



Commutations

Commutations are an important tool for bringing finality to individual contracts, global relationships with a third party, or problematic books of insurance and reinsurance business, both from a liability and an asset perspective.

Axiom's team of leading, Client focused, Commutation specialists has a vast wealth of experience and this has enabled us to consistently achieve results in all markets and all business classes. Our commutation services can be used in a variety of ways:

- ▶ **Inwards or assumed business** - Commutations can achieve finality where uncertainty exists and bring an end to ever deteriorating contracts and portfolios of business
- ▶ **Outwards or ceded business** - Commutations can increase cashflow and realise assets on contracts or portfolios which may otherwise lapse into bad debt
- ▶ In both assumed and ceded business, Commutations can significantly **reduce a company's ongoing administrative burden**; becoming a means of avoiding costly and time-consuming contractual disputes and ultimately enhancing a company's balance sheet

Our Strategy

Axiom's strategy in achieving commutations for our Clients is comprehensive and always Client focused. Protocols include:

- ▶ Obtaining 'in principle' agreement from cedant / reinsurer to commute
- ▶ Completing a full Client - cedant / reinsurer reconciliation of contracts and financials
- ▶ Conducting in-depth exposure analysis in order to determine outstanding loss and IBNR levels
- ▶ Investigating aspects such as in-built protections and retained reserves in order to maximise the benefits to the Client
- ▶ Producing a detailed strategy for the commutation process incorporating cedant / reinsurer profile, commutation options and an analysis of any reinsurance / retrocessional impact
- ▶ Obtaining Client agreement and authority to the Commutation Plan
- ▶ Delivering the necessary skill-set to achieve a favourable commutation, including audits and inspections professionals, if required
- ▶ Continual communication, keeping the Client apprised of progress
- ▶ Effecting agreed commutation strategy to conclusion taking care to uphold Client reputation whilst paying particular attention towards confidentiality and contract release documentation

Our Achievements

Axiom has concluded Commutations since becoming active in the arena during the early 1990s, achieving consistent results for our Clients.

Some notable achievements include:

- ▶ Commutation of inward liabilities on behalf of a reinsurance company based in the Far East, realised a commutation saving of 65% against the Cedant's proposal. Axiom's experience and expertise resulted in the successful reduction of the grossly over stated IBNR proposed.
- ▶ Saving US\$68.7m in ultimate liability for a Client after being appointed to manage a run-off portfolio. Axiom was able to use its presence and standing in the market to persuade reluctant cedants / reinsurers to commute

Our Team

Axiom's specialist Commutation team, led by Senior Director, Alan Prime, comprises dedicated professionals with vast market experience and offers Clients an extensive range of commutation skills, developed through the Lloyds, company and broking backgrounds of team members. This experience extends across all classes of business including, but not limited to, Marine, Non-Marine and Aviation and covers all types of Proportional, Non-Proportional, Direct and Reinsurance contracts.

This experience has enabled Alan and the Commutation team to manage numerous negotiations on behalf of Axiom's Clients, undertaking a proactive approach and saving them in excess of US\$200m to date.

The market experience of Axiom's Commutation team delivers a truly global coverage of contacts and relationships, an essential ingredient in an effective commutation strategy.

Our Fees

Axiom's competitive fee structure promotes a 'No Win - No Fee' approach but can also be tailored to the needs of the Client.

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