Right on time

Barbican’s Lloyd’s launch leaves it well placed to capitalise on future opportunities
In a cyclical market – whether by luck or design – timing is everything.

When Barbican officially launched in the Lloyd’s market with its Syndicate 1955 on 23 November 2007, its entry was viewed by some as untimely.

Greeted by headlines pointing to “brutal” underwriting conditions, the (re)insurer headed by former RSA executive David Reeves and ex-QBE Limit underwriter Mark Harrington was one of eight start-ups in 2007 that provoked a frosty reception from some incumbents who demanded the Corporation raise its drawbridge to new entrants.

That Lloyd’s approval of the Guernsey-headquartered company’s modest business plan for its Syndicate ended a 12 month period of negotiation and a lengthy search for long-term capital providers should have provided some clue to the project’s commitment to longevity.

And after a measured start – and what looks to be a turnaround in market conditions – Barbican’s arrival on the scene may be right on time.

The start-up, which launched a domestic Guernsey carrier in January this year writing as a coverholder onto its Lloyd’s syndicate, has “slightly underutilised” its £75mn 2008 stamp, as a number of its underwriting personnel arrived mid-year after the critical 1.1 renewal season.

But with its initial 2009 business plan pre-empting stamp capacity to £100mn – and a longer-term strategy to build a (re)insurance group with a premium volume of £250mn-£300mn – Barbican has ambitious plans.

“We launched into the most difficult market in recent years, and that has meant that our underwriting discipline, led by Mark [Harrington], has had to be at its very best,” explains Reeves.

“Having done pretty well in our first year, we are going to get through it in pretty good shape compared to others. And that gives us the platform if the market does harden to do something very interesting,” he continues.

With capital constraints looking to be a driver in changing market conditions into 2009, as investment losses hit larger (re)insurance groups at a time when new cash is hard to come by, Barbican is in an enviable position as an unencumbered player with a strong cash position.

The company also benefits from long-term investors who are not highly leveraged, and prepared to back the (re)insurer for the long haul.

Phase 2

And Jon Godfray, the former Endurance exec who joined Barbican as COO earlier this year, believes the (re)insurer has a head start on others looking to load up to capitalise on improved conditions.

“If you could find a block of capital now, and wanted to look at starting in Lloyd’s, there’s no doubt that process takes 12 months. So for us, to be already there, with good infrastructure and the right people in place – it could be the perfect time to move to the next phase.”

The next phase will see Barbican expand on the six lines it has established in its maiden year, as it adds a second box – 254 – to its Box 138 at Lloyd’s.

Under the watchful eye of chief underwriting officer Harrington, the (re)insurer currently writes property direct and fac (D&F) business in the open market and through binding authorities in a division headed by former Markel executive Conor Finn. It also writes North American casualty treaty, led by one-time Limit underwriter John Pilkington, and International casualty treaty – a division headed by Andy Caldwell, who joined from Everest Re earlier this year.

Meanwhile, the company’s UK division focuses on SME and micro businesses under former QBE/Limit executive Ian Jones, and its marine reinsurance division, with former Endurance underwriter David Booth at the helm, writes business across the sector, including protection and indemnity (P&I) cover.

Future plans

But future plans include voyaging into marine insurance, specialty, and property treaty.

Barbican will make a twin assault on the specialty insurance market.

A stealthy approach will see it target UK focused specialty product areas, such as Tech E&O/Cyber, which it hopes will see it gain a foothold in the middle market territory that has traditionally been the domain of AIG, and other large players.

“If we can service some of those more difficult areas well, which we know have got some pretty good underwriting results, we will eventually be able to sell those customers standard property and liability coverages,” says Harrington.

“At the moment that’s a very overpopulated market and for us to go head-to-head with the well-known carriers is a waste of time. But building the specialty presence, get the reputation – then we really believe we can establish a credible presence in this market segment.”

At the same time, Barbican will target professional lines – business written by Harrington on QBE Limit Syndicate 2000 in his past life – initially looking for pockets of opportunity in D&O and E&O “where we can arrive at the point where the market starts to dislocate with significant price change”.

The (re)insurer has recently been joined by former ACE underwriter Stuart Kilpatrick, and ex-Marsh FinPro specialist Andrew Pearson to lead these new Specialty lines.

Property treaty sees the in-house transfer of Aaron Coates to target worldwide business from Box 254 with a focus on the US – specifically regional rather than nationwide customers, matching the make-up of its existing US casualty treaty book.

The division is initially targeting £7.5mn of premium income for 2009.

Other significant targets for next
year include expansion in the property D&F business, which is expected to increase from £20mn of premium income in 2008 to £30mn in 2009.

The benefit of full L.1 renewal seasons on marine treaty will see business boosted from around £12mn booked last year, while US and international treaty is expected to double from a combined £15mn in last year to £25mn in 2009.

Further out on the horizon, Barbican is also eyeing a more significant UK presence, developing in-tranet capabilities with local brokers and internet with customers, to sell package policies combining professional lines, general liability and office damage cover.

**Collegiate culture**

So with the prospect of more hires to service new lines of business, how does Barbican target individuals to fit in with what Reeves describes as a “collegiate” culture?

Reeves says it’s also about people seeing that management have got their sleeves rolled up.

“In the first five years we want to keep it like that, a workshop, where we can all be seen to be doing our job.”

Harrington explains that the start-up wants to develop its culture slowly.

“We want to develop a Barbican personality to the business, building on a modular basis with class experts who service their customer base well and produce good underwriting results,” he says.

Godfray continues: “We go through a whole series of steps Mark’s developed: identify the opportunity; look at the individual component parts where we want to play; then we start looking at track records that match that.

“The theme is targeting modest premiums attached to people with a proven track record of writing better than the market who like the idea of working at a place where they have a much more direct involvement – it’s remarkable how many of those people are up for a move.”

Of course, as the size of the business grows – staff numbers are expected to move from 28 to the high 40s by mid next year – so do demands on its infrastructure.

Over the long term, a likely move from its current One Cornhill offices and the formation of an integrated Lloyd’s vehicle (ILV) are aspirations.

Barbican currently benefits from the support of Whittington Capital Management, its turn-key managing agent, drawing expertise from the specialist insurance investor and services provider.

However, while no firm timeframe has yet been set, Godfray says: “At the right and appropriate moment for all parties we will step out and become an ILV in our own right.”

But there are no plans for launching an FSA company market vehicle to sit alongside the Lloyd’s operation.

“We don’t want to dissipate the energy we have now by diverting attention or resource into an FSA structure,” explains Reeves.

He also highlights the importance of the Lloyd’s box to its ethos.

“The boxes will always be our principal trading point. All our underwriters want to be at the box. We promise the broker we will tell them very quickly if we can help and that we’re not going to spin them along. We spend longer saying no than yes, because then the broker will understand what we are trying to achieve,” says Reeves.

“We are a Lloyd’s business, we enjoy being in Lloyd’s, with the franchise, the opportunity to access business in worldwide markets – and the capital structure.”

And it is the Society’s unique capital structure that first planted in Reeves the seed of ambition to one day bring a (re)insurer to the market – way back in 1978 when the former head of RSA’s UK commercial lines business was a young accountant.

“When I first audited a Lloyd’s syndicate, I thought ‘this is a very efficient use of capital’! I didn’t think it would take this long and of course Lloyd’s has changed beyond all recognition. But the core is still the same: capital efficiency and the brand,” he enthuses.

Barbican was a long time coming, but maybe it is timed to perfection.

---

**Why Guernsey?**

In an unusual move, Barbican chose to headquarter itself in Guernsey, rather than the more popular offshore domicile of Bermuda for Lloyd’s insurers.

For Barbican’s finance director Louis Tucker, who joined from Catlin early in 2008, as well as proximity – “the legal and regulatory environment in Guernsey coupled with excellent underwriting opportunities has made Guernsey very attractive” – cost and the welcome from the island’s authorities were key.

“We looked at a variety of locations to domicile our holding company and found that the costs of setting up in Guernsey were a fraction of some of the other options such as Bermuda.”

“We can compete for North American business from London, and I don’t think Bermuda has an unbeatable trading advantage over us because of its proximity to the US,” he explains.

The company has been welcomed at a political level – helped by establishing a Guernsey domestic carrier – by a jurisdiction keen to attract other Lloyd’s insurers.

The structure sees Barbican Group Holdings domiciled on the island capitalising its operating subsidiary, Barbican Reinsurance Company, which in turn provides security to the (re)insurer’s corporate member at Lloyd’s and operates as an internal group reinsurer – as well as acting as coverholder for domestic business which will be written onto Syndicate 1955.

Godfray, who recruited former ICCI senior executive Vincent Bray to head up the Guernsey domestic operation, says Barbican is “pleasantly surprised” at the opportunities in the domestic market. “Everybody’s gone to Bermuda over the last five years,” he adds. “It’s fast becoming over subscribed. The Guernsey regulator and broking community couldn’t be more welcoming.”
Barbican. Focused expertise in depth and breadth

The Barbican philosophy is to deliver intelligent and responsive underwriting solutions across a range of specialist areas. We have built a team of highly experienced underwriters, dedicated to providing expert risk solutions combined with the very best in customer service.

David Booth, Divisional Manager

Marine Reinsurance

Excess of Loss and Proportional Reinsurance business worldwide for Hull, Cargo, Specie, Yacht, Marine War, Offshore Energy and Marine Liability Including P & I.

Marine Insurance

Worldwide insurance of Specie, Cargo, Ports and Terminal risks for importers/exporters, shipping companies, banks and port authorities.

david.booth@barbicaninsurance.com
T +44(0)20 3178 7127 Box 138 at Lloyd’s

Andy Caldwell, Divisional Manager

International Casualty Treaty

Excess of Loss, Proportional and Stop Loss reinsurance to clients worldwide excluding North America. Public & Products Liability, Employer’s Liability, WCA, Professional Indemnity, D&O,

Medical Malpractice, Motor Third Party Liability.

andy.caldwell@barbicaninsurance.com
T +44(0)20 3178 7121 Box 254 at Lloyd’s

Conor Finn, Divisional Manager

Property

Mainly commercial Excess of Loss; 85% USA, 15% rest of the world. Regional or niche product focused binding authorities through established coverholders, mainly in the UK and USA.

Property Treaty

Catastrophe Excess of Loss business in the USA, UK/Western Europe, Japan, Australia and Canada.

conor.finn@barbicaninsurance.com
T +44(0)20 3178 7119 Box 138 at Lloyd’s

Andy Hornsblow, Divisional Manager

Healthcare Liability

Lead and follow lines writing primary and/or excess layers focusing on US and Australian markets. Open market, line slips and binding authorities for Hospital Professional Liability, Long Term Care Liability, Allied Health Liability.

Healthcare Treaty

Lead and follow lines writing primary and/or excess layers focusing on US and Australian markets. Open market, line slips and binding authorities for Hospital Professional Liability, Long Term Care Liability, Allied Health Liability.

ian.jones@barbicaninsurance.com
T +44(0)20 3178 6768 Box 138 at Lloyd’s

Stuart Kilpatrick, Divisional Manager

Specialty

(planned to be live by end April ’09)

Focused primarily on UK corporate middle market and international clients, providing Property, Casualty, Professional Indemnity/Errors & Omissions, D&O and Cyber/Network risks.

stuart.kilpatrick@barbicaninsurance.com
T +44(0)20 3178 7119 Box 138 at Lloyd’s

Andrew Pearson, Divisional Manager

Financial and Professional Lines

(planned to be live by June ’09)

Non-US Financial Institutions - Comprehensive Crime, PI and D&O; also non-US commercial D&O. Both primary and excess, mainly middle market. Territories include UK, Asia, Europe (inc Eastern Europe), Australia, South Africa and Canada. Will also consider other areas, subject to market conditions.

andrew.pearson@barbicaninsurance.com
T +44(0)20 3178 8696 Box 138 at Lloyd’s

John Pilkington, Divisional Manager

North American Casualty Treaty

Working layer and Catastrophe Excess of Loss structures focusing on mutual, regional and specialty insurance carriers (including RRGs). Key segments: Medical Malpractice, WCA, General Liability, Professional Indemnity, Casualty Catastrophe.

john.pilkington@barbicaninsurance.com
T +44(0)20 3178 7125 Box 254 at Lloyd’s

Barbican at Lloyd’s:

Box 138 T +44(0)20 7327 8211
Box 254 T +44(0)20 7327 8281/2/3

Vincent Bray, Executive General Manager

Barbican Channel Islands

Tailor-made commercial insurance solutions for the unique Channel Islands marketplace.

www.barbicaninsurance.co.gg
vincent.bray@barbicaninsurance.co.gg
T +44(0)1481750401