

OneBeacon expands with Atlantic Mutual commercial lines

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by Pat Healy

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BOSTON — OneBeacon Insurance Co. has signed an agreement in principle to acquire the Atlantic Specialty Insurance Co., a subsidiary of Atlantic Mutual, and the renewal rights to Atlantic Mutual's commercial insurance business, including the unearned premiums on the acquired book, which adds up to an overall gross written premium of about \$450 million.

With both parties citing the proverbial win-win situation, Atlantic Mutual is being bailed out of the aftereffects of a soft market and OneBeacon gets to continue its expansion when it begins underwriting commercial business throughout the U.S. to go along with its Northeast personal lines business.

White Mountains Insurance Group, the Bermuda-based company that owns OneBeacon, also just agreed to buy ABB Ltd.'s Swedish insurance unit for \$440 million, which marks the company's biggest expansion into Europe.

"This is an exciting new chapter for OneBeacon," said John Cavoore, president and CEO of OneBeacon, about the Atlantic Mutual agreement.

Klaus Dorfi, chairman and CEO of Atlantic Mutual, said the transaction will "allow Atlantic Mutual to go forward as a well-capitalized writer of personal lines with a premium to surplus ratio lower than one to one."

Carmen Duarte, a spokesperson for OneBeacon, said the company would be "quickly going through the review process," and inviting about 150 Atlantic Mutual employees to join the OneBeacon team.

Earlier this year Atlantic Mutual's financial strength rating had been downgraded by A.M. Best, citing the difference between the company's expected level of new capital raised and the actual level. The report at the time commented on the company's "limited financial flexibility."

Since June the New York-based company had been pursuing various capital-raising alternatives designed to replace soft capital with permanent funds. As part of these efforts the company sold its ocean cargo and select inland marine businesses to Travelers Property Casualty Corp. in September.

Atlantic Mutual Spokesperson Peter Scott said this sale of the commercial division to OneBeacon is "really the other major capital-raising effort."

"I think we feel like we've turned a corner and should be back on our way to gaining our A-rated status," he said. "But the deal is a letter of agreement in principal, so we still have the exact terms to work out."

He would not comment on the potential for layoffs.

"I think the mood is still focused and intense on getting the deal done and doing what we need to do to strengthen the balance sheet." □