

Bullish Plans

Max Specialty talks about its strategies for 2009.

by Al Slavin

Sometimes it's how you look at things. While some watch the financial turmoil with a careful eye, Max Specialty Insurance Co. Chief Executive Officer Stephen J. Vaccaro said the excess and surplus lines writer won't lose sight of opportunity this year.

He said potential growth for the Richmond, Va.-based company may come through attracting groups of underwriters with a track record of profitability in specific product lines.

"Quite frankly, we've been approached," Vaccaro said. "We're getting a stronger reputation as each day goes by."

The subsidiary of Max Capital Group Ltd. was formed in 2007 and has three distinct divisions: brokerage property/casualty; contract binding property/casualty; and ocean and inland marine.

Vaccaro said the three lines generated \$190 million in gross written premiums for 2008. He predicts growth in these areas for the coming year, though said it may be modest. If the economy stays sluggish, the general liability rating base would be lower and therefore affect premiums.

Vaccaro also anticipates an overall tightening of capacity once industry-wide numbers for the fourth quarter are reported.

"If there was another event, post-Ike, I think it would leave a fair amount of companies in positions of having to merge or scale down tremendously because I think that their ability to raise capital is gone," Vaccaro said. In late October 2008, Risk Management Solutions estimated insured losses from Hurricane Ike ranged between \$13 billion and \$21 billion. Up to \$15 billion of that amount was estimated for wind and storm surge in Texas and Louisiana.

Merger and acquisition activity was high among surplus lines companies and distributors during the first half

of 2008, according to the A.M. Best Co. Special Report, *U.S. Surplus Lines—Market Review*. The report, issued in August 2008, pegged the U.S. surplus lines industry at \$36.63 billion for 2007.

Vaccaro said any product lines that may be added would have to be familiar ones that don't bring volatility to Max Specialty, which he said is well-capitalized.

Max Specialty acquired Commercial Guaranty Casualty Insurance Co. from Travelers Indemnity Co. in June 2008, which bolstered its inland and ocean marine underwriting market. Commercial Guaranty was renamed Max America. **BR**



Stephen J. Vaccaro

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