A FRESH APPROACH

A mixture of flexibility and innovation combined with cutting edge underwriting methodology in the hands of experienced executives mean the relatively new Barbican Insurance is well placed to make the most of this renewal season.
Though new to the market, Barbican Insurance is fast carving out a niche for itself. Founded in 2007 by well-known industry veterans in search of a new challenge, the company aims to rekindle the spirit of independence in an increasingly one-size-fits-all industry.

Chief executive officer David Reeves and chief underwriting officer Mark Harrington have decades of experience and left senior roles at large insurers to form Barbican. Joined later by chief operating officer Jon Godfray, finance director Louis Tucker and director of risk and governance David Russell, they have built a business that reflects their areas of expertise and which is committed to delivering quality service to clients.

Barbican, as its name implies, is content to stand on its own. It is independently owned and that freedom extends to the role it sees for itself in the industry.

“Our aspiration is to be a market whose opinions brokers respect. We want to provide them with the intellectual capital that will enable us to lead business in classes where we choose to participate. We want to offer good service and have good relationships with our customers. We also want to be a solid representative of the Lloyd's market,” says Harrington.

The company’s emphasis on the importance of sound underwriting is underpinned by the individuals it has hired to head up its divisions. Each is a seasoned expert in the relevant field with more than 20 years’ experience. The firm has also scoured the market to hire other talented underwriters.

“We want to build a diversified business. But the people who write that business aren’t generalists. We’ve sought to hire experts in their class of business—people who not only have a good track record but who are also open-minded about product development and who have a commitment to technical underwriting,” says Harrington.

BLENDING THE BEST OF OLD AND NEW

Barbican has developed a unique underwriting approach that blends the modern methods of technical risk analysis with echoes of the days when astute and entrepreneurial underwriters ran their businesses.

The company has invested in creating an infrastructure that comprises the latest actuarial technology with input from technical experts. But the firm’s culture also clearly puts the underwriter in charge of his book of business.

“Our model gives the pen back to the underwriters and sees them take advantage of the tools available to them rather than be dominated by those tools,” says Godfray.

“That has proven to be very successful and we believe there is a very real opportunity to grow this business,” he continues. “We are seeing more opportunities than we can underwrite at the moment. That must mean we’re doing something right, because brokers have a choice.”

Andy Caldwell, Barbican’s divisional manager of non-marine reinsurance, adds that the firm’s approach represents a breath of fresh air in the industry.

“At a time when many companies are reining in their underwriters and centralising risk-taking authority in committees, brokers find it a refreshing change to be able to speak to a decision-maker,” he says.

“One of the attractions we have for brokers is they can deal directly with an underwriter. Our decision lines are very short. Brokers like the fact they can see an underwriter at one of our boxes at Lloyd’s and will normally get a decision from them within 48 hours.”
Barbican has grown quickly: in 2008 (its first proper year in business), it wrote £55 million worth of business at Lloyd's. It more than doubled this figure in 2009 to £130 million and it is set to increase it further in 2010.

The company plans to move into spacious offices close to Lloyd's as part of its further expansion.

Being a part of the Lloyd's market is central to Barbican's strategy. “One of the massive advantages of Lloyd's is that we get the benefit of its franchise. It means we can grow at the pace we want while still punching above our weight in terms of our security and licensing,” says Harrington.

But Barbican’s desire to do things slightly differently is also reflected in its decision to domicile the company in Guernsey rather than more popular locations such as Bermuda, Switzerland or the Cayman Islands.

“We saw Guernsey as a very advantageous place for us to base our operation. It’s very forward thinking and has much of what the other offshore jurisdictions offer, yet it’s only an hour away. That has proved a great advantage,” says Godfray.

“We have a very strong and positive relationship with the Guernsey financial authorities, which should enable us to do other things alongside the syndicate over the next two to three years.”

Its Guernsey-based reinsurer, Barbican Re, will soon begin to write individually tailored policies for a handful of clients whose insurance needs call for unique solutions.

THE RETURN OF SYNDICATION

The recent financial markets crisis, when many financial institutions have teetered or even fallen, has reminded many clients of the advantages of spreading risks. The return to fashion of syndicating risk has benefited both Lloyd's generally and Barbican in particular.

“Clients have approached us because they want to spread their risks. They want a number of smaller reinsurers taking shares rather than one or two firms taking all their business,” says Caldwell.

Conor Finn, Barbican’s property divisional manager, agrees. “I've just come back from NAPSLO and the message from the MGAs [managing general agents] I met there was loud and clear: they want to deal directly with a decision-maker and syndicate their risks to a number of different underwriters.”

As a firm with vast underwriting expertise, Barbican is drawn to clients that also have a high degree of technical understanding and want more detailed discussions on their exposures with their carriers.

“We are very keen to engage with the clients that we deal with. We want to understand the technical aspect of their business. It's something we've found they really appreciate,” says Caldwell.
Nearly a third of the company’s income is from MGAs but it has only 59 MGA clients across the business. “That’s a lot lower than others have. We have fewer relationships but bigger participations on the programmes of these clients. The point is we really like to get to know these people,” says Finn.

“Our approach to the MGA business has always been extremely selective. It follows the general principles of our business: we are very choosy about who we work with,” adds Godfray.

STEADY GROWTH, NOT BETTING THE FARM

The Barbican founders’ approach is to build a business that can consistently generate profits across a wide range of classes of business ranging from financial and professional lines through to marine reinsurance to UK small and medium-sized enterprise business risks.

It isn’t interested in staking big bets on whether a catastrophe may occur—risks that may yield glittering profits one year and eye-watering losses the next.

This conservative approach is partly explained by the fact that Barbican’s executives and senior managers have personally invested heavily in the firm owning around 20 percent of its equity. That guarantees the staff are focused on growing the business without cutting corners in underwriting. For them, it isn’t about piling it high and selling it cheap.

In casualty reinsurance, it has focused on the more difficult lines, such as professional indemnity, directors’ and officers’ liability and medical malpractice. These risks require a strong technical expertise to prevent fingers getting burned. And there are also fewer newcomers competing for market share.

Barbican’s straightforward underwriting approach has seen customers drawn to it at a time when many insurers have either retreated from casualty risks generally or have withdrawn authority from local underwriters, making it harder for brokers to get a straight answer.

In property reinsurance, Barbican has focused on catastrophe excess-of-loss risks emanating from five main regions: the US, the UK, Western Europe, Australia and Japan. “We focus our capacity on well-managed underwriting operations with a detailed understanding of their exposures and which value their relationship with reinsurers. It’s a strategy that seems to have worked well for us,” says Aaron Coates, property reinsurance underwriting manager.

Marine Reinsurance is another important line of business for Barbican. In this class of business, divisional manager David Booth says he maintains a tight focus on sectors with proven historical profitability.

Underwriters at Barbican will select only the best risks but are happy to take a practical, entrepreneurial and pragmatic approach to opportunities. They are also comfortable taking the lead on risks.

The volatile market conditions, dominated by the fragile state of the global economy, make it almost impossible to predict what will happen at the end-of-year renewals.

“There are a few months to go before the end of the year and a lot can change during that time. Our expectations for last year's renewals changed completely last December when the market changed very quickly,” says Caldwell.

But the firm’s flexible and innovative approach has helped it make the most of market opportunities that presented themselves during last year’s renewals season.

Its fresh outlook and down-to-earth underwriting methods also mean that Barbican is likely to be nimble enough to meet the challenge of today’s market. □