

Bermuda:Re+ILS

GLOBAL RE/INSURANCE AND ILS FROM A BERMUDA PERSPECTIVE

Starting a revolution

Kathleen Reardon explains Hamilton Re's vision around using big data



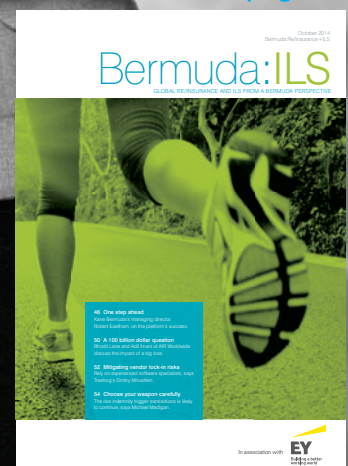
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Positioned for change

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The reinsurance industry is changing fast. Kathleen Reardon, CEO of Hamilton Re, believes this pace will only accelerate as it gets to grips with the potential of big data, as she told Bermuda:Re+ILS

An increasingly sophisticated approach to the way big data is used has the potential to revolutionise the insurance industry—and Hamilton Insurance is well placed to position itself at the forefront of this change.

That is the view of Kathleen Reardon, promoted in April to the position of chief executive officer of Hamilton Re, the group's Bermuda-based property casualty reinsurer. She believes that the company's relationship with Two Sigma Investments, its asset manager, can give the company a cutting edge in the industry.

In December 2013, Hamilton entered into a definitive agreement to acquire SAC Re, the SAC Capital Advisors-sponsored reinsurance company. Hamilton Group CEO, industry veteran Brian Duperreault, had been plotting a new venture and the acquisition allowed for an accelerated timetable in terms of formation. In addition to the principals of Two Sigma Investments, other investors in the venture include Capital Z Partners, Performance Equity Management and additional large institutional investors that have not yet been publicly named.

Two Sigma Investments is a technology company that applies a scientific method-based approach to investment management. The idea is that, through its investment in Hamilton Insurance, it will develop ways in which this logic can be applied to the insurance and reinsurance business.

Duperreault has been vocal about this advantage he believes the company can develop. He has said he wants Hamilton to set new standards in the way advances in data analytics, research, and

technology will be harnessed to better understand risk.

Reardon says this philosophy is central to the vision of the reinsurance unit moving forward. "We believe big data has the potential to revolutionise the industry and that is something we intend to explore fully," Reardon says.

"Clients and brokers are excited about that prospect. Eventually, this approach will allow us to deep-dive into exposures and develop a very different perspective on things. There is certainly a buzz around the company because of the potential of that."

Basics come first

Such innovation is not going to be available immediately, however. For now, Reardon stresses, speaking in relation to Hamilton Re specifically, the company is very much open for business providing more traditional products and services.

Reardon, who is a founding member of Hamilton Re's management team, was chief underwriting officer, property, before being promoted to CEO. She says that the promise of such innovation in the future is an attraction for clients. But, for now, the business must sell itself based on its other attributes.

"Hamilton Re has a solid balance sheet, excellent underwriters, no legacy issues and a compelling story," she says. "We stand for several things. Our people have excellent relationships with their clients and we have quickly recruited a breadth of experience that means we can offer a vast amount of industry experience as well."



“We have got off to a good start but we are very keen to speak to potential clients about their needs and especially their requirements around data.”

For now, the company has a broad mandate. It is writing property, casualty and specialty lines on a global basis from Bermuda. Its maximum property line is 5 percent of shareholders’ equity. Its casualty book includes quota share and working layer excess of loss treaty reinsurance.

It is ambitious in a traditional sense, considering office launches in several parts of the world over the long term. But it is the link with Two Sigma Investments that is the carrot for many potential business partners, she says.

“For now we provide a normal service, but over time clients understand that we will be able to offer so much more. We have the benefit of brand new internal underwriting systems already and an alternative business plan. We have got off to a good start but we are very keen to speak to potential clients about their needs and especially their requirements around data.

“We are still in our infancy but we anticipate that within six months we will be able to start offering additional analysis in this field. The market needs innovation in this area and clients globally need better underwriting capacity—ultimately clients will benefit,” Reardon says.

“We are an underwriting company but we have an asset management strategy that brings something unique to the table. Data analysis is of massive interest. We are only offering traditional products at the moment but this could change in the future as we explore alternatives for clients.”

Global ambitions

The company is currently in the throes of leveraging the merry-go-round that is conference season and the subsequent year-end renewals. Its executives have been attending the industry’s main conferences



The Hamilton team

while also spending a lot of time travelling, meeting existing and would-be clients face-to-face.

The reinsurer is Bermuda-based and Reardon says it represents the perfect market from which to launch. "All the underwriters and brokers are here and you can easily access markets globally."

But while its vision is completely global it would like to complement that with a physical presence elsewhere. Reardon says they could consider opening offices in Europe, Asia and Latin America, and she says that establishing a presence in the Lloyd's market is also a clear ambition of the group as a whole.

The job, for now, is simply getting the message out there. "We have a great team and we continue to add expertise. There is a buzz in the company and we have some very talented people. It is now a question of carefully building out."

Hamilton Re's most recent recruit was Richard Sammons, who joined the business from QBE Re to head up its specialty lines offering. He complements Tim Duffin, a former Platinum Underwriters executive, who heads up property, and Claude Lefebvre, a former Arch executive who is now the chief underwriter for both casualty and specialty.

Another important recent hire was that of Ironshore founder Bob



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Deutsch as chief strategy officer. He has been tasked with identifying opportunities for the ongoing development of the group’s operations outside of Bermuda.

“The upcoming renewals are certainly important for us. We are using that time wisely to explain to people what we are offering and build the message out further around big data analytics,” says Reardon.

She acknowledges that the reinsurance industry is not enjoying a favourable pricing environment right now, and says it illustrates the strength of the company’s offering that it is comfortable launching in what is effectively a soft market. She also hints that the company may also offer its own alternative forms of capacity sooner rather than later in its development.

“The reinsurance industry is not at its peak but it has always been cyclical so in terms of launching, why not now? We have the right people and the right products in place. In fact, the industry is a lot less cyclical than it used to be. It is more a case of gearing your offering to different appetites in the market,” she says.

Reardon says that as clients become more sophisticated in their demands, the company will ultimately look to match these. She says the company is likely to offer fully collateralised products, possibly via sidecars, as well as rated paper eventually, while also exploring the use of other capital markets instruments more.

“The reality is that alternative capital now represents a large part of the reinsurance industry and most clients consider this aspect of the market during buying discussions, even if they do not go ahead. Very few traditional companies manage third party capital in this way, whereas we are well positioned for either scenario in the long term,” she says.

Change is afoot

Reardon believes that this part of the market will undergo a correction in the next few years, and that cedants will increasingly choose to work only with specialists with the relevant expertise. This will see some players leave this side of the market.

“Those who are not willing to commit to this business in the long

term will be filtered out,” she says. “Those with sidecars which are not part of their core strategy could be put into run-off. Those who have been dabbling will fall by the wayside. That will leave a smaller number of specialists offering alternative solutions.

“We feel it is important that Hamilton Re has this offering and the correct expertise, capacity and partners to offer clients what they want.”

Complemented by its big data offering via its link with Two Sigma Investments, this could ultimately make Hamilton Re a force to be reckoned with in the market.

Reardon says the potential of the way big data can be used is clearly illustrated by the way companies like Google has revolutionised the online marketing arena in recent years. It is only a matter of time before similar inroads are made in insurance and reinsurance.

“Two Sigma is a very educated partner; they have been investing in reinsurance for years anyway but now they want to apply their skills directly to underwriting,” she explains. “Every client is thinking about big data now. Sometimes it will be in direct relation to data-driven risks such as cyber but it will eventually be applicable to many types of risk.

“Wherever we travel in the world, the topics are the same: clients are asking how big data could help them achieve their goals. The industry needs to innovate and step up. If it doesn’t, non-traditional companies will. The world is changing fast but this should allow better informed underwriting decisions and we want to be at the front of that game.” ■



Meet Kathleen Reardon

Kathleen Reardon is a member of the founding management team of Hamilton Insurance Group and has 20 years of re/insurance industry experience. From November 2005 to October 2012, Reardon served as chief underwriting

officer for ACE Tempest Re Bermuda’s International Property Catastrophe reinsurance business. Prior to joining ACE Tempest Re, she worked from 2000 to 2005 at ACE Financial Solutions International, eventually as vice president of underwriting.

Before moving to Bermuda, Reardon held various actuarial roles at ACE USA following ACE’s acquisition of CIGNA’s P&C business in 1999. She began her career at CIGNA in 1994 as an actuarial assistant.