
IAT Reinsurance Group

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How did IAT start?

In the mid 1980's Peter R. Kellogg and Edward A. Kerbs, partners in Spear Leeds & Kellogg, acted on a long held belief that the reinsurance business would be a source of long-term and low cost investment "float" if underwriters' compensation was based on the long-term results of their risk decisions rather than their short-term impact on revenue and earning per share growth. IAT was incorporated and capitalized specifically to implement this strategy during the hard pricing market of the mid-'80s. IAT operated under the licensed authority of the N.Y. Insurance Exchange ("NYIE") and wrote a broad book of non-related property and casualty policies from February, 1986 until December, 1987 when the State of New York withdrew the NYIE's insurance license resulting in IAT suspending all underwriting activity. In June, 1991 IAT was permitted to withdraw from the NYIE and reincorporate its assets and liabilities under the laws of Bermuda where it has since operated in good standing as a Class 3 reinsurer. Insurance market pricing had by 1991 long since deteriorated to the point that IAT was not incented to reinitiate its underwriting activity. It continued to pay its claims while it ran off its liabilities.

What companies comprise the IAT Group?

Occidental Fire & Casualty and Wilshire Insurance were brought into the group in 1998. They had sustained a long period of financial deterioration culminating in a C rating from A. M. Best and regulatory oversight from the North Carolina State Insurance Commission. IAT re-capitalized the companies, reset reserves above the actuarial select level, instituted new management / underwriting policies, embarked on a broad technological reformation and instituted prospective profit sharing and bonus programs at all staff levels. These carriers were rewarded with ratings of B+ by A. M. Best in 2000 and now rated A-. Occidental and Wilshire have specialty market niches providing truck liability, physical damage and inland marine insurance to owner-operators and small fleet owners who operate in local, intermediate and long haul markets. In addition these companies offer non-standard private passenger auto insurance that has a low correlation with the cycle of the commercial truck business.

IAT acquired Acceptance Casualty and Acceptance Indemnity from the Acceptance Insurance Co. (Nebraska) in 2001, providing access to commercial auto, excess umbrella, liquor liability, garage liability and other specialty lines of business. The Acceptance companies, rated A- by A.M. Best, provide IAT with increased pricing flexibility from state to state, bringing expertise in product lines to which IAT had had little or no exposure and, therein, allowing for strategically desirable diversification. Immediate and synergistic cost savings were realized through the merger of several Acceptance administrative, operating and MIS functions into the group's pre-existing back office.

IAT reached agreement with Navistar International ("Navistar") in November, 2001, to buy Harco National Insurance, an A- rated insurer dealing primarily in the provision of property and liability coverage to Navistar dealers and those dealers' customers. Navistar's mandatory commitment to its dealer relationships resulted in a seven-year contractual agreement guaranteeing Navistar's ongoing customer support for expansion and sustenance of Harco's dealer business. Though it is a recognized innovative leader in the dealer insurance sector, Harco's parent affiliation had held it back from doing business with non-Navistar truck dealers, a circumstance alleviated by IAT's acquisition.

In December 2005, IAT acquired the Transguard Group of companies from Sirva, Inc. TransGuard Insurance Company of America, Inc., an Illinois-based property and casualty writer formed in 1987, provides specialized underwriting capacity for independent contractors serving the transportation industry and a complete package of coverages for moving & storage businesses, all operating in the United States. TransGuard's long term affiliation with Allied Van Lines, Inc. enhances its superior knowledge of the client base it serves.

IAT acquired Service Insurance Company in December 2009, which is domicile in Florida and is licensed in 42 States. Service Insurance Company focus is the underwriting of property exposures, specializing in the writing of Commercial Habitational Risks, Commercial Office Buildings and Personal Property Exposures. The Company is also one of the larger participants in the Write Your Own (WYO) Federal Flood Program. Service Insurance Company maintains a rating of A- with A. M. Best.

What is IAT's underwriting model?

IAT's genesis is rooted in the dual notions that 1.) reinsurers should write premium when proper risk pricing is evident and 2.) underwriters should be incented to restrain production when such evidence is absent. IAT's key managers and underwriters are equity partners in the business with direct and specific long-term exposure to the outcome of group-wide risk decisions. All partners share in the profits and in the losses. This is the keystone of IAT's business strategy; regardless of the program, premium is not written unless the underwriter has personal financial risk attached to that decision.

Where is the traditional reinsurance business written?

IAT's U.S. subsidiary, Harco National, given it's A-rating and broad licensing, will originate and underwrite most of the traditional reinsurance business. Some of this business may be retroceded to IAT under circumstances where the latter's capital strength can relieve premium growth pressure. Business can also be written on IAT Re Bermuda paper where clients may desire to have a more highly capitalized reinsurer with an A.M. Best rating of A-.

Who is the IAT Re Group senior management team?

Kenneth C. Coon - He began his career with Berkshire Hathaway in 1972 as an underwriter. He was a founding officer of Acceptance Insurance Companies, serving from 1979-1999 Executive VP, and thereafter as Chairman & CEO. A consultant in 2000, Mr. Coon joined IAT in 2001 to head its special programs group. He graduated from Yale University in 1972 with a degree in psychology and received his CPCU designation in 1977.

Peter R. Kellogg - CEO - Retired in 2000 after 33 years of service as senior managing partner of Spear, Leeds and Kellogg, one of the largest market making and securities clearing firms in the U. S. Mr. Kellogg is the controlling shareholder of IAT. He is a member of the New York and American stock exchanges, and sits on several boards including Goldman Sachs Advisory, Berkshire School, U.S. Olympic Ski Team and Nam Tai Electronics.

Edward A. Kerbs - Instrumental in the formation of IAT, its movement to Bermuda and the configuration of its insurance operations in the U. S., he is a retired partner of Spear Leeds & Kellogg where, during his career, he initiated and guided the firm's entry into the fixed income business and was instrumental in the initiation and implementation of new business development strategies in the trading and clearing of equities and equity derivatives. Mr. Kerbs serves on several corporate and philanthropic boards. He holds a baccalaureate degree from Georgetown University.

James R. Miller - Former CEO of General Electric Reinsurance from 1998 until his departure in 2001. Prior thereto Mr. Miller had a long career at Kemper Reinsurance as SVP-Treaty Underwriting Manager & Director (1990-1995), EVP-North American Division & Director (1995-1997) and President & COO until Kemper's acquisition by GE in 1998. He has served on a number of industry boards and is a graduate of Lewis and Clark College and of Northwestern University's Advanced Executive Program.

Stephen L. Stephano - Prior to the acquisition by IAT, Mr. Stephano had been associated with the McM Companies for 18 years, serving in various executive capacities including Chief Financial Officer, Chief Operating Officer, and President and Chief Executive Officer. He currently serves as President and CEO of all IAT insurance subsidiaries and has directed IAT's recent acquisition activities. He is a graduate of Drexel University, holding a degree in Business Administration. Mr. Stephano is a CPA and has served on various industry related committees.

Why keep IAT private?

IAT's foundational business mandate is that of capital preservation. Protection of capital and surplus at the expense of growth in premium, market share and earnings is paramount. The luxury of adopting this policy is directly derived from its private company status, a commensurate disinterest in courting capital market access and its shareholders' indifference to public and industry visibility for its own sake. IAT believes further that this business policy will engender amongst its clients and prospective clients a long-term and positive image of sustained capacity and financial strength. While its market pricing requirements could make IAT less competitive in a soft market, many clients will want (and some will need) to do business with firms whose capacity is certain in difficult markets where capital available for underwriting may otherwise contract.