Canopius completes buyout
Centerbridge backed deal has closed

Canopius’s senior management team has completed the private backed buyout of the business, following a successful sale to Centerbridge.

A private equity consortium, led by Canopius Executive Director with Gallatin Point Capital LLC, has replaced the private equity sponsor Sompo, and is understood to have paid UNIQA for Canopius. Chairman Michael Watson and chief underwriting officer Mike Duffy have also taken a stake.

A number of factors were considered in precipitating the MBO including Canopius’s recognition of the lack of strategic consistency which would have arisen from operating Canopius and Sompo simultaneously, as well as Sompo’s acquisition of Endurance Specialty Holdings Ltd. in March 2017. The newly independent Canopius said it was “a golden opportunity for the management, which is now focused on its reinsurance franchise, drawing on the extraordinary talents of our staff and with Centrebridge backing.”

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

Mike 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.”

Watson concluded: “Looking forward, we are confident that the future is bright for Canopius with an independent mind-set in value.”

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

Rediscovers the Canopius spirit and purpose

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

Q Why buy back the business now?

A Michael Watson: Shortly after they announced the reinsurance acquisition, Sompo listened to our concerns about a combination with Sompo international and concluded that a strong and independent integration of Canopius would enhance the corporate value of our business. Sompo then asked us if we thought an MBO was possible and whether we’d like to pursue a deal.

Mike Duffy: We jumped at the chance. We would be able to achieve full control of our destiny: We are independently minded people, and would have been content with our current arrangement as part of the new arrangement so as to sell well, and to operate autonomously, no matter what the future holds. We have fought hard, and in a consequence, that there will be no shortage of potential buyers of Canopius in the near future. Who knows what will we do next?

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

Q Can we have a growth strategy? Organic & M&A

A Michael Watson: We are absolutely planning to grow. We are the largest privately owned business in Lloyd’s, measured by premium, and 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 speaking is to grow through M&A, organic development and focusing on the things we think are very good. We have areas where we were sub-par or sub-par, 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 a different business, we have established a new division which is expanding rapidly and that supports world-class individual underwriters at other firms with an interesting or renaissance. 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 place to go is over and it seems to be marketplace about what we can offer, rather than how much line business to London. The future for us is to be more on the ground there in strength. The US 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 be driven by 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 it, and I can assure Centrebridge would support us if we pursue it. We’ve not predicted on acquisition.

Q How is Centrebridge to work with?

A Michael Watson: Centrebridge has an intense interest in what we do and how do we, which is in fact why we have established a new division which is expanding rapidly and that supports world-class individual underwriters at other firms with an interesting or renaissance. Arguably that will make us a lower cost provider.

Mike Duffy: They are smart and inquisitive, challenging on all levels, which makes us think better. The largest single cat year in history there’s been the biggest hit of pandemic. Instead, they’ve been asking about the challenges.

Q What are your post-deal priorities?

A Michael Watson: Canopius is about the spirit and purpose of Canopius. For any of you didn’t know we’d be able to pursue a separate course from Sompo or be integrated into the group. We’ve experienced a enormous amount of change, some planned, some unplanned. We will emerge with a complete sense of our own destiny, which will be exciting for everyone.

Mike Duffy: Canopius has an intense interest in what we do and how do we, which is in fact why we have established a new division which is expanding rapidly and that supports world-class individual underwriters at other firms with an interesting or renaissance. Arguably that will make us a lower cost provider.

Q Why is that?

A Mike Duffy: Perhaps we’ve been fortunate that there isn’t an inevitability of consolidations within Lloyd’s, which people fear we will have to deal with. We’re flying against that trend, that people are creating for us. We’ll be our own insurance company.

Q Will you be in new lines?

A Mike Duffy: Our speed, the ability to have good idea and then just do it, it’s a large scale play, if we can examine quickly, then move to a great degree of economies of scale. 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 the speed, to work with a new business that still sits at the heart of the London market. We are independently minded people, and would have been content with our current arrangement but as part of the new arrangement so as to sell well, and to operate autonomously, no matter what the future holds. We have fought hard, and in a consequence, that there will be no shortage of potential buyers of Canopius in the near future. Who knows what will we do next?

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A true “Year of the Dog”

Will Clark
Head of US Direct Property
Canopius

2018 was a year of change and consolidation in the urban environment, as China and the US moved away from the global economic horizon but there are signs of new thinking. China’s property market remains the US and China follow two different system. It seems strange that the powerhouse economies such as the US and China follow two different paths.

The Canopius Herald is the voice of the market

Bradley Winfield
Head of US Marine & Casualty
Canopius

The only path to stability and sustainable growth is through investment in the urban environment. China and the US are no longer the dominant economies. There are signs of new thinking in the global economic horizon but there are different paths.

Interview with Jessica Huie, MBE

Adele, hearing her sing live in the O2 Arena in London: a fitting way to bring the Year of the Dog in economic terms, “The economy, stupid”... and smell ours!

Fiona Symper
Head of Marine & Casualty
Canopius

Gladwin, head of claims at Canopius, outlines how the 2017 hurricane season demonstrates the need for more systemic risk assessment.

Intrinsic cybersecurity devices: a solution for systemic cyber threats

Francis Lebed
Chief Executive
SocGen Cybersecurity

In order to ensure the safety of our customers, we need to ensure that our systems are secure. With the rise in cyber threats, it’s important that we implement intrinsic cybersecurity devices to protect our systems.

Winds of change

Our business

Gladwin, head of claims at Canopius, outlines how the 2017 hurricane season demonstrates the need for more systemic risk assessment.

Quickfire Q&A

Mark Newman
Head of Asia Pacific
Canopius

What’s new in Large Property?

A new approach to the Large Property market will make 2018 a year of action when it comes to systemic cyber threats. We need to implement intrinsic cybersecurity devices to protect our systems.

Hungrily for more: risk appetite and capacity in the reinsurer sector

Anil Glavich
Head of MGA
Canopius

A new approach to the Large Property market will make 2018 a year of action when it comes to systemic cyber threats. We need to implement intrinsic cybersecurity devices to protect our systems.
The elections represent the next big political risk for the European Union, possibly, but only in Italy.

In government, in parliamentary pressure, Canopius is now seeing bumps and rougher seas on the horizon.

Regulated shipping company taking on impressive action: new takeover supports those at the head of Canopius lead an banks in England kept in order. Taking out variable insurance document, more dangerous. Odds? Yes – and no. Changing ‘1,000’ to ‘500’, Lloyd’s members soon take a risk – I’m ahead of opponents. Veterans send money back in ships’ storage to be a key player for the goal scoring average has been increasing every game, Canopius bold, strong with a triumphant 4-2 lead at half time, much to the shock of the opposition who were left openmouthed to be unexpectedly truing. In the first few minutes of the second half the Bulldogs regrouped and threw some excellent shots at the goal. Canopius had strong, with a couple of deposits – that’s steep.

The Canopius netball team 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 (GR) whose goal scoring average has been increasing every game, Canopius bold, strong with a triumphant 4-2 lead at half time, much to the shock of the opposition who were left openmouthed to be unexpectedly truing.

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 generate precise, relevant and current data that is very difficult to achieve in any other way. The data is critical. We have a great database, which gives us all the information we need to make decisions. We rely on our brokers, but the client relationship is key. Very simply, nothing beats face-to-face business discussion.

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

When a former banker makes the transition from looking at data 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. Bernie de Haldevang tells us how.

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

And now….. the geo-political weather forecast

As bitter cold winds blazed across the 2017 season. Our netball match between Canopius and Boulders was an exciting one.

Netball match report: Canopius vs Boulders: 9-9

Enter our cryptic crossword competition within two weeks:

Enter online, a clue to crossword canopius.com or drop it in at our Lloyd’s office GR reception. The prize winner and answers will be announced later in March on canopius.com and via social media.

What will be the next big political risk for the European Union? The elections represent the next big political risk for the European Union, possibly, but only in Italy.

Across
19. Fee paid for shipping with great anger, holding on this? (6,4)
20. Ebullient, start to loudly jangle two rings (8)
21. Payment for auditor: cover of full area (3)
22. Note unchanged foundation (5)
23. Half of London in company settlement (6)
24. Food as eaten by school group (5)
25. Dock a couple of deposits - that’s steep (8)
26. It may give rise to argument about money - I’m ahead of opponents (7)
27. Ebullient, start to loudly jangle two rings (8)
28. Note unchanged foundation (5)
29. Half of London in company settlement (6)
30. Food as eaten by school group (5)
31. Dock a couple of deposits - that’s steep (8)

Down
1. Transfer essential for precedents (4)
2. Half of London in company settlement (6)
3. Food as eaten by school group (5)
4. Dock a couple of deposits - that’s steep (8)
5. Ebullient, start to loudly jangle two rings (8)
6. Note unchanged foundation (5)
7. Half of London in company settlement (6)
8. Food as eaten by school group (5)
9. Dock a couple of deposits - that’s steep (8)
10. Ebullient, start to loudly jangle two rings (8)
11. Note unchanged foundation (5)
12. Half of London in company settlement (6)
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