



Ready to roar

Start-up indie reinsurance broker Tiger Risk is into its second year. *IQ* talks to founder Rod Fox about choice, platform building and the changing intermediary landscape...

There are fewer more recognizable names in the reinsurance broking industry than Rod Fox which is why his tie-up with the venerable Jim Stanard last year – which was first revealed by *IQ*'s sister publication *The Insurance Insider* – caused such a frisson last year.

Stanard, the founder of cat specialist RenaissanceRe, is widely respected for his forensic understanding of the reinsurance business which has fuelled the Bermudian firm's consistent out-performance since its launch in 1993 while Fox's irrepressible enthusiasm, client focus and

deal-striking mentality has stood out from his earliest EW Blanch days when he swiftly came to the attention of US broking veteran Ted Blanch.

But if the Fox/Stanard tie-up is an odd couple partnership then the word on the street is that it is working. Indeed, their launch of Tiger Risk – a high-end US reinsurance broking boutique – a year ago perhaps could not have been better timed. The last year, for example, has seen a number of potential competitors swept away, not least Fox's alma mater, Benfield. Clients keep complaining that they want more

choice.

Yet, how does Tiger Risk overcome the received wisdom that to succeed in reinsurance broking you not only need distribution and high-end advisory capabilities, but also a reservoir deep resource of analytics?

In other words, will sophisticated clients still support boutiques, even ones as ambitious as Tiger Risk? As the industry yet again arrives at Monte Carlo for the Reinsurance Rendez-Vous, *IQ* finds out about the progress Tiger Risk has made in its first year, and what is next on the horizon....

IQ: At the time of the TigerRisk launch, you said there was space for a high-end indie reinsurance broker, one year on can you give us a progress report?

FOX: Everything is going well and I am excited about the progress – no one said it would be easy, but when we started the firm we believed there was a market and an opportunity for a very high quality enterprise with a laser focus, and every day that has been validated.

Revenues are very positive and we are finding that our underlying assumptions are borne out in terms of the quality of service and the calibre of the advice that companies require: we started with a list of 25 companies that we wanted to do business with – all fairly significant, global/national companies – and we're now doing business with nine of them.

We have offices throughout the US and our affiliation with BMS in London is very positive. We have clients across the country, but the majority of them are between Boston and Philadelphia.

We are concentrating on US property and casualty business and it's been a pretty good mix so far, probably about 60 percent property catastrophe and 40 percent specialty casualty business.

IQ: And we heard you have been attracting some high end talent too – can you give us some more details?

FOX: Yes we now have about 32 people and have recently added some more technical modelling people.

And we recently established a joint venture with independent CAT risk modelling company Karen Clark and attracted high-end talent in the form of CAT modeling pioneer Jayant Khadilkar.

By way of background, in addition to building the AIR model with Karen, Jayant developed all

the proprietary internal models for Renaissance Re and was a very close partner with TigerRisk co-founder Jim.

Our charge to Jayant was that we don't want to just duplicate what all the large brokers already do, which is to provide modelling services based on looking at people's exposure and come up with what their probable maximum loss would be.

We want to be able to tell people how to manage their exposures on a higher level and how to really buy reinsurance to address the risks inherent in their portfolio. So Jayant has worked diligently to assemble our capabilities which we are now utilising. And together with Karen Clark we will go in and help very large companies think more clearly about CAT risk throughout their organisation.

IQ: Is this a move away from a transactional focus to an advisory role?

FOX: We don't expect to be in the consulting business and it's not our business per se. However, providing this advice to help people with their reinsurance needs has worked very well. We don't see anybody else in the market place providing a similar level of expertise.

We don't expect that we are going to be all things to all people – you have people like Marsh and Aon who say they can do that – we want to provide a very high level of advice around transactions for a select group of clients in a niche capacity.

And people have been saying for years that intellectual capital is more important than the actual placement – this is a shift that has been happening for a long time and I think it will continue to happen, and we are absolutely driving towards that.

But at the end of the day, there are still transactions surrounding

Fox formula

Fox on contingents

"Contingents crept in on the reinsurance side too, with reinsurers paying higher commissions on volume deals. The big three all did it"

Fox on expansion

"We'll probably add some additional capital in the not too distant future to harvest the opportunities at hand"

Fox on the Karen Clark tie-up

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Fox on consolidation

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everything that we do, and I don't know if that is going to change in the near future – although I think that it probably should.

***IQ:* How has the reinsurance broking landscape changed over the last year - has TigerRisk directly benefitted from consolidation fallout?**

FOX: We saw three competitors leave the landscape over the last year - what I would consider the strongest independents: Aon acquired Benfield, Guy Carpenter acquired Collins and Rory Carvill decided to shut his operation [RK Carvill] down. Meanwhile Towers Perrin merged with Watson Wyatt – so some consolidation in the consultancy sector too.

So we've independently found new business and we benefitted from the fallout as a result of the mergers too. It has been a mix of both.

We think the market is screaming out for independent advice, we've heard that in almost every case where someone has come to us.

And I think the big guys have slightly different problems – the market is still softer than one would expect. Frankly I'm

surprised that the market hasn't firmed, with the loss of investment income and erosion of balance sheets due to investment losses coupled with the competitive market anyway and global recession.

So the bigger brokers are being hit by this soft market situation and are focused on expense cuts, while we're growing because we're starting from a small, but significant base.

***IQ:* What does Tiger Risk do differently from the big boys?**

The big brokers have a 'same old, same old' approach – a large corporate entity telling you what the market is going to do instead of what the best thing is for your company.

I don't think we're going to put Aon or Marsh out of business, but we distinguish ourselves from them with the quality of the people we bring to the table, and their ability to deliver high level solutions for those clients. We're not throwing a bunch of 'tools' out there, we're using human beings with 25 years of experience in the market place equipped with high quality analytics and people appreciate that.

And we communicate that to our target clients; the word is out, and we're having people call us now.

***IQ:* What is the long-term strategy of TigerRisk?**

We expect to be a global company over the time, delivering a high end product to a select group of clients.

And we'll probably add some additional capital in the not too distant future to harvest the opportunities at hand.

***IQ:* What do you hope to achieve at Monte Carlo?**

Monte Carlo will be an opportunity for us to visit the markets as TigerRisk and to provide an update regarding our competitive strengths and business focus. It's a chance to catch up on the status of the global insurance/reinsurance market and see a number of clients. The reinsurers have been extremely supportive of TigerRisk because they want another voice out there. There has been such concentration of business with the large brokers that I think we are a welcome addition to the marketplace.

Fox on contingents

The decision by Illinois regulators to allow AJ Gallagher to begin accepting contingent commissions from October has reignited a debate which has polarised market practitioners during the four years since then-New York attorney general Eliot Spitzer banned the practise.

Rod Fox told *IQ* that in his opinion, contingent commissions present "an inherent conflict – I just think it's bad policy".

"Fundamentally the business models of the large brokers do not produce a profit on a basic level, and so effectively, contingent commissions are the only way they can make a decent return. Instead of addressing basic profitability issues inherent in the business, contingents are instead a way of trying to take more money out of the system.

"And it doesn't just happen on the primary side – contingents crept in on the reinsurance side too, with reinsurers paying higher commissions on volume deals. The big three all did it. And once you let it back in a little bit, it will just creep all the way back in again.

Finally, in terms of disclosure – unless there's a 5x10 foot placard which reads 'we're getting higher compensation from these seven companies and you should be aware of that and ask for more detail', then nobody really knows."

