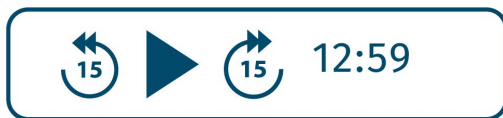


Rock solid: Allied World in Bermuda

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Allied World launched 20 years ago and has been a core (re)insurance market in Bermuda since. *The Insurer* talks to Colm Singleton, Henry Felix and Mike McCrimmon about opportunity out of adversity, being a nimble innovator, evolving with the island and long-standing client relationships.

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For all the changes Bermuda has been through over the last two decades some things remain the same. The island is still a magnet for new capital entering the industry following a market-changing event; it remains a centre for innovation and underwriting talent fostered by an ease of doing business; and Allied World – part of the Class of 2001 – is ever present even as many of its peers and successors have come and gone.

The early days



In its first full year, 2002, the company put almost \$1bn of premium on its books, and a significant proportion of that came from insurance. Unlike the previous wave of start-ups in the wake of Hurricane Andrew, the Class of 2001 were not just reinsurance-focused, and Mike

McCrimmon says there was a lot of “hunting and gathering” to get to the \$1bn mark.

Of course, similar to Andrew, the terrible World Trade Center attacks were a market-changing event. But coming after a long reserve-sapping soft market and as an event that hit multiple lines of business, 9/11 triggered a much broader hardening. From that adversity came opportunity. And McCrimmon says in the paralysed marketplace that followed, as many incumbent carriers ran from risk, Allied World was able to build foundations that remain in place today.

“A lot of clients that showed up on our doorstep in 2001 are still our clients today. That was a truly hard market. Not only was it a matter of price, it was a matter of finding capacity, because companies were pulling out of the marketplace.

“The way we behaved in 2001/2002 went a long way to securing the relationships we still have today. I could name a number of accounts we’ve had continuously since 2001,” says the executive.

Colm Singleton and Henry Felix also moved to Bermuda with Allied World around the time of significant industry events. Felix joined in August 2005 just before Katrina struck New Orleans. It was the largest cat event to hit the market and it was another defining moment for the company.

“I think it really cemented us as a proper player in the global marketplace. We were already one of the largest players in Bermuda, but it felt like we’d evolved into an established insurance company rather than just a start-up providing capacity,” he suggests.

It also came at the start of a period of transition as the company moved from being a Bermuda-centric player to establishing international credentials as it grew its platform out into the US and Europe. Singleton arrived in 2008 at the heart of the financial crisis and a couple of years after Allied World went public in an IPO.

“We had a small US, European and Asian footprint at that time, and no Lloyd’s syndicate. But the journey I joined in 2008 has been just as exciting as those first seven years. We rapidly passed the \$3bn premium mark and set our sights on \$5bn and we’re now part of the Fairfax family,” he comments.

Capital + culture

He is, of course, referring to the \$4.9bn acquisition by Fairfax Financial that took Allied World from a standalone publicly traded carrier to become part of a Canadian investment holding company that houses several other (re)insurance subsidiaries.

There has also since been a change of leadership, with the (re)insurer now led by Lou Iglesias after Scott Carmilani stepped aside. But for Singleton, the transition of recent years has not altered the culture of Allied World that stems from its roots as a Bermuda start-up and is now a significant global operation with 21 offices and over 1400 employees.

“When Allied World started in those early days in 2001, there was a real emphasis on creating an entrepreneurial and collaborative culture. And what I find so compelling 20 years later is even though we’re now a much larger company, that culture has been maintained and is critical to our continued success,” he says.

Allied World arrived with much-needed capital as a start-up in a capacity crunch. That may have been table stakes at the beginning, but McCrimmon says the longevity of the company is down to much more than that.

“You’re really only as good as the pedigree of the people behind that capital, and I think right from the start we had some very good investors that knew how to staff the company. Kudos to [founding CEO] Mike Morrison and then ultimately Scott Carmilani for recognising that.

“And Lou Iglesias and his team have continued that theme. An insurance company is only as good as its people.”

Relationship-building

A key feature of Allied World’s evolution over the last two decades has been its ability to bring clients on the journey with it, maintaining long-term relationships even as it has grown and transformed. McCrimmon says this is no accident, but part of a dedicated plan that was put in place in the early days of the company.

“If you get a client that has one line of business with you, the best place to sell more product is to an existing client and we spend a great deal of time nurturing those relationships,” he comments. That has been supported by a collaborative approach that has been ingrained in the organisation to ensure that a property client has access to professional liability, casualty, or E&O products, coordinated by centralised client engagement resources.

The tactic has helped build a base of core long-standing clients with whom it has multi-line relationships.

According to Singleton, Allied World has clients who have been with the company for over 10 years, meaning they have been with the carrier for most of the time it has been around.

Felix says that the company’s strong emphasis on the role of the claims function has been a critical factor in forging those long-term relationships. It has been aided by defining industry

events such as Katrina, Rita and Wilma in 2005 that cemented its reputation as not just a capacity provider but a claims payer, capable of operating in a seamless way.

“It really resonated with clients because in their time of need we were able to pay out on their policies in a timely manner, and just as important, we provided them with post-event capacity. That helped the relationships continue going forward many years into the future.

“A lot of those risk managers who were around in 2005 still mention that period because it was a very difficult time for them, and we weren’t one of the companies being difficult on claims. It was a defining moment in our history,” he explains.

And Singleton highlights the shift in the way clients view insurance partners with less of a focus on rating and price and more on the value-add an insurer can bring to the relationship. A case in point is the mounting concern clients have about social inflation.

“They want to know what investments you’ve made as a carrier in your senior claims team to guide the clients through the most difficult claims scenarios,” he continues. The renewed focus means that when clients come to Bermuda they specifically request to meet the claims team so they can build relationships before they actually have a loss.

An island of decision makers

Clients also come to Bermuda knowing they can sit down with decision makers. And that is one of several enduring features of the island that have helped establish it as a leading force in the global (re)insurance industry.

Felix says the fact that Bermudian underwriters have autonomy, and that decisions are made on the island, resonates with insureds. “And we value the time they’ve invested coming down and sitting across the table from us to tell us about the unique characteristics of their risk. That relationship is an essential part of our underwriting decision-making process.”

“We want to make sure that the client’s experience on island is a very meaningful one, so they want to come back year after year. The value is the relationships they build during these visits,” he explains.

For Singleton there is no better place in the global insurance industry for clients to place their most complex large risks. And as a leader in the Bermuda market for the last 20 years, he believes Allied World is in pole position to support clients and their needs now.

The executive says the carrier’s strategy to start out by writing low-attaching property and liability business was a radical shift from previous waves of start-ups that focused on high excess liability and then property cat reinsurance.

“We came in offering unique products, and now in Bermuda we write primary property, primary EPL, low-attaching professional lines and casualty, as well as the first primary cyber insurance product on the island.

Submission flow and distribution

There was a period during the last decade where Bermuda as a traditional (re)insurance sector looked to be in decline. Several of its established names had either been bought up, disappeared or downsized at a time when a wave of ILS funds was opening up on the island, typically with smaller footprints and lower headcounts. But the last few years have seen a real renaissance as the hard market in the broader commercial insurance industry has driven a flood of submissions to the island as retail brokers in the US especially have turned to the island for much-needed capacity.

The driver, as McCrimmon notes, is that many onshore carriers have been de-risking their books of business, significantly shortening limits. The flood of submissions has also coincided with an influx of new brokers setting up in Bermuda, including from the Lloyd’s and London market as well as the US.

“That’s a great testament to where the Bermuda market is and how clients perceive Bermuda as a domicile that can provide solutions for their risk management challenges,” says Singleton.

And Felix adds that Bermuda has also benefited from efforts to shift the perception towards it being a marketplace for all phases of the cycle. “We’re not just an opportunistic market and we wanted, as we were developing these relationships, to demonstrate that we were going to be there all the way through the cycle,” he says.

An agile approach

For an island that has been through the ebb and flow of market cycles, Bermuda has had to be agile and show a willingness to innovate in order to remain relevant. It has been the high excess launchpad of Ace and XL in the 80s, home to the wave of cat reinsurers including RenaissanceRe in the early 90s, the Class of 2001 that included Allied World post 9/11, the post-KRW Class of 2005, the explosion of the ILS market and the Class of 2020 in a constant process of reinvention.

And the Allied World executives believe the evolution will continue as the Bermuda market remains at the forefront of creating solutions for new risks clients need protecting against. Singleton believes the island benefits from “world class” intellectual capital.

“I think that the intellectual capital that has been building here for the better part of three decades is really hard to replicate in any other domicile. That makes Bermuda a stickier jurisdiction to attract capital and product innovation,” he suggests.

The island's regulatory framework allows speed to market, with the work done by the Bermuda Monetary Authority – including Solvency II equivalency – a real driver of inbound business. Its location near the East Coast of the US and with easy access to London also gives it a significant natural advantage.

For Allied World, there has been a focus on preserving the entrepreneurial spirit that has existed since its launch and maintaining a nimble approach as it continues to step up to meet opportunities head on.

To secure its future, it is investing in talent development, hiring young Bermudians to gain valuable experience in underwriting, actuarial and claims. “You’ve got to build out that pipeline of talent that will be with you for the next 10 to 20 years to sustain your momentum and continue reinventing yourselves over the years,” says Singleton.

With aspirations to grow over the next decade, the \$5bn company is no longer a small player.

Allied World now has a platform – and an owner that provides it with plenty of autonomy – to continue its growth trajectory as it evolves to meet the changing needs of clients in Bermuda and beyond.