the combination of our collateralised reinsurance products and value added support along with our subordinated debt offering via IRC enables Maiden to provide customised and highly differentiated solutions to regional and specialty insurers in Europe and beyond. Maiden uniquely offers the full complement of capital solutions that will enable insurers globally to proactively manage their capital and strengthen their business.

