



## **QBE's surprise \$204m bid for British Marine shakes up P&I market**

Wednesday 28 September 2005

IN one of the biggest surprises in maritime insurance of recent years, major insurer QBE has swooped to buy the highly successful protection and indemnity and hull cover provider British Marine, writes James Brewer.

Australian-listed QBE, which has a worldwide network including a top Lloyd's operation run by managing agent Limit, is to pay around A\$270m (US\$204m) for the 126-year-old business which is a mainstay of insurance for thousands of ships mainly under 10,000 gt.

It is hoped that regulatory approvals will be cleared by late November 2005, well in time for policy renewals, many of which take effect in January and February.

The insurer covers a huge range of tonnage from tugs to cargoships. Around 8,000 units are on the books and, like its competitors, British Marine relies on the support of a substantial network of P&I correspondents and on a huge number of brokers to produce the business and negotiate on claims.

British Marine will retain its distinctive branding and its management team, including chief executive Robert Johnston, a former Steamship P&I Club executive whose stewardship of the fixed premium facility for the past four years is credited with setting its finances on to a more robust basis than ever.

Insurance companies have a dismal history in attempting to penetrate the shipowners' P&I market, but that is largely because they have gone for start-ups in competition with well-entrenched providers.

In this case, QBE is buying into a solid business with an extensive book of shipowners who can be regarded as loyal to the London-based facility.

The deal marks an exit for investment fund Capital Z, which has shored up Luxemburg-domiciled British Marine since February 2000 with a total investment of \$48m. Commentators believe the New York-based fund will have made a handsome return for showing faith in the specialist insurer.

QBE has an interest in the direct P&I market through its Hong Kong office, which has signed up a number of large vessels, but there is no sign that British Marine will expand its vessel size range, as it did unprofitably in a brief alliance five years ago with former Lloyd's underwriter Jonathan Jones.

“British Marine has no plans to change the franchise, but of course the position will be kept under review in consultation with QBE,” Mr Johnston told Lloyd’s List.

Through the Limit operation, QBE is a leading underwriter in the reinsurance programme of the International Group of P&I Clubs — but surprised the market a year ago when its top P&I man, Stephen Gargrave, was among a group of underwriters asked to leave. Mr Gargrave is now heading a strong marine operation at rival Lloyd’s outfit Creechurch Underwriting.

Steven Burns, chief executive of QBE European Operations, said: “British Marine is an extremely well-run company in the specialised small ship insurance market; a market which has annualised worldwide premium income approaching US\$2bn.”

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