

BUSINESS

MARKETS

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BSX	DOW	S&P500	NASDAQ	TSX	FTSE	NIKKEI	SEE PAGE 30 FOR DETAILS
1,185.41 +15.66	12,584.17 -139.41	1,335.1 -12.22	2,814.72 -13.51	13,455.38 -155.94	5,919.98 -64.09	10,004.2 +154.46	

Cat claims drive Validus to \$172m loss

By Alex Wright

Validus Holdings Ltd posted a net loss of almost \$175 million during the 2011 first quarter as its bottom line was significantly impacted by catastrophes across the world.

The reinsurer reported a net loss of \$172.4 million or \$1.78 per share for the three months ended March 31, 2011 compared to a net loss of \$118.4 million or 95 cents per share for the same period last year.

It also recorded a net operating loss for the first quarter of \$165.4 million or \$1.71 per share versus \$136.4 million or \$1.09 per share, for 2010. Net of \$22.7 million of reinstatement premiums, the effect of these events on net income was \$271.1 million.

This compared to a \$323.9 million loss from the three months ended March 31, 2010, representing 70.8 per-

VALIDUS Q1 REPORT CARD

Net income: Net loss of \$172.4 million compared to a net loss of \$118.4 million in 2010

Combined ratio: 143 percent compared to 134.3 percent in 2010

Gross premiums written: \$849.9 million compared to \$870.9 million in 2010

centage points of loss ratio. Net of reinstatement premiums of \$17 million, the impact on net income was \$306.9 million.

The company incurred losses of \$293.8 million from catastrophes during the quarter, representing 68.4 percentage points of the loss ratio, excluding reserve for potential development on 2011

notable loss events.

Ed Noonan, chairman and CEO of Validus, said: "Our financial results were materially affected by the numerous worldwide catastrophe losses occurring in the first quarter of 2011.

"Our diluted book value per share of \$31.32 at March 31, 2011 declined by 4.3 percent after adjusting for the 25 cents per common share dividend paid in the quarter.

"The significant elevated worldwide loss activity since the beginning of 2010, in conjunction with changes to certain commercial vendors' catastrophe models, is resulting in improved pricing and demand for catastrophe reinsurance. Given our strong balance sheet, Validus remains in an excellent position to provide substantial capacity to our reinsurance clients."

Gross premiums written for the three months ended March 31, 2011 were

\$849.9 million compared to \$870.9 million for the same time last year — representing a decrease of \$21 million or 2.4 percent.

Net premiums earned dropped \$28.2 million, or 6.2 percent, to \$429.5 million from \$457.7 million in 2010.

Validus' combined ratio was 143 percent, including \$26.5 million of favourable prior year loss reserve development, benefiting the loss ratio by 6.2 percentage points.

The net operating loss for the three months ended March 31, 2011 was \$165.4 million compared to \$136.4 million for the three months ended March 31, 2010 — a widening of \$29 million or 21.3 percent — reflecting decreased underwriting and investment income.

The company's annualised return on average equity was 20.2 percent and annualised operating return on average equity was 19.4 percent.



Validus CEO Ed Noonan

Expertise to open office in Philippines

By Alex Wright

Expertise, Bermuda's largest management consulting and outsourcing company, plans to open an office in the Philippines this summer, *The Royal Gazette* can reveal.

The new office, which will be based in the capital Manila and is expected to open by the beginning of August, will provide payroll services initially but will also support the outsourcing of other back office functions by the end of the year.

The company anticipates having three to four employees working in the new office by the end of this year with room for expansion.

"Building an outsourcing platform in Manila will enable us to provide a higher level of service at competitive rates," said Doug Soares, the company's founding partner.

"Last year our payroll business stopped growing and we started to lose business to overseas service providers offering payroll at lower prices.

"So opening an office in Manila will help us retain our current client base as well as provide us with the opportunity to grow because we know there is increased demand at a lower price point.

"This will also enable us to provide the same high level of service and local knowledge at a lower price than we have previously been able to offer."

Expertise currently processes approximately 40 payrolls for 35 organisations of up to 200 employees.

"We chose the Philippines because the workforce is highly educated, the infrastructure is world class, and the cost structure is favourable," said Mr Soares.

Mr Soares confirmed that no job would be lost as a result of the opening of the Manila office. Expertise currently employs approximately 40 staff, including HR consultants, recruitment and immigration specialists, payroll managers and accountants.



Doug Soares of Expertise

Many of the world's biggest business processing outsourcing companies are located in Manila and Mr Soares said that there was a very real possibility that Expertise would tap into the local recruitment market there, particularly with the growing number of professions in which Filipinos occupy positions in Bermuda from hospitality to nursing, accountancy and other professional services, with the ability to screen potential candidates there first.

"Our Bermuda-based payroll team will continue to interface with the clients and review the work of our Manila operation," he said.

"So in the long run we expect our client service team in Bermuda to grow as more companies outsource to us functions which we can perform faster and more economically than they or anyone else can.

The time difference between Bermuda and the Philippines is plus 11 hours and Mr Soares believes it will give the company a competitive advantage, with clients who submit data to them by the end of the business day having the work processed by the next morning.

"Our operation in Manila will enable us to perform much of tomorrow's work today," he said.

Trading website e-Moo seeks to accelerate its global expansion

By Jonathan Kent

The e-Moo website has grown beyond its Bermuda roots and has spread to communities as far afield as Australia, Peru, Colorado, England and the Caribbean.

Now the bosses of the buying, selling and advertising platform, which has become an online institution in Bermuda since it was founded eight years ago, are looking to accelerate that expansion into small communities around the world.

Several of the e-Moo operations outside Bermuda are being run by Bermudians living overseas, or expatriates who used to live on the Island, people who know the site well and how to use it. Now e-Moo, which is part of the Igility Group, hopes to find more people who fit that profile to drive the ongoing expansion.

"We have an opportunity to create a global brand with Bermuda roots," said Robin Hamill, e-Moo's chairman and chief executive officer.

"We want to open 100 new e-Moos in the next 12 months. We think the people who can help us do that are people who have lived in Bermuda and know the website.

"We'd love to hear from anyone who sees an opportunity to open an e-Moo in a small community."

By licensing the e-Moo name and online platform to managers in different communities the website is being rolled out in more and more locations.

The company targets communities with a population of between 50,000 and 200,000. In February 2010, e-Moo launched in Roaring Fork Valley, Colorado, a ski resort area with a population of around 60,000. The site has attracted about 2,600 registered users and Mr Hamill is confident that will grow over the years.

Roaring Fork Valley is one of nine e-Moo locations in Colorado



Photo by Mark Tatem

Robin Hamill: e-Moo chairman and CEO is pushing for global growth

alone and further expansion is planned in the state. There are also eight in Florida and two in Connecticut. e-Moo is also operating in the Cayman Islands, Barbados, Trinidad and Tobago, Tasmania and the rural county of Cumbria in England.

e-Moo has a list of further possible locations under review in Louisiana, Mississippi, Georgia, Alabama, Jamaica, Malta and Ireland.

e-Moo was founded by American accountant Donna Gauthier, who worked in Bermuda for KPMG and Deloitte. In 1999, she started an e-mail list for friends and colleagues seeking rental accommodation. So great was the demand that she decided to convert the list into a website. She managed that in 2003, with the help of JC Laville-Parker, who chose e-Moo as a temporary name.

The website caught on quickly and developed as a site where the community could place small ads for free and advertise events. The website's cartoon cow mascot added to brand recognition. Igility bought a controlling stake six years ago and acquired 100 percent of the business in 2009.

"e-Moo's growth has exploded in Bermuda," Mr Hamill said. "It now has about 40,000 registered users and 1,200 to 1,500 advertisements per week.

"According to a survey, about 75 percent of the population uses e-Moo at least once a month and only one percent has never heard of e-Moo. So it's become one of the strongest brands in Bermuda."

e-Moo generates revenue from banner ads, real estate ads and corporate ads, while community ads are free.

We want to open 100 new e-Moos in the next 12 months. We think the people who can help us do that are people who have lived in Bermuda and know the website. - e-Moo CEO Robin Hamill

Small communities provide the right fit for the e-Moo, which has a commitment to family values, Mr Hamill said.

"One of the aspects of the e-Moo model that sets us apart is that people tend to behave better in a small community," Mr Hamill said. "In larger communities, there is more anonymity, so you don't know who your contemporary is and you tend to behave differently from when you are likely to know the person you are trading with."

"e-Moo was founded on family values. We want the content to be appropriate, so that we can have 12 year-olds and 90 year-olds using the site."

"We're very different from Craigslist, for example, which is very large and successful in the big US cities. The beauty of e-Moo is that it's like a Saturday market, open 24 hours a day, 365 days a year. It connects people."

e-Moo hosts not only classified and real estate advertisements, but also a local guide, a dining guide, events list and a directory.

Bermuda Press Holdings Ltd, the owner of this newspaper, owns a stake in e-moo.

Useful website: www.emoo.com

AIG profits slump 85% to \$269m

By Noah Buhayar

NEW YORK (Bloomberg) — American International Group Inc., the insurer rescued by the US government, said profit declined 85 percent on costs tied to repaying its rescue and claims from the earthquake and tsunami in Japan.

First-quarter net income attributable to AIG fell to \$269 million from \$1.78 billion, a year earlier, the New York-based insurer said yesterday in a regulatory filing.

Chief executive officer Robert Benmosche, 66, is relying on AIG's property-casualty unit to deliver a greater portion of profit after the insurer struck deals to divest more than \$50 billion in assets since its 2008 bailout. As part of

its plan to repay taxpayers, AIG sold the non-US life insurance businesses that previously had cushioned losses from natural disasters such as earthquakes and hurricanes.

"This is not the old AIG," said Cliff Gallant, an analyst at K&W Inc, before the announcement. "It's much more of a property-casualty company, and when you have these types of events, particularly with their large international market, you're going to have quarters like this." He rates the shares "underperform."

AIG has declined 36 percent this year on the New York Stock Exchange, the biggest drop in the Standard & Poor's 500 Index.

Catastrophes during the first quarter, including the earthquake and tsunami in Japan,

flooding and a tropical cyclone in Australia and a temblor in New Zealand, hurt insurers. The disasters erased underwriting gains at the insurance operations of Warren Buffett's Berkshire Hathaway Inc and profit at Munich Re, the world's largest reinsurer.

"We probably had the second-worst quarter for the insurance industry in terms of catastrophes around the globe," Buffett said on April 30 at Berkshire's annual meeting in Omaha, Nebraska.

Global property-casualty coverage through AIG's Chertis division is one of the four main businesses Benmosche is retaining. Chertis accounted for 49 percent of AIG's revenue last year, compared with 46 percent in 2009.

CEO Lines' company buys \$1.5m of LOM shares

More than half a million shares of Bermuda-based broker-dealer LOM (Holdings) Ltd changed hands in Bermuda Stock Exchange trading yesterday, writes Alex Wright.

The company announced after the close of trading that a private holding company 100 percent owned by director and president Scott Lines has acquired what amounted to a 7.6 percent stake in the company during yesterday's trading. In a filing to the Bermuda Stock Exchange, LOM said that 470,900 shares were bought by the company. The share price closed at \$3.25 valuing the shares at \$1.53 million. The shares were sold by unrelated shareholders.

The total number of shares traded by LOM during the day was 516,476 as its share price rose 10.16 percent (30 cents).