

The Canopius Herald

www.canopius.com

March 2018

Canopius completes buyout Centerbridge backed deal has closed

Canopius's senior management team has completed the private equity-backed buyout of the business, following regulatory approval.

A private equity consortium, led by Centerbridge Partners with Gallatin Point Capital LLC, has replaced the previous Japanese owner Sompo, and is understood to have paid US\$770mn for Canopius. Chairman Michael Watson and chief underwriting officer Mike Duffy have also taken a stake.

A number of factors are understood to have precipitated the MBO including Sompo's recognition of the lack of strategic consistency which would have arisen from operating Canopius and Sompo International as standalone businesses, following Sompo's acquisition of Endurance

Specialty Holdings Ltd. in March 2017. The closure of this much-anticipated deal will bring clarity for

opportunity for the management team to create a world class specialty re/insurance franchise, drawing on

Watson also said he hoped the strong business relationship with Sompo, which predates the 2014 acquisition of Canopius, would continue "long into the future."

Duffy commented that Canopius would focus on classes where it could add value for clients and brokers. "We will seek profitable diversification through the recruitment of new teams and entry into new classes," he added, concluding: "leading talent will thrive here in an environment where performance and accountability is rewarded and an independent mind-set is valued."

Canopius has also launched a new logo and brand to coincide with the closure of the deal and is understood to be running related activities over the coming days.



the newly independent Canopius. Watson said it was a "golden

the extraordinary talents of our staff and with Centerbridge's backing."

Rediscovering the Canopius spirit and purpose

The Canopius Herald puts some key questions to Michael Watson, chairman, and Mike Duffy, group chief underwriting officer



Michael Watson
Chairman



Mike Duffy
Group chief
underwriting
officer

Q Why buy back the business now?

A Michael Watson: Shortly after they announced the Endurance acquisition, Sompo listened to our concerns about a combination with Sompo International and concluded that a "hasty and irrational" integration of Canopius would damage the corporate value of our business. Sompo then asked us if we thought an MBO was possible and whether we'd like to pursue it....

Mike Duffy: We jumped at the chance: we would again be in full control of our destiny. We are independently minded people, and would have been less independent under a new arrangement as part of Sompo International.

Q Is there ever a perfect time for an MBO?

A Michael Watson: The challenge is to buy well,

to sell well, and to operate successfully on the way through, no matter what the timing. We have bought well, I am confident we will operate successfully, and, as a consequence, that there will be no shortage of potential buyers of Canopius in due course. Who knows when we might sell?

Mike Duffy: We have to be confident, and act when the opportunity presents itself.

Q Do you have a growth strategy? Organic? M&A?

A Michael Watson: We absolutely plan to grow. We are the largest privately owned independent business in Lloyd's, measured by premium, but for us it is all about being the best, not the biggest.

Mike Duffy: We have for some time been pursuing a three-pronged strategy which broadly responds to the challenges our industry faces. First, we have been focussing all our efforts on the things we think we are really good at. We exited areas where we were sub-par or sub-scale, those classes where we really didn't offer significant value. Second, rather than expanding in the areas we are not really good at by acquiring teams and infrastructure, we established a new division about six months ago that supports world-class individual

underwriters at other firms via consortia or reinsurance. Arguably that will make us a lower cost provider.

Third, we are developing in Asia Pacific and in the USA, where we have staff and the wherewithal to do more. The era when the London market was the world's only go-to place is over and it is important to be realistic about that. Asia particularly will send much less business to London in the future, so we need to be on the ground there in strength. The USA is the largest market on the planet, so having broader access makes sense.

Michael Watson: If the strategy is successful, and so far it has been, we won't need M&A to grow profitably for our investors. That said, if we identify an M&A opportunity that is ideal for us, we would investigate, and I am confident Centerbridge would support us. But our success is not predicated on acquisition.

Q How is Centerbridge to work with?

A Michael Watson: Centerbridge has an intense interest in what we do and how we do it, which is understandable and welcome. They are engaged in helping us to develop the business, and asking how they can add value.

Mike Duffy: They are smart and inquisitive, and challenging on all levels, which makes us think harder about what we do, which is wholly positive. After the largest single cat year in history there's been not the slightest hint of panic. Instead, they have been asking about the challenges.

Q What are your post-deal priorities?

A Michael Watson: Rediscovering the spirit and purpose of Canopius. For a year we didn't know whether we would be able to pursue a separate course outside Sompo or be integrated into the group. We experienced an enormous amount of change, some planned, some unavoidable. We will emerge with a complete sense of our own destiny, which will be exciting for everyone.

Mike Duffy: We can now talk to anyone about working with Canopius, and the people we hire will help to redefine the culture of 'Canopius 3.0'. I see a genuine excitement and desire to talk to us. Convincing our broker partners to continue to work with us was a priority, and continues to be so, but at 1.1 we lost not a single piece of business. Instead, we gained some. We've had 100% support

Q Why is that?

A Mike Duffy: Perhaps there's a sense of an inevitable consolidation within Lloyd's, which people fear will lead to depersonalisation. We are flying against that trend, so people are rooting for us. We offer an answer that isn't a gigantic insurance conglomerate.

Q What will be different in a year?

A Michael Watson: Our speed, our ability to have a good idea and then just do it. As a small large firm, we can answer quickly, then move on. As you grow, you become slower. In a year, we will feel more dynamic, because we are moving constantly.

Q Will you be in new lines?

A Michael Watson: It's less about new lines and more about reimagined capabilities, as we have done with political risk & trade credit. Our 2018 proposition roughly trebles that play, with new products and an enhanced underwriting approach, which positions us as a market leader. That said we do have plans to enter new lines and expand geographically as Mike referenced earlier. Watch this space!

Did you know?

If you don't know where the Canopius name comes from, you are not alone. Few people realise that Nathaniel Canopius was a Cretan scholar at Balliol College, Oxford. During his time in Oxford from 1637 to 1648, he is reputed to have brewed the first cup of coffee in England. "There came in my time to the College one Nathaniel Canopius, out of Greece... he was the first I ever saw drink coffee," wrote John Evelyn, the diarist and contemporary of Samuel Pepys, in 1637.

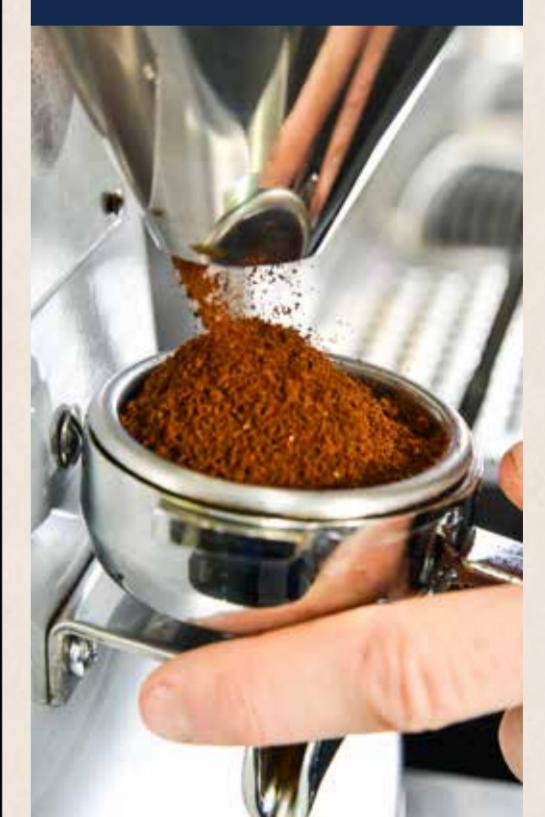
Nathaniel Canopius later moved on to Smyrna (modern day Izmir), but his influence in England was strong: coffee became so popular that a large number of coffee houses sprang up, including one owned by Edward Lloyd, the first home of today's Lloyd's market.



Coffee has enjoyed a huge renaissance recently in the UK - around 3,500 cups are sold every week in the Coffee House that still sits at the heart of the Lloyd's market.

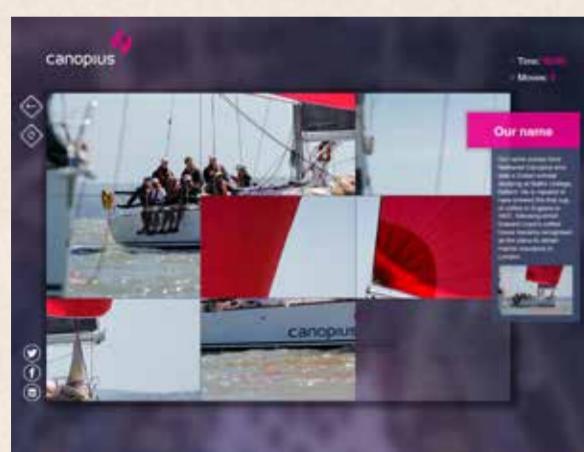
These days, according to The British Coffee Association, coffee is the most popular drink in the world - after water - with around two billion cups consumed every day. The International Coffee Organisation tells us that the Finns come highest on coffee consumption per capita, getting through 12kg per person per year. They are closely followed by Norway, Iceland and Denmark, with the US trailing in at number 26 and the UK at number 45.

Every day should start with...



...a quality coffee

Puzzled? You will be...



Go back to the future and test your skills on our online version of the classic slide tile puzzle. Will you be the fastest? Share your times and let us know! @CanopiusGroup

In a world of advanced models, the underwriter still reigns supreme



Marek Shafer
Chief digital officer
at Canopius

At Canopius we invest heavily in advancing our understanding of the natural world. Our catastrophe models are tuned by incorporating emerging scientific research alongside our own claims experience. Our technical cat pricing approach allows us to allocate capital down to each deal, and our optimisation tools guide us toward capital efficient portfolios. We take pride in our understanding of cat risk - it differentiates us.

Likewise, our underwriters are a precious asset, bringing knowledge and experience to the table, and their personalities in aggregate represent the Canopian DNA.

So far, so Lloyd's.

Now, what sets Canopius apart is the way we strive to ensure these two - often at odds - functions work together to look beyond the models for the true nature of risk. As a result, we share a common outlook: we both baulk at a market willing to turn on a dime due to an ill-considered model release; we both view cat model-induced herd behaviour with deep suspicion.

Of course, we recognise the essential role that robust cat modelling plays in capital management, and the importance of the rigorous treatment of data. But the indisputable fact is that models are only as good as the science and loss experience that they are built on: we need only look back to 2017 for confirmation. We strongly believe that our assessment of individual deals should not be delegated to a bunch of scientists in Boston, or Newark: the decision should sit firmly in the domain of our underwriters and analysts, who take time to grasp the nuance of every risk and the needs of our clients, and act accordingly.

INSIDE

2018: Year of the Dog

Will Clark, head of trade credit, takes a look at what the Year of the Dog might bring the market.

Hungry for more

Andy Gladwin, global head of marine treaty, talks about risk appetite and capacity in the reinsurance sector.

Bringing fresh blood to the market

Jessica Huie, MBE, talks to us about Connect Mentors and why she is passionate about the value of mentoring and the opportunities it can offer.

Canopius prize crossword

Challenge yourself with the Canopius cryptic prize crossword.

A true “Year of the Dog”



Will Clark
Head of trade
credit at
Canopus

Students of the Chinese Zodiac will know that 2018 is the Year of the Dog, symbolising coming wealth and action. Certainly, there are positive signs on the global economic horizon but there are also challenges, with the world seemingly an increasingly paradoxical place.

Outcomes are less predictable than they once were, with the positive and negative, fortune and poverty, action and helplessness all co-existing in the same bubble. Consider Korea; while North and South governments impose stringent sanctions on one another, they are also supporting athletes from both countries in parading together at the South Korean Winter Olympics under a unified flag. The general economic convention that says low interest rates lead to high inflation has stood on its head some time ago. Brexit too is rife with constantly reported challenges and paradoxes too numerous to mention.

The Year of the Dog could just as easily be the Year of Paradox, where conflict and the contradictory co-exist and we adjust to accept abnormality as normality. That this is happening globally is extraordinary.

“The economy, stupid”
Bill Clinton

This paradox is perhaps nowhere more prevalent than in economics and politics. A stable political environment, once thought important for economic growth, is at odds with expert predictions for 2018, which strongly indicate otherwise.

World GDP numbers certainly suggest 2018 is likely to live up to being the Year of the Dog in economic terms, with the World Bank expecting a 3.1% out-turn. Other economists are more bullish, predicting 3.5 to 4% stimulated by a number of factors. Banking and finance markets are becoming more ambitious a decade after the financial crisis, buoyed by rebuilt balance sheets, benign economic data and new entrants.

Quantitative Easing measures introduced by governments to protect banks and broader economies during the crisis are being scaled back, which suggests increased confidence in the financial system and broader economy.

Inflation rates globally are at the end of historical averages and interest rates are similarly so.

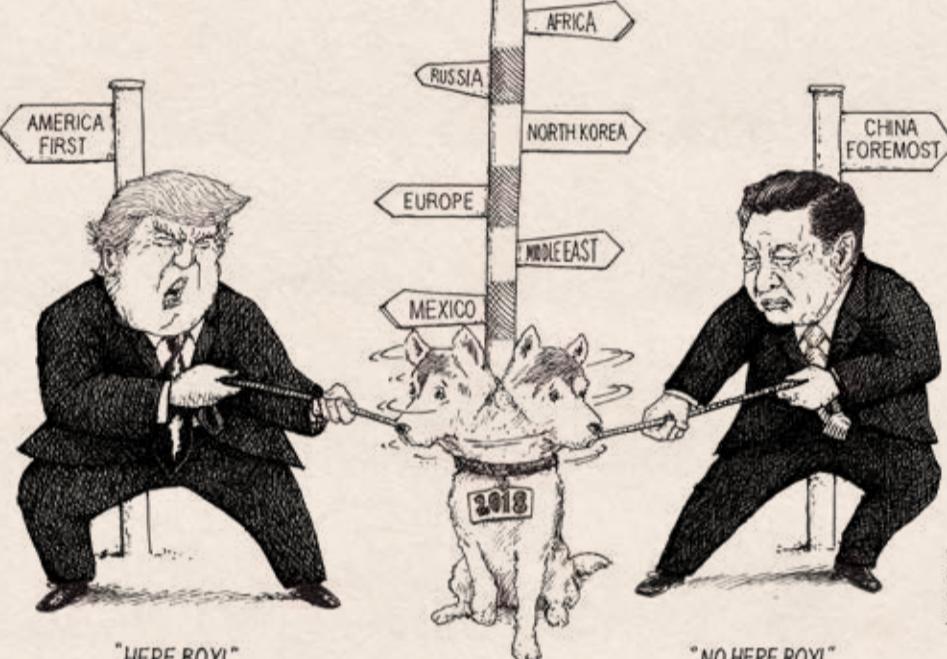
Powerhouse economies such as the US and China follow two different paths but both help stimulate economic

the next 12 months will be as important and perhaps as interesting as it ever has been. Equity markets are reaching heady heights as illustrated by the Dow Jones index over the last 10 years. The impact of the financial crash is clearly seen in the graph below but perhaps more remarkable is the level of growth since 2009.

This surplus of capital driven by low interest rates and investors seeking yield dominates the investment landscape and looking at our own industry we have been a beneficiary (new firms and increased capacity) and also seen a consequence (low pricing).

Predictions in 2017 expected

economics to show some signs of duress and markets to fall back. Instead most indices had roared to new heights by 31 December. Predictions are somewhat different this year, with Goldman Sachs



entitling its 2018 outlook report As Good As It Gets. While experts differ in quantitative terms most agree in qualitative terms that 2018 will be a good year in economic terms.

“I have come to the conclusion that politics are too serious a matter to be left to the politicians.”
Charles de Gaulle

One fly in the ointment for continued world prosperity seems to be the political arena. The world is still trying to come to grips with a new and evolving political landscape where the conventions of the world order established since WW2 are being rewritten. Emerging markets continue to grow with China, India, Brazil and Russia all expected to maintain their inexorable rise to become some of the world's largest economies. A February 2017 report by PWC suggested that



The impact of the financial crash is clearly seen in the graph but this is perhaps not as remarkable as the level of growth since 2009.

growth internationally. One of the economies is following radical new fiscal measures aimed at providing steroids to its economy while the other is legislating for greater levels of free market involvement, insight and even transparency within its economic system. It seems strange that the former is the US and the latter is China. Following both countries' fortunes over

China would be the world's largest economy by 2030 followed by the USA. India was third; Indonesia was fifth, Russia sixth, Brazil ninth and Mexico ninth. The UK was 10th. With greater economic power comes greater political leverage and these growing economic markets will not accept the world order as it is, particularly those with an expanding military capability.

Overall, the political and societal landscape promises much activity with some volatility. To what extent political challenges will impinge on 2018's economic promise is yet to be seen. Many economists are expecting little impact, meaning 2018 is set to be a genuine Year of the Dog; one of wealth and action.

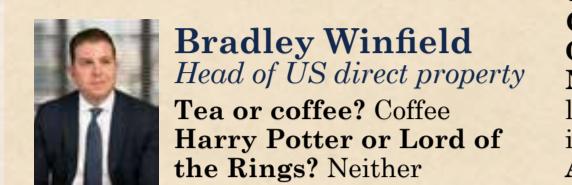


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Take a selfie reading the paper and tweet us @CanopusGroup with the hashtag #CanopusHerald.

Quickfire Q&A



Bradley Winfield
Head of US direct property

Tea or coffee? Both

Harry Potter or Lord of the Rings? Harry rules

Underwriter or broker?

City or country? City

Gym or park? Park

Adele or The Rolling Stones? Adele

Wine or beer? Both

Sun or snow? Sun

Hershey's Kisses or Reese's Pieces? Hershey's

Baseball or football? Football

The Red side of North London. COYG

Mark Newman
Head of Asia Pacific & MENA

Tea or coffee? Plenty of both

Harry Potter or Lord of the Rings? Harry rules

Underwriter or broker?

City or country? Country

Noodles or rice? After 17 years living in Asia I love both,

impossible choice

Adele or The Rolling Stones?

Adele, hearing her sing live was incredible

Wine or beer? Probably wine

Sun or snow? Ooooh another toughie, as I love both. If only one choice, the summer sunshine

Chocolate or crisps? Walkers

Cheese & Onion, the only way to go

Table tennis or football? The

Red side of North London. COYG



Interview with Jessica Huie, MBE

Jessica Huie, MBE is one of the team behind Connect Mentors, an online mentoring platform matching organisations with new, diverse talent pools. Canopus is a founding insurance partner.

Q What kind of feedback have you had so far?

Q How did Connect Mentors come about?

A The prevailing response is that Connect Mentors is so needed! As human beings we tend to graduate to individuals with whom we share similar lifestyles and circumstances, but when we don't step outside of our bubble we miss out on the richness of interaction with people whose perspectives and backgrounds we can learn so much from. We are all innately connected, but as a society seem to have forgotten that to our own detriment. Often businesses recognise that they need to broaden their talent pools and create a way in for communities traditionally disconnected from them, but they don't know how to access these new pools. That's where Connect Mentors come in: a match making bridge which brings people together, creating a space for opportunities, development and leadership to flourish.

Q How have you been working with insurance and financial services more broadly?

A By their own admission, the financial and insurance sectors have some work to do when it comes to diversity and inclusion. Connect Mentors represents one action orientated solution which these industries can utilise to enable the realisation of their vision as sectors which attract, retain and propel talent – whatever form it comes in - for the benefit of all. We are excited to be working with a number of insurance firms already signed up as mentors and invite businesses keen to make 2018 a year of action when it comes to inclusion, to get in touch to learn more!

Q Is it already live and how is it going so far?

A Yes, ConnectMentors.com was launched on National Mentoring Day and the response has been brilliant. What makes us different is our commitment to working with a variety of partner organisations who enable access to a diversity of groups – whether it's experienced mother 'returners', BAME graduates or individuals 55+, we aim to support everyone marginalised by gender, ethnicity, age, sexuality or circumstance.

Q You're clearly passionate about mentoring – why do you think it is so important?

A I am passionate about it having been mentored informally by a variety of people over the years. Individuals who saw potential in me often before I saw it myself, and created openings which enabled me to rise through the ranks and forge an exciting career. I think that a life in which we are not being of service to others in some capacity is a life unfulfilled, and what is wonderful about the act of mentoring is that far from being a charitable exercise, the learning, insight and benefits are symbiotic.

Q What should someone do if they're looking for a mentor?

A Connect Mentors is open to everyone, nobody is excluded, so if you would like a mentor sign up at ConnectMentors.com. We ensure the diversity of our mentees by working closely with the partner organisations who represent groups particularly impacted by the bias, conscious and unconscious, which has been systemic for decades. The end result is that we have a platform which is open to all but designed to address the imbalance when it comes to access to opportunities.

Winds of change



Fiona Sperry, head of claims at Canopus, writes about the challenges and opportunities for 2018.

for loss adjusters led to a serious shortage for all but the highest bidders. Loss of communication made monitoring TPA and adjuster performance difficult; the task was made more problematic by the many and various reporting formats. The LMA's Claims Expert Management Hub will hopefully help in future, by allowing managing agents to track spend against budget more accurately, and to monitor the overall effectiveness of claims experts.

It means a reinvigoration of an ideal and the return of the Canopus mojo.

Our claims brand PACE (Partnership, Accessibility, Culture and Efficiency) is about being honest, transparent and dealing as fairly as we possibly can. We never stopped doing that but we didn't have the same sense of ownership, which is a tremendously positive and empowering thing to get back. It's something that's felt throughout the organisation.

Becoming independent gives Canopus the opportunity to look at several topics from a fresh perspective, particularly technological change, which continues apace. We intend to be at the leading edge within the industry and in January a new Digital Innovation and Development department was set up to that end.

This assembled the innovative minds with better resources perhaps the market response could have been even swifter, further reducing customer distress and potentially the overall claim bill.

In fact, there is a lot to be optimistic about for 2018. At a market level there are some great initiatives such as Single Claims Agreement coming soon and I am extremely excited to see what claims modernisation and development comes out of the London Market TOM project.

With our MBO completing and our new plan now clear, we are particularly excited about 2018 at Canopus, intent on building on what we have the very real opportunity to differentiate, build our proposition and excel as a business for our clients, broker partners, and our new owners.

belonging to a business of that scale meant our claims brand got a little lost. Our independence will bring clarity to where there may have been some brand confusion between us and Sompo group companies. We now have an opportunity to look anew at how we differentiate our proposition, and there's a real buzz among the team about pushing that forward.

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These incredible events put claims squarely in the spotlight, where hopefully they will remain. The soft market brought staff cuts to claims departments, even as brokers reduced their involvement in claims and the loss of that talent and assistance was felt this hurricane season.

With better resources perhaps the market response could have been even swifter, further reducing customer distress and potentially the overall claim bill.

Overall, the market rose to the challenge. It was an incredible effort, and one we can all be proud of.

For the claims team, it means a reinvigoration of an ideal and the return of the Canopus mojo. Sompo is a fantastic organisation, but



...and smell ours!

Hungry for more: risk appetite and capacity in the reinsurance sector



Andy Gladwin
Global head of marine treaty at Canopus

Our business is driven by uncertainty. We know that there will be a collision, a blow-out or a natural catastrophe but we don't know exactly when nor how much it costs.

In this type of environment it is paramount to have a clearly defined strategy for risk appetite and be close enough to our clients to understand theirs. It is not always possible to make a judgement on this purely by using advanced underwriting tools.

As a consequence, a very considered approach to costing risks is required. Not everything can be modelled but, wherever we can, we model static exposures in the cargo and specie classes.

In the event of a US cat, there will be a natural accumulation with property risks both in earthquake and hurricane exposed zones. It is important that clients are provided with an appropriate level of information and the required degree of comfort on the systemic risk being underwritten.

The 2017 hurricane season shone a brief light on this concept in the marine (re)insurance sector and beyond. Varying degrees of exposure management styles were exhibited.

It provided a stark reminder that yachts also clash with property. It has been noticeable that subsequent to the Irma and Maria losses, there has been a significant withdrawal in the direct market space for writing MGA type business for yachts and yachts in general. This should prove an indicator as to the gargantuan size of the losses such systems can face when written on the wrong terms and conditions, heavily exposed in the wrong areas and at the wrong price.

In today's market entities are far larger, and therefore able to absorb loss activity. There is an ever present emphasis on cost cutting because as growth is organically difficult, the only solution to keeping margin is to become leaner, more efficient operations.

In today's market entities are far larger, and therefore able to absorb loss activity. There is an ever present emphasis on cost cutting because as growth is organically difficult, the only solution to keeping margin is to become leaner, more efficient operations. 2017 will be a test. Senior executives in the market have suggested this could be up to two years. There are also several potential losses out there which are yet to be settled, which will create further pressure. It will be interesting to see how newer or smaller entities fare with this as cash flow becomes an issue.

US Nat Cat aside, the main drivers of exposure in the marine treaty world are energy assets and the International Group. In recent years the marine and energy market has been stalled by the all time low oil price and poor freight rates. This has led to more uncertainty due to the lack of investment and many construction projects being put on hold. With the price of oil now on an upward trend – currently approaching \$70 a barrel this year – as well as a recovery in freight rates, undoubtedly clients will be looking to cede more exposure to reinsurers.

Clients will be looking to cede more exposure to reinsurers

It would seem logical then that when looking at historical losses, claims inflation becomes a particular issue for the market.

Values and the amount of activity in the E&P industry have fluctuated but are increasing again. Platforms are getting larger; they are working in deeper waters, with more sub sea assets. We now have a couple of notable assets which are full market capacity (\$7bn) risks. This has an affect

on reinsurers as we hold the peaks. New types of vessels, in both the commercial and pleasure classes also pushes more exposure onto reinsurers' balance sheets. Container vessels are larger than ever before, meaning potential accumulation increases.

Emerging risks with courts interpreting new wordings, and the kind of increased blame culture we saw with the Costa Concordia and Rena losses, highlights how countries are becoming financially more sophisticated and sometimes ignore international conventions. Political pressure emboldens a pursuit of all aspects of a loss being paid for and corrected regardless of the cost and whether it is economically viable to do so.

At Canopus, we have the benefit of being independent and are empowered to be the decision makers

And now.... the geo-political weather forecast

A look at 2018's highs and lows, with the odd occluded front.....



March - Italian general election
Oh, Mamma Mia!
Will spring be sprung by the notoriously fickle Italian electorate?

The elections represent the next big political risk for the Eurozone. Sunshine possibly, but only in Italy.



May - UK local elections
Like ferrets in a bag, the traditional anti-government scrap and expression that are local elections will bring seats on metropolitan, borough and district councils up for grabs. A blustery and stormy few days.



June - European Central Bank meeting
Many predict this will see the ECB announce it is ending its asset purchase programme. Will this bring a lingering depression in the corporate and government bonds market?



July - Austria assumes EU presidency
The only western European state with a far-right presence in government. Austria will hold the EU presidency for six months. On the piste or an alpine yodel..?



Autumn - Brexit negotiations come to an end
Really? Can this ever happen? All negotiations for Brexit have to be ratified by autumn, so that the March 29th, 2019 leave date (as it stands) can be met. It's a couple of nights only in Bognor for David Davies and Theresa May this summer. All holidays are cancelled.



November - US mid-term elections
The Democrats need only 25 seats to take back the Senate. The Trump administration's reform agenda will hit several amber lights if he loses hold over both parts of Congress. Hair nets, rain macs and umbrellas the order of the day on Capitol Hill, as the storms brew....

Netball match report: Canopius vs Boulders: 9-9



The Canopius netball team fought a tough campaign through the 2017 season. Our reporter was at a recent game with the Boulders.

As bitter cold winds hit the courts of London, the team shook off the frost and got into formation, with E. Rolland (GK), D. Green (GD),

M. Wood (WD), J. Walker (C), L. Renton, (W), R. Joynes (GA) and G. Connell (GS).

L. Renton made a focused comeback and proved to be a key player for the opening half, while J. Walker kept the team focused and on a steady pace. With this pair on form and some great shots

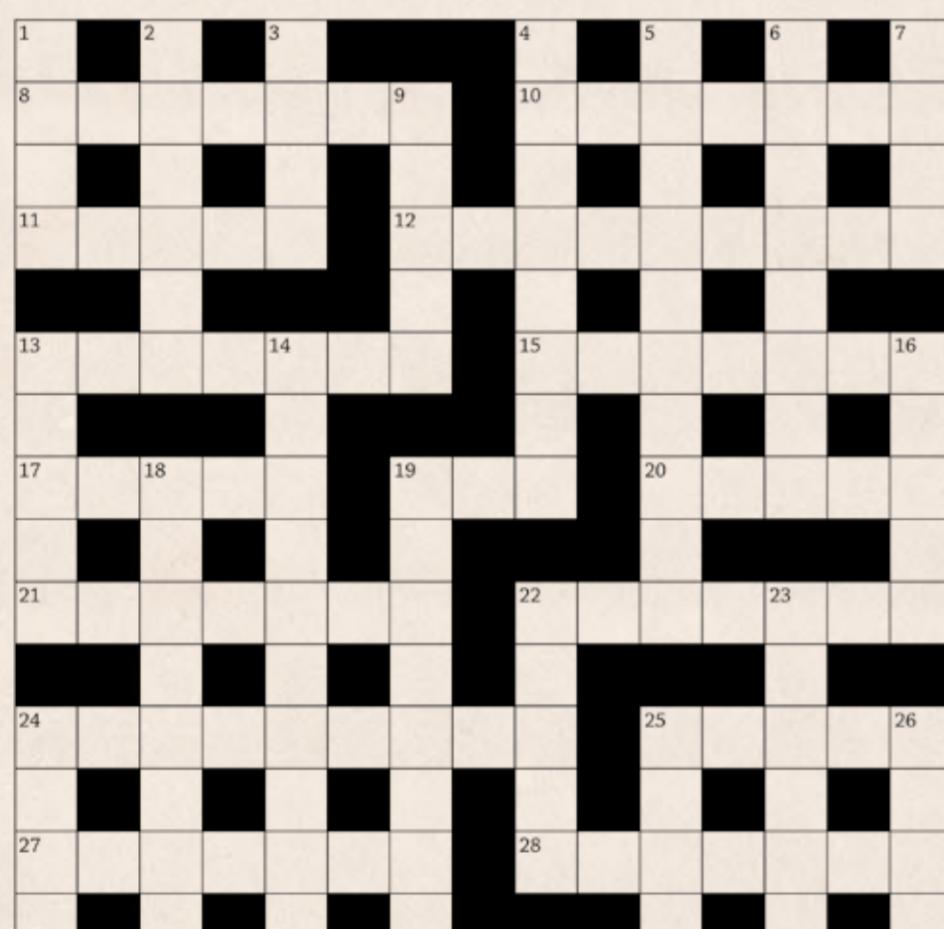
from G. Connell (GS) whose goal scoring average has been increasing every game, Canopius held strong with a triumphant 4-2 lead at half time, much to the shock of the opposition who were left open-mouthed to be unexpectedly trailing.

In the first few minutes of the second half the Boulders regathered and threw some excellent shots at the until then indefatigable defence dream team of D. Green and E. Rolland, as Canopius seemed somewhat downcast. However, with excellent marking from newcomer M. Wood, Canopius managed to maintain the lead through most of the second half. The scrum for the ball continued right into the final remaining minutes of the game, with the score level at the final whistle. The 9-9 draw was a fair result and a credit to both teams who had thrown everything they had at the game.

Canopius cryptic prize crossword

Enter our cryptic crossword competition within two weeks:

Enter online, email a scan to cryptic@canopius.com or drop it in at our Lloyd's office G9 reception. The prize winner and answers will be announced later in March on canopius.com and via social media.



Across

8. Becoming accustomed to providing coverage, missing out section (7)
10. Produce eggs 'in the French style' (or having eaten very behind schedule) (7)
11. Get something down you in Canopius' coffeehouse (5)
12. Veterans send money back in ships' storage areas - it's not hard (3-6)
13. Soon take a risk - I'm ahead of opponents (7)
15. Loss run (7)
17. Changing '1,000' to '500', Lloyd's members returned conveyance (5)
19. Top man (3)
20. Odds? Yes - and no (5)
21. Left out, one recovering ships becomes more dangerous (7)
22. Taking out variable insurance document, banks in England kept in order (7)
24. Those at the head of Canopius lead an impressive 14 action: new takeover supports its customers? (9)
25. Recover ointment (5)
27. Empty dredger had flooded (7)
28. Regulated shipping company taking on good director (7)

Down

1. Contributing to new insurers' successes (4)
2. See 14 down
3. Payment for auditor: cover of full area of operation (4)
4. Premium listing: with no indication of hesitation, get claret (8)
5. Ebullient, start to loudly jangle two rings on this? (6,4)
6. Fee paid for shipping with great anger, holding up arrival time (8)
7. Ship takes old river to reach open waters (4)
9. Filthy profit (5)
13. Note unchanged foundation (5)
- 14, 2. It may give rise to argument about money - or not! (10,6)
16. Singularly turbulent 7, at first enraged, did get calmer (5)
18. One goes off the beaten track, seeing some of Bude via Torquay (8)
19. Ditch a couple of deposits - that's steep (8)
22. Food as eaten by school group (5)
23. Half of London in company settlement (6)
24. Transfer essential for precedents (4)
25. Raising beer, one catches insurance document's minor mistake (4)
26. Boy might pose a threat on the 7 (4)

The Canopius Herald speaks to Bernie de Haldevang, head of specialty at Canopius, about his division's risk partnership philosophy



Q How will the management buyout affect Speciality underwriting at Canopius?

A Canopius is moving towards a flat, inherently more flexible management structure, which will allow us to make faster and better underwriting decisions. Faster is easily explained: referral will be reduced or eliminated, and will be quicker when necessary. Better is more complex: we believe that greater engagement of everyone in the business leads to a broader sense of ownership. With that comes greater authority, but also increased responsibility. Canopius underwriters know that any piece of business they write will have an impact on their own pockets – they must take commercially minded decisions.

These are always set in context of course. Along with our independence, our size allows us to make decisions in the context of the whole firm, and in the bigger picture of broker and client relationships driven by a risk partnership philosophy. An underwriter may choose to write everything presented for a client whose risk philosophy matches theirs, even when a specific risk wouldn't fit otherwise. Equally, a broker may present a particularly attractive risk, but the underwriter may refuse it based on an earlier disconnect with the client. Our enthusiasm for enlightened opportunism must be tempered by the danger of picking the wrong partners.

In all this, as a relatively small entity we are able to achieve cohesion at the underwriting committee level. Our collegiate approach allows everyone to understand the impact of their decisions on colleagues' opportunities. It makes decision-making a holistic and totally Canopius owned process. It is about conferral, not referral.

Q How does the underwriting process work within Speciality?

A When looking at a risk, underwriters must try to unearth as many of the 'unknown unknowns' as possible, converting them into known unknowns, and make decisions based on the comprehensible uncertainty that remains. To do that demands experience in the relevant sector, and the wider knowledge of how that sector fits within global economics and politics. We believe we have such people at Canopius. We have changed our personnel profile dramatically over the past two years by hiring people with frontline industry experience, specialists from banking, for example. We put them on the other side of the desk as underwriters.

When a former banker makes the transition from looking at loans as assets to looking at the same risks as contingent liabilities, he changes his focus, but still understands the client process. These industry experts' knowledge has already paid dividends and sparked interest from clients: I believe it will continue to do so.

In this way, we can better understand our clients' motivations and their perceptions of risk and risk management, which alongside solid communication and transparency are key to building enduring client partnerships. That understanding is the basis of an alignment of interests, which is critical to building a risk partnership philosophy. We want clients who have gone through the exercise of uncovering the unknown unknowns themselves. When there is too little alignment of interest, or too much moral hazard, we walk away.

Q How do you view the role of the broker in the changing landscape of distribution?

A Brokers are in a very strong position. They and insurers share a useful co-dependence, and an alignment of interests. We need and want to work through them. But we need to be attractive to their clients. We concentrate on a handful of specific areas that work for us, but the only way to retain business and remain relevant is to get in front of the client, in cooperation with our brokers, so that they can appreciate what we do, especially in certain specialty lines. We are not the first syndicate to work with security consultants for example, but we are the first to have them at the box and in our meetings, meaning that we can differentiate our offer, by sharing our country knowledge and intelligence. So we rely on our brokers, but the client relationship is key too. Very simply, nothing beats face-to-face business discussion.

We become attractive to brokers when their clients think we are a good risk partner. They like to be approached in an informed way appropriate to their business. They want insurers that understand their sector, and will tell them where the problems could emerge – to help identify the unknown unknowns. That is what we do best.

Bernie de Haldevang joined Canopius in May 2016 to run the Specialty division. It comprises Credit and Political Risk, Trade Credit, Crisis Management, Accident and Health, International Medical Expenses and Casualty.



Celebrate the new Canopius with coffee on us outside Lloyd's Tower 1 entrance and at our 9th floor reception