

Small world

Since opening a London office, Citadel Risk has found a synergy between its UK, US and Bermuda operations, and between its live and run-off services. We asked **Mike Palmer*** and **Tony Weller**** how the business has developed over the past two years

Q: Now into your second year of the London operation, what has happened and how has it gone?

A: (MP) We have had an amazing last twelve months. Following on from the AM Best rating and setting up the London office things really have kicked off for us. When I think back 18 months we were almost 'nomadic' with no discernible office or staff and little profile in central London. Things have changed considerably. Winning the Legion run-off account at the end of 2011 enabled us to set up a complete 'service' infrastructure, and we were authorised by Lloyd's as a run-off broker. We now have a team of six in the UK and things are beginning to come together.

At the same time as we started the London office, we started talking with London brokers about what Citadel Reinsurance could do for them. We now have a panel of about a dozen or so brokers who are offering opportunities to Citadel Risk for the Bermudian reinsurance company.

(TW) Initially I think things were a bit slow, as some of the opportunities we were seeing suggested that some brokers saw us as a company to fill up the last few per cent of a slip; whilst that sometimes has merit, now a number of brokers (for example) see that Citadel Re will consider writing risks that

are either small and/or unusual. These are potentially good clients, but are risks that a lot of other carriers won't consider.

Q: What makes you different to other reinsurers in these markets?

A: (TW) Generally we prefer risks when we are a fairly dominant carrier, which with our surplus means the deal needs to be smaller. The London market has enough interesting deals for a carrier with this kind of appetite.

I think some brokers have been a bit surprised how much detail we want to go into, but I'm more interested in dealing with clients with whom I can have a long term relationship – which generally makes the initial underwriting a detailed undertaking but

don't want this repeated, and to their credit they are being very cooperative in renegotiating the terms with the cedant.

Q: You also offer services to the market – can you tell us about those?

A: (TW) For over seven years, Citadel Risk has had a US service entity (managed by Art Coleman in New Jersey); this has been a successful operation offering both live and run-off back office services to a predominantly North American market. What I wanted to achieve was the ability to service client business on both sides of the Atlantic and attempt to operate a version of Art's unit in the UK also. We employed Mike almost 18 months ago and he has done a tremendous



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the renewal easier. Hopefully we are viewed as a relationship-based type of carrier. We wrote one programme last year that we wish we had not, but the broker has got the message that we

job of starting up the service entity in London. Clearly winning the Legion contract was the 'conduit' to having a team in the UK capable of handling service contracts and offering some



value to clients who may need UK based services.

(MP) The UK service market has undergone many changes in the last five years or so and the 'heady' run-off days are long gone, however we saw the opportunity to put together a small team which could offer very focused service and an alternative to some of the larger players in the market. The difference between Citadel Risk and so many other players is that via our A-rated reinsurance carrier we are able to take on real risk and help companies who need both back office service and acquisition or risk transfer. This ability is what makes Citadel Risk a very different proposition to so many 'service only' vehicles.

Q. How does the transatlantic relationship work in practice and how much synergy has there been between live and run-off operations?

A. (MP) That's an interesting question... if I think back to when we started up, clearly the focus was on UK based entities and UK service offerings. There has been quite a merge or 'coming together' recently across these areas, particularly in the captive and risk retention group space. As an example, we often find ourselves talking to captive entities about providing surplus relief and then in the next breath, the potential for risk transfer or even acquisition of smaller portfolios in run-off. There seems to now be no defined line between live and run-off, more of an acceptance that both can exist in some kind of similar space.

As regards run-off opportunities, we



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are working on one right now which started life in the US but rapidly came across the pond due to the amount of UK placed risk. This type of project gives Citadel Risk the perfect opportunity to demonstrate to clients what the two service offices can provide on a seamless basis, and it is now actually starting to work in practice.

(TW) It's clichéd to say the world is getting smaller, but the world is getting smaller. Our teams in the US, UK and Bermuda are getting on well, although some duplication can't be avoided, especially if you are talking to a UK broker with a US based risk when the underwriting is done in Bermuda. In terms of the synergy between run-off and live, I've pretty well always viewed them as something that is not mutually exclusive. Certainly in terms of claims, there tends not to be much of a difference.

Q. Citadel Risk was rated by AM Best last year and you received an A-, what impact will that have on premium growth and is that a positive or negative?

A. (TW) It has meant that we are seeing better opportunities than in the past. Whilst it is true that some brokers still see us as somebody to review

a risk they can't place elsewhere (often for good reason), we can discard those easily enough. We are seeing risks that we couldn't do, simply as there was no rating. The balance sheet is pretty much the same as it was before the rating, but the rating is a first step in many instances.

It has changed us from a company largely reliant on 'other income' to one that is quite active in the prospective market. One of Best's concerns is that we don't write too much, although there is not too much danger of that, as the underwriting is thorough. The Best process, whilst onerous at the time that we deliver requests for information, does have a positive impact as we have to answer questions we might not have asked ourselves previously.

As to whether premium growth is a positive or negative, that remains to be seen, although results for 2012 to date have been positive. You can have the best underwriting process within the market and still lose money if you have bad luck, although the opposite can be true as well. ●

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