The Canopius Herald

March 2018 www.canopius.com

Canopius completes buyout Did you

Centerbridge backed deal has closed

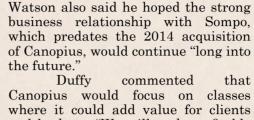
has completed the private equity backed buyout of the business, following regulatory approval.

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

Canopius's senior management team Specialty Holdings Ltd. in March 2017. opportunity for the management The closure of this much- team to create a world class specialty

anticipated deal will bring clarity for re/insurance franchise, drawing on



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.

Why is that?

canopius

the newly independent Canopius.

the extraordinary talents of our staff Watson said it was a "golden and with Centerbridge's backing."

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,

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

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 Demark, with the US trailing in at

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.

number 26 and the UK at number 45.

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 underwritting

Q Why buy back the business now?

A Michael Watson: Shortly after they announced the Endurance acquisition, Sompo a combination with Sompo owned independent business International and concluded in Lloyd's, measured by 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?

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?

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. access makes sense. about being the best, not

the biggest.

Mike Duffy: We have for some time been pursuing a threepronged 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 subscale, 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 challenge is to buy well, supports world-class individual add value.

to sell well, and to operate underwriters at other firms Mike Duffy: They are via consortia or reinsurance. smart and inquisitive, and Arguably that will make us a challenging on all levels, lower cost provider.

Third, developing in Asia Pacific and in the USA, where we have staff and the wherewithal to history there's been not the are flying against that trend, so do more. The era when the slightest hint of panic. Instead, people are rooting for us. We offer Mike Duffy: We have to be 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

> 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.

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 They are engaged in helping established a new division us to develop the business, A Michael Watson: The about six months ago that and asking how they can

which makes us think harder are about what we do, which is inevitable consolidation within wholly positive. After the largest single cat year in lead to depersonalisation. We London market was the world's they have been asking about an answer that isn't a gigantic the challenges.

What are your post-deal What will be different priorities?

A Michael Watson:

Rediscovering the spirit on the planet, so having broader and purpose of Canopius. For good idea and then just do it. listened to our concerns about We are the largest privately Michael Watson: If the we would be able to pursue answer quickly, then move strategy is successful, and so a separate course outside on. As you grow, you become far it has been, we won't need Sompo or be integrated into slower. In a year, we will feel premium, but for us it is all M&A to grow profitably for the group. We experienced more dynamic, because we are our investors. That said, if we 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 about reimagined capabilities, 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 and an enhanced underwriting to talk to us. Convincing our broker partners to continue to work with us was a priority, understandable and welcome. 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

in a year?

insurance conglomerate.

A Mike Duffy: Perhaps

Lloyd's, which people fear will

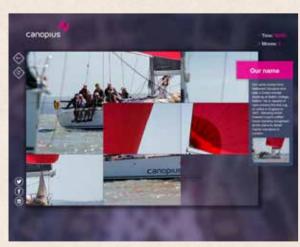
there's a sense of an

A Mike Duffy: Our speed, our ability to have a a year we didn't know whether As a small large firm, we can moving constantly.

Will you be in new lines?

A Michael Watson: It's less about new lines and more as we have done with political risk & trade credit. Our 2018 proposition roughly trebles that play, with new products 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!

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.

Every day should start with... ...a quality

coffee

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

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Atrue "Year of the Dog"



Will Clark Head of trade

will know that

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 was 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.

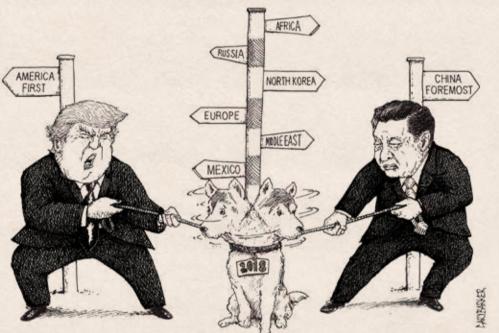
World GDP numbers certainly suggest 2018 is likely to live up to being the Year of the Dog in economic terms, good year in economic terms. with the World Bank expecting a 3.1% out-turn. Other economists are more bullish, predicting 3.5 to 4% stimulated by a number of factors. Banking and are too serious a matter to 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 banks and broader economies during the crisis are being scaled back, which suggests increased confidence in the financial system and broader economy. rates are similarly so.

the next 12 months will be as important Students of the seen in the graph below but perhaps Chinese Zodiac more remarkable is the level of growth

> 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 economies to show some signs of duress and markets to fall back. Instead most has led to a government shut-down), as indices had roared to new heights by 31 well as the continued investigations into December. Predictions are somewhat the 2016 elections and alleged Russian different this year, with Goldman Sachs involvement will generate headlines well

US politics continues to and perhaps as interesting as it ever captivate the world's attention, with has been. Equity markets are reaching Trumpism a symbol of contradictory heady heights as illustrated by the Dow times. 'America First' is a clear Jones index over the last 10 years. The statement of intent with a desire to impact of the financial crash is clearly grow the economy, create US jobs and invest in infrastructure. Recent tax measures seem to point the way as to the direction of travel. This fiscal priming This surplus of capital driven of the pump and its consequences may vet come into conflict with two of the Fed's stated goals: stable prices and moderate long-term interest rates. A joined up economic strategy that has the world's confidence will be a test for the administration that is barely one year in power. Events such as mid-term elections, conflict with Congress (which



"I have come to the conclusion that politics be left to the politicians.

continued world prosperity seems to introduced by governments to protect be the political arena. The world is economic gain is perhaps offset by the still trying to come to grips with a new world's largest trading block seeking and evolving political landscape where to focus inwardly. Brexit, political the conventions of the world order and social fragmentation, migration established since WW2 are being re- and the rise of extreme politics will Inflation rates globally are at the lower written. Emerging markets continue continue to dominate the European end of historical averages and interest to grow with China, India, Brazil and 2018 conversation. Russia all expected to maintain their Powerhouse economies such as inexorable rise to become some of the the US and China follow two different world's largest economies. A February paths but both help stimulate economic 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 China would be the world's largest economies is following radical new economy by 2030 followed by the USA. fiscal measures aimed at providing India was third; Indonesia was fifth, steroids to its economy while the other Russia sixth, Brazil number eight and is legislating for greater levels of free Mexico ninth. The UK was 10th. With market involvement, insight and even greater economic power comes greater on 2018's economic promise is yet to be transparency within its economic political leverage and these growing seen. Many economists are expecting system. It seems strange that the economic markets will not accept the little impact, meaning 2018 is set to be former is the US and the latter is China. world order as it is, particularly those a genuine Year of the Dog; one of wealth Following both countries' fortunes over with an expanding military capability.

entitling its 2018 outlook report As into 2018 as will the president's Twitter Good As It Gets. While experts differ account! 'America First' foreign policy in quantitative terms most agree in is yet to decide whether this is a call qualitative terms that 2018 will be a for the USA to become more isolationist (e.g. withdrawal from foreign trade agreements or building a wall at the Mexican border) or more involved on the world stage (e.g. Korean Peninsula or the Middle East). Trump's strategy is still to be clearly defined and this uncertainty from the world's pre-eminent power

impacts all corners of the globe. Europe is showing encouraging signs of economic growth but the

Technological innovation and

the desire to improve the environment will also feature strongly in 2018. Progress will be made with AI, space travel, automated vehicles and gene therapy but these will continue to be work-in-progress. Conversely there will be increasingly sophisticated cyber attacks. One exciting area will be the continued development of renewable energy, driven by price advantages and technological innovation. The graph below shows the economic upside when comparing different sources of energy. Symbolically, the impact of this was clearly seen in the UK on Friday 21 April 2017 - the first day of non-coal based power supply since the start of the Industrial Revolution. Bitcoin is also symptomatic of a paradoxical world where people seemingly become very rich, very quickly. However, some who have tried to convert their earnings into cash have met resistance from banks and regulators.

"Looking back isn't going to help you. Moving forward is the thing you have to do."

Overall, the political and societal landscape promises much activity with some volatility. To what extent political challenges will impinge



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Quickfire Q&A

Bradley Winfield Tea or coffee? Coffee Harry Potter or Lord of the Rings? Neither Underwriter or broker?

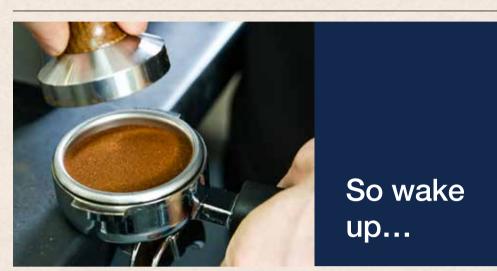
City or country? City Gym or park? Park Adele or The Rolling Stones? Adele Wine or beer? Both Sun or snow? Sun Hershey's Kisses or Reese's Pieces? Baseball or football? Football

Mark Newman Head of Asia Pacific

The Canopius Herald March 2018

Tea or coffee? Harry Potter or Lord of the Rings? Harry rules Underwriter or broker? I have done both as poacher turned game-keeper. Probably underwriter City or country? Country Gym or park? Park definitely 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? Oooh 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



Intrinsically cyber-safe devices: a solution for systemic cyber threats



head of upstreamoil and gas engineering at Canopius, outlines how the market could respond

to systemic risk in the energy sector by promoting a modified approach to design philosophies.

Everyone with clients in the oil and gas different platforms around the world, sector knows that cyber is among senior the oil industry and its insurers will managers' top three risk management face severe challenges. The Schneider concerns. They have good reason to be Electric hack proves that such attacks worried: no energy company is immune are possible to cyber losses, and the danger is rising every day. We can provide companies with insurance protection, but risk management shortfalls - despite best efforts - leave the insurance sector exposed to potential systemic losses. Design practices in the oil and gas industry are inadequate to deal with major accident hazards arising from systemic cyber risk. A modified approach is needed, beginning at the

We may find that clients are less than forthcoming about their cyber defences, despite strong engagement on other technical issues

The growth of the cyber threat to the energy sector was underlined in December 2017, when an unidentified company in the Middle East suffered a potentially catastrophic cyber attack. Using malware known as Triton, engineered to target equipment manufactured by energy industry systems provider Schneider Electric, hackers disabled the victim company's safety systems, and took over its control systems. Fortunately, they did not wreak havoc, but could easily have caused explosions, oil spills, or other devastation, including fatal injuries. The attack is the first reported simultaneous hack of industrial safety and control systems.

Insurers, brokers, and clients alike understand that industrial control systems must be made as resistant as possible to cyber intrusions. The usual approach is to defend system techniques intended to keep hackers out. Unfortunately, a fundamental problem limits the effectiveness of this approach. Such defences are not impenetrable, and almost all may be easily circumvented by sophisticated hackers. Systems have holes and open doors. They may even harbour dormant malware preparing for future attacks.

Increasingly, information officers have come to realise that they cannot defend system perimeters adequately. They are also vulnerable to attacks launched from within, perhaps through code embedded before perimeter defences were erected or disseminated, dealing with clients' introduced when software patches potential concerns in this area, whilst are applied. IT security managers providing the insurance community increasingly accept the reality of with an appropriate level of information intrusion, and now prepare to respond rapidly to undesirable activity. This the systemic risk being underwritten. approach may be acceptable when the

risk is data theft or leakage, but not when the hazard is a systemic attack that could lead to widespread physical and environmental damage.

the greatest concern is systemic risk.

Design practices in the oil and gas industry are no longer sufficiently robust to deal with the threat of cyber-related major accident hazards. Insurers and their customers can easily cope if a system is hacked and, say, a single compressor explodes. However, if embedded malware causes fifty compressor explosions on Our attention should be directed

For the insurance market,

first at the most serious accident hazards. We may find that clients are less than forthcoming about their cyber defences, despite strong engagement on other technical issues. It may mean that cyber is not perceived as a major threat because a significant problem has not yet manifested. Others may not want to reveal their security provisions because they believe dissemination leads to increased vulnerability. We need to overcome this general reluctance to engage and work with our clients to address a real and growing threat.

One solution is to encourage the adoption of a new approach that supplements perimeter protection and intrusion detection. Intrinsically cyber-safe barriers such as mechanical fail-safes can prevent an event from occurring and address systemic risks. During drilling, for example, the mud column is typically the primary barrier that prevents sub-surface formations from flowing to the surface. It is intrinsically cyber-safe. This simple fact would make it highly unlikely that a cyber attack could result in many such wells erupting out of control simultaneously at multiple locations.

The conceptual introduction of just one such barrier to other systems at the design stage – such as ensuring an isolated mechanical pressure relief valve is fitted to all pressure containing equipment – would be sufficient to begin reducing systemic risk by providing an unhackable backup to integrated control systems. As such intrinsically cyber-safe barriers would be dormant except when called upon to respond to perimeters using firewalls and other a potentially catastrophic situation, the industry can still realise the enormous benefits of digitalisation while being protected against catastrophic loss, and in particular cyber-related systemic loss. We should be asking our clients

to check the cyber robustness of their processes and facilities against such criteria. Insurers could work with independent third party verification companies with technical capabilities that span both the physical and cyber domains to devise assurance frameworks that are sensitive to our clients' needs. This type of approach would minimise the information and the required degree of comfort on



Interview with Jessica Huie, MBE

Jessica Huie, MBE, is one of the team What kind of feedback have you behind Connect Mentors, an online mentoring platform matching organisations with new, diverse talent pools. Canopius is A The prevailing response is that a founding insurance partner.

Q How did Connect Mentors come about?

A The platform was the brainchild of digital expert Elina Hedman who created it as a means to enabling mentees to access support and guidance from senior leaders keen to offer insight and a route into career opportunities for individuals struggling to access them. My career has been spent as a publicist, journalist and running small businesses, but regardless of the project, I've always but they don't know how to access these been motivated by the prospect of opportunities for all. As a team we share a passion for inclusion and equality and recognised that while the conversation for opportunities, development and about diversity is now a mainstay on the news agenda; the reality that who we ability to access opportunities led to the birth of Connect Mentors.

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 and forge an exciting career. I think that a life in which we are not being of unfulfilled, and what is wonderful about and benefits are symbiotic.

backgrounds we can learn so much from. We are all innately connected, but as a society seem to have forgotten that to our

Connect Mentors is so needed! As

human beings we tend to graduate to

individuals with whom we share similar

lifestyles and circumstances, but when

had so far?

we don't step outside of our bubble we miss out on the richness of interaction with people whose perspectives and own detriment. Often businesses recognise that they need to broaden their talent pools and create a way in for communities traditionally disconnected from them, new pools. That's where Connect Mentors come in: a match making bridge which brings people together, creating a space leadership to flourish.

V insurance and financial services more broadly?

Q Is it already live and how is it A By their own admission, the financial and insurance sectors have some work to do when it comes to diversity and A Yes, ConnectMentors.com was inclusion. Connect Mentors represents launched on National Mentoring day one action orientated solution which and the response has been brilliant. What these industries can utilise to enable makes us different is our commitment the realisation of their vision as sectors to working with a variety of partner which attract, retain and propel talent organisations who enable access to whatever form it comes in - for the benefit a diversity of groups - whether it's of all. We are excited to be working with a experienced mother 'returners,' BAME number of insurance firms already signed graduates or individuals 55+, we aim to up as mentors and invite businesses keen support everyone marginalised by gender, to make 2018 a year of action when it ethnicity, age, sexuality or circumstance. comes to inclusion, to get in touch to learn

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

Connect Mentors is open to A connect Mentols a excluded, so 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 enabled me to rise through the ranks closely with the partner organisations who represent groups particularly impacted by the bias, conscious and unconscious, which service to others in some capacity is a life has been systemic for decades. The end result is that we have a platform which the act of mentoring is that far from being is open to all but designed to address a charitable exercise, the learning, insight the imbalance when it comes to access

Winds of change



opportunities As we all know, the insurance industry squared up to momentous challenges in 2017. Not since hurricanes Wilma and Katrina have insurers faced such intense pressure and media scrutiny, following the triple whammy of

hurricanes Harvey, Irma and Maria. No insurer is ideally resourced to deal with three hurricanes in a month, yet across the market claims processes shifted into high gear to deliver on the promise to our customers. The net result in reinsurance terms was one of the fastest-paid events ever. This was thanks to modern electronic processes, broader reinsurance wordings (that fund losses prepayment), market initiatives and sheer grit and determination.

At Canopius we faced some particular challenges. We are the biggest Lloyd's insurer in the US Virgin Islands, whose infrastructure took a massive hit. Communication with coverholders and MGAs, whose catastrophe plans were also under strain, was seriously hampered. When electricity, communication, internet and all the usual methods of checking and paying claims are damaged, we have to think and adapt quickly. Claims manager Patricia Beaton flew out to assist a coverholder in St Thomas & St Croix, working with staff who were personally affected but stoically came to the office seven days a week, trying to help others get back on their feet. From across the industry came many similar stories of people getting stuck in to assist customers. Overall, the market rose to

the challenge. It was an incredible effort, and one we can all be proud of. While insurers passed the stress test of HIM with flying colours, return of the Canopius mojo. Sompo new owners. issues did arise. Fierce competition is a fantastic organisation, but

by allowing managing agents to track spend against budget more accurately, and to monitor the overall effectiveness of claims experts.

One market initiative that gave Lloyd's insurers a real edge was the LMA's McKenzie Intelligence Service, activated for the first time in response to hurricane Harvey. The service draws together satellite, drone, radar, CCTV and social media images to provide 'ground truth' to insurers before adjusters can gain access. Canopius grasped the opportunity to use it to make swift where one hotel was actually blown off the organisation. its foundations.

These incredible events put claims squarely in the spotlight, where hopefully they will remain. to claims departments, even as assistance was felt this hurricane been even swifter, further reducing overall claims bill. In fact, there is a lot to

extremely excited to see what claims modernisation and development comes out of the London Market TOM project. With our MBO completing and our new brand now clear, we are much to be optimistic about in 2018 particularly excited about 2018 at

Canopius, intent on building on what

has remained a great claims brand

throughout the past 15 years.

for loss adjusters led to a serious belonging to a business of that scale shortage for all but the highest meant our claims brand got a little bidders. Loss of communication lost. Our independence will bring made monitoring TPA and adjuster clarity to where there may have been performance difficult; the task was some brand confusion between us made more problematic by the many and Sompo group companies. We now and various reporting formats. The have an opportunity to look anew at LMA's Claims Expert Management how we differentiate our proposition, Hub will hopefully help in future, and there's a real buzz among the team about pushing that forward.

> It means a reinvigoration of an ideal and the return of the Canopius 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. partial payments in Rockport, Texas, It's something that's felt throughout

Becoming independent gives Canopius the opportunity to look at several topics from a fresh perspective, particularly technological change, The soft market brought staff cuts which continues apace. We intend to be at the leading edge within brokers reduced their involvement in the industry and in January a new claims and the loss of that talent and Digital Innovation and Development department was set up to that end. season. With better resources perhaps This assembled the innovative minds the market response could have we are fortunate to have across our business, driven to seek opportunity customer distress and potentially the and create value. DID will ultimately help extract the maximum value from the vast data we own and which flows be optimistic about for 2018. At a into our business daily. The potential market level there are some great is there to provide fresh insight for initiatives such as Single Claims underwriting and claims, automate Agreement coming soon and I am manual processes and explore digital methods for connecting with partners and stakeholders.

With exciting internal initiatives such as this underway. plus the market initiatives, we see and beyond. With a renewed sense of purpose as an independent business, we have the very real opportunity to differentiate, build our proposition For the claims team, it means and excel as a business for our a reinvigoration of an ideal and the clients, broker partners, and our



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



marine treaty at Canopius

enough to our clients to understand wrong price. theirs. It is not always possible to make

advanced underwriting tools. As a consequence, a very considered approach to costing risks is required. Not everything can be modelled writing in cat areas.

The 2017 hurricane season conditions, suggests their strategies beyond. Varying degrees of exposure tightrope since 1995.

a judgement on this purely by using In today's market entities

increased rates, deductibles, and tighter this as cash flow becomes an issue.

shone a brief light on this concept in are unviable. Perhaps it is a realisation drivers of exposure in the marine

It provided a stark reminder that "cat bet" that underwriting entities have has been stalled by the all time low oil are larger than ever before, meaning business yachts also clash with property. It has depended on in recent years to provide price and poor freight rates. This has potential accumulation increases. been noticeable that subsequent to margin finally lose. It was hoped that led to more uncertainty due to the lack uncertainty. We the Irma and Maria losses, there has following the \$100bn-\$140bn (depending of investment and many construction interpreting new wordings, and the know that there been a significant withdrawal in the upon which estimate you subscribe to) of projects being put on hold. With the kind of increased blame culture we saw will be a collision, direct market space for writing MGA catastrophe losses, that the 2017 year price of oil now on an upward trend - with the Costa Concordia and Rena a blow-out or a natural catastrophe but type business for yachts and yachts in would have a market correcting effect. currently approaching \$70 a barrel and losses, highlights how countries are we don't know exactly when nor how general. This should prove an indicator This proved to be underwhelming, talk of reaching \$100 a barrel this year becoming financially more sophisticated as to the gargantuan size of the losses largely due to an exhaustive supply of - as well as a recovery in freight rates, and sometimes ignore international In this type of environment it this class can face when written on the capacity in the reinsurance sector. The undoubtedly clients will be looking to conventions. Political pressure is paramount to have a clearly defined wrong terms and conditions, heavily reason for the hard markets of 1993, cede more exposure to reinsurers. strategy for risk appetite and be close exposed in the wrong areas and at the 2002, and in energy terms 2006 and 2009, was due to a lack of capacity. Clients will be looking In today's market entities are far to cede more exposure larger, and therefore able to absorb to reinsurers are far larger, and therefore able to absorb loss activity

loss activity. There is an ever present emphasis on cost cutting because as This style of doing business has solution to keeping margin is to become inflation becomes a particular issue for team we are able to provide certainty to but wherever we can, we model static been popular in recent times; entities leaner, more efficient operations. 2017 the market. exposures in the cargo and specie classes. chase growth and premiums increase will have a tail. Senior executives in the In the event of a US cat, there will be a quickly. With the lack of any major market have suggested this could be activity in the E&P industry have marine and P&I reinsurance classes and natural accumulation with property risks hurricane activity in the Caribbean since up to two years. There are also several fluctuated but are increasing again, are able to offer meaningful capacity in a both in earthquake and hurricane exposed 1995 (hurricanes Luis and Marilyn) potential losses out there which are yet Platforms are getting larger; they are consistent manner. By defining our own zones. It is important that clients are the historical results have been good. to be settled, which will create further working in deeper waters, with more risk appetite we will continue to provide

charging for this on the original business The fact that markets have chosen to pressure. It will be interesting to see sub sea assets. We now have a couple long term solutions for our clients' needs. and are making informed decisions when withdraw even with the prospect of how newer or smaller entities fare with of notable assets which are full market capacity (\$7bn) risks. This has an affect

the marine (re)insurance sector and that they have actually been walking a treaty world are energy assets and commercial and pleasure classes also the International Group. In recent pushes more exposure onto reinsurers' 2017 saw the highly profitable years the marine and energy market balance sheets. Container vessels

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 Canopius, we have the benefit of being independent and are It would seem logical then that empowered to be the decision makers. growth is organically difficult, the only when looking at historical losses, claims With a strong, proven underwriting clients in a world of uncertainty.

We bring expertise across the

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 antigovernment scrap and expression that are local elections

will bring seats on metropolitan, borough and district councils up for grabs. A blustery and stormy



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



July - Austria assumes EU presidency The only western European right presence

in government, Austria will hold the EU presidency for six months. On the piste or an alpine yodel..?



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

Autumn - Brexit

come to an end

Really? Can this

negotiations



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

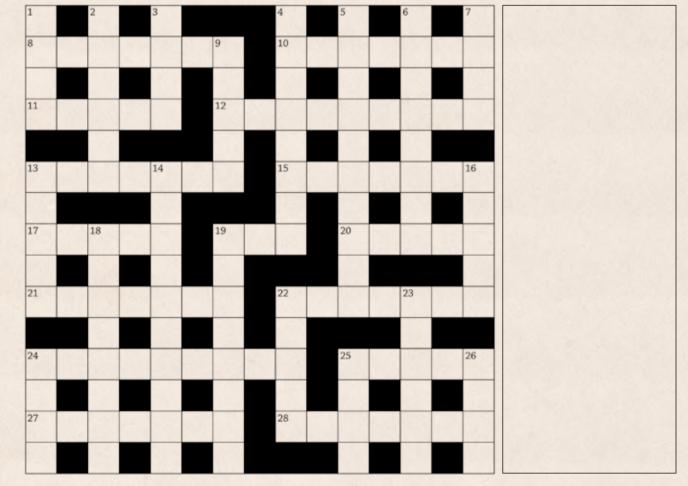
from G. Connell (GS) whose goal scoring average has been increasing every game, Canopius held strong with a triumphant 4-2 lead at half time, much to the shock of the opposition who were left openmouthed to be unexpectedly

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 crossword@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
- 18. One goes off the beaten track, seeing some of
- Bude via Torquay (8) 19. Dock 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.

Within Specialty? within Specialty?

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 comprehendible 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

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 speciality 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

