INTELLIGENT INSURER

Why TigerRisk keeps winning

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The growing concentration of power among the ‘Big Three’ brokers is not beneficial for the industry, Rod Fox, TigerRisk’s CEO, tells intelligent insurer.

When industry veterans Jim Stanard and Rod Fox founded reinsurance broker TigerRisk, naysayers gave the company less than a year to survive. This summer TigerRisk is celebrating its fifth anniversary. And more than just surviving, TigerRisk is thriving, now ranked seventh among reinsurance brokers.

What's the secret of its success? "Simple," says CEO Rod Fox. "The market doesn't need less distribution. It needs more. In fact it's demanding more.

"Insurers and reinsurers don't want less creativity and innovation, they wanmore. They don't want off-the-shelf products, they want customised solutions that fit their unique needs. After all, what's the point of having a broker?"

With 75 to 85 percent of premium volume flowing though just three very large reinsurance brokers, Fox says lack of competition means that client needs are taking a back seat. Case in point: Aon's deal with Berkshire Hathaway, in which the reinsurer is said to be taking a 7.5 percent share of all of Aon's subscription business running through Lloyd's.

"It's great for Aon and for Berkshire, but I'm not sure schemes like that are always in the best interest of the market," says Fox. "It's not this one deal that's the problem; it's the next one and the one after that. When you have an unnatural concentration of power—"The Big Three"—it's inevitable that you'll have a greater likelihood of mismanagement and/or misuse of that power."

Fox also takes issue with other big-broker products. For example, he argues that internal information systems such as Aon's Global Risk Insight Platform (GRIP) and Marsh's Connect can conflict with a broker's "fiduciary responsibility to clients".

There's a fundamental issue that we as an industry have to look at," warns Fox. "If their original client is a commercial business and they're going to buy an insurance product, are those systems and the practices of those three organisations still filling their fiduciary responsibility? In the past some brokers were guilty of not always acting in the best interests of clients and now I think we're seeing that all over again. At the very least, these schemes, by their very nature, could end up limiting client access to capital."

Rather than scaring him off, Fox says broker consolidation was actually the inspiration for TigerRisk. "When we founded the company it was apparent the market could use another broker. Today, it's even more true. In fact, I'd have to say the reinsurance broking space has regressed!

"The industry has begun to stagnate," he says. "We're falling behind the other financial markets in terms of innovation and sophistication. Why? More than anything else, I'd say it's because of the lack of competition. That's why we started TigerRisk. We knew there was a need for a high-end broker.

"We started by creating a core of highly experienced, highly respected brokers to build our teams around," said Fox. "All brokers say they have teams led by highly experienced people. The difference is we actually do.

As a matter of fact, we had to do very little recruiting. Most of our senior brokers came to us straight from the large brokers out of frustration. They felt their clients were becoming secondary.

"As a privately held company, we don't have those external pressures. We don't have to answer to shareholders or other outside interests," explains Fox. "We love being private. We're nimble, but we also have the luxury of doing things at our own pace. Our one and only real concern is the client."

Being smaller than the Big Three presented a special challenge in regards to technology and analytics. "The perception—a false perception —is that bigger is always better. So when we started TigerRisk we dispelled that notion by recruiting a team of technology standouts who had actually participated in the development catastrophe models and risk assessment software. It's one thing to spin a lot of models," says Fox. "It's something completely different to interpret and know how to use that output."

Breaking the mould

"When we built TigerRisk, we said 'we've been in the business for 25 years, what are the lessons learned and how do we build a firm that doesn't fall into the same mould?'. We're not perfect at that but we spend a lot of time talking about it," says Fox who explains that staying focused is one of the biggest challenges.

"In North America there are 25 or 35 companies that we want to do business with. Therefore, we don't spend time out of that box, which ensures we don't stray far from our mission."

Out of those initially identified target companies, which are all major buyers of reinsurance, often with sophisticated and complex needs, TigerRisk now works with more than half of them. Fox continues: "We're very strong in two areas—property cat and specialty casualty. Clients appreciate our ability to understand them, solve their problems and most important of all, make them profitable."

Now with offices in Atlanta, Chicago, Dallas, London, Minneapolis, Raleigh and Stamford, TigerRisk has successfully completed its goal of becoming a high-end company which focuses on large businesses with very sophisticated risk needs.

As more talent flocks towards TigerRisk, Fox insists that the key to the company's success is not just one thing, it's lots of little things. "A very senior guy who joined the company recently told me that he found the atmosphere at TigerRisk refreshing, completely different from what he'd been used to…totally team based," says Fox. "And that's the thing about Tiger, we're not a bunch of individuals out for ourselves, we're a team."

Nothing epitomises the teamwork better than the relationship of Rod Fox and co-founder Jim Stanard—two extremely diverse, yet complementary personalities.

Cerebral, soft-spoken, reserved and a PhD, Stanard comes from the actuarial side. Learning his trade at companies such as Prudential and Chubb, Stanard gained prominence leading a turnaround team at USF&G. However, he is best known for creating one of the most successful reinsurance companies of all time, RenaissanceRe.

Hard driving, gregarious and intense, Fox started his reinsurance career as a trainee at legendary broker EW Blanch (where he managed to burn down Mr. Blanch's house, but that's a different story). He moved swiftly up CEO of US operations. Prior to Benfield being acquired by Aon, Fox accepted an offer to become CEO of Praetorian until its sale to QBE.

A bold character, known for his association with the US Navy SEALs, Fox (unsurprisingly) played a big part in selecting the company's name—that of one of the world's most ferocious animals. "We wanted something with a little spice to it, something edgy and aggressive. We couldn't use the original choice, Alpha, as someone had a similar name, so we started playing with big cats and Tiger was born. The thing I love about it is that you won't forget it!"

While some voiced doubts over the pairing of Fox and Stanard in the early days, the two leaders—like the animal their company takes its name from—continue to combine their strategic thinking and boundless energy to take on the Big Three and make their mark in this traditional industry.

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An insurance who's-who under one roof

Though small when compared to its Big Three competitors, TigerRisk is big on talent, boasting some of the most illustrious names in the business.

Jayant Khadilkar, a risk modelling expert and the founder of Weather Predict, leads TigerRisk's analytics team. While he was at RenaissanceRe Khadilkar led the effort to create the company's gamechanging exposure management system. He also served as president of RenRe Investment Managers, a wholly owned subsidiary of RenaissanceRe Holdings.

Bill Keogh, former president of modelling firm Eqecat, joined TigerRisk in March to become a member of its decision support team. His unique understanding of leading-edge analytics and technology as well as years of experience in identifying and mitigating risk, provides extraordinary insight for TigerRisk's customers.

James Dowd—the founder of Odyssey Re—joined TigerRisk in June 2013. He is responsible for the company's expansion into international markets. With 40-plus years' experience in all facets of the re/insurance industry, Dowd will look to expand the company's presence in Asia initially, before extending the reach into other markets.