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Helios' Hanbury: 'Perfect time' to grow top line as pricing booms

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Now is the "perfect time" to expand gross written premium as the market nears conditions not seen since 2002, according to Helios Underwriting CEO Nigel Hanbury.

In an interview with this publication, the head of the Lloyd's capacity vehicle explained the business' plans to raise between £5mn and £7mn ($6.5mn-$9.1mn).

Helios buys up limited liability vehicles (LLVs) from Lloyd's Names and deploys capacity via them to syndicates. It provides capacity to syndicates such as Tokio Marine Kiln 510, Beazley Furlonge 623 and Hiscox 33.

Hanbury said the time was right to grow due to clear market hardening.

While he noted that market conditions are not yet at the same level as in 2002, following the 9/11 attacks, he added: "We're heading that direction and I don't see any slowing down; I see a broadening of the rate increases into all markets to varying degrees."

Yesterday Marsh reported global commercial insurance pricing was up 19% on average in Q2, driven by social inflation, persistently low investment yields and large losses, including from Covid-19.

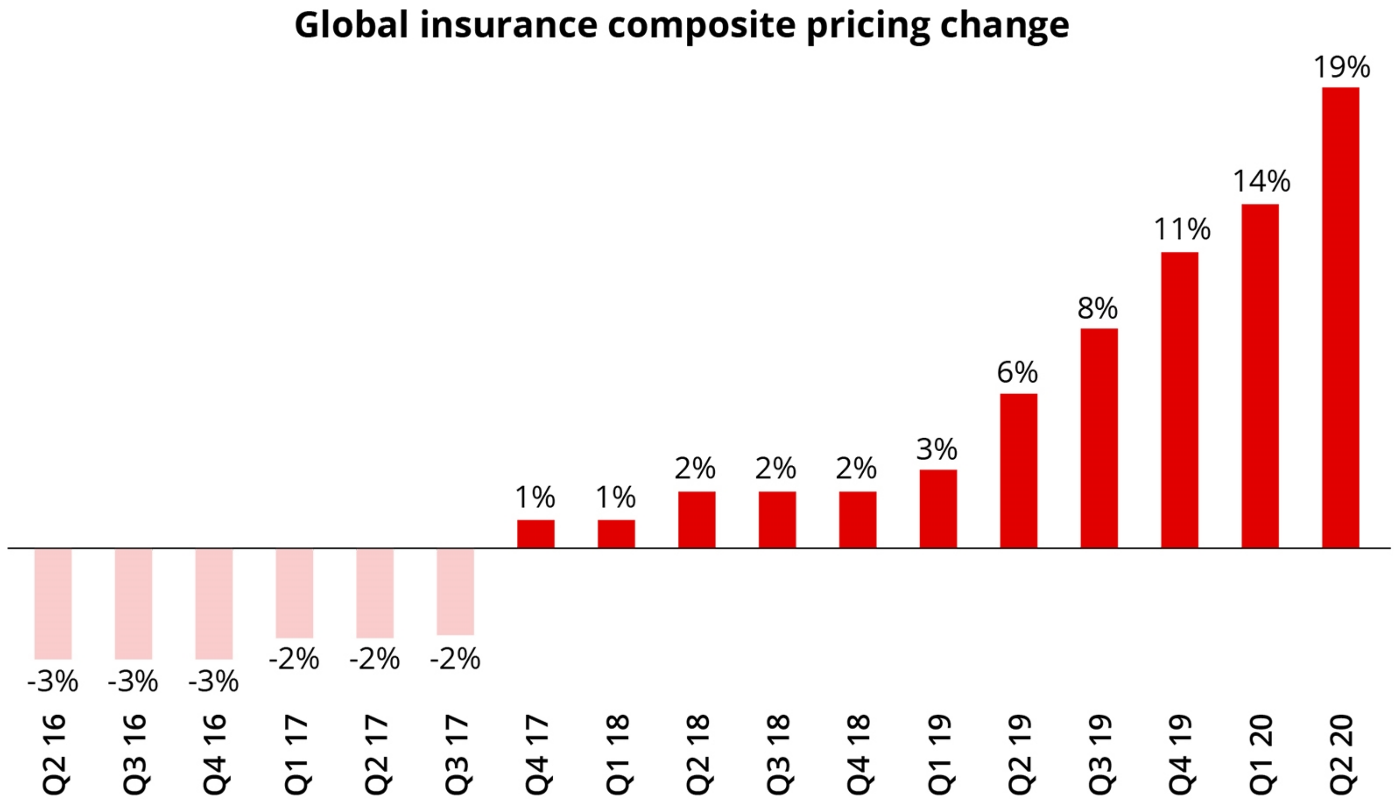
The CEO said Helios' use of a quota share on 70% of its business and a stop-loss cover on the remaining 30% has allowed it to grow and buy LLVs while largely protected from the volatility of extreme cats in 2017, 2018 and 2019.

These reinsurance arrangements will remain in place, Hanbury said, which will protect the business from the impact of Covid-19.

"We've demonstrated that we can select syndicates," Hanbury stated, adding that a number of the syndicates it backs, such as Hiscox 33, are designated light-touch by Lloyd's in terms of its regulatory approach.

These syndicates are "going ahead and snapping up good business" rather than being subject to "tortuous" business planning requirements, Hanbury explained.

Hanbury revealed that as well as the syndicates listed above, which account for 80% of the capacity Helios deploys, the company also supports syndicates such as SA Meacock and Chaucer's nuclear syndicate.



Source: Marsh Global Analytics

"We have quite large lines on the likes of Meacock and the nuclear syndicate, where we are building strategic stakes, which, certainly in the case of the nuclear syndicate, is simply not possible for anyone to recreate because the auction market of capacity is sufficiently illiquid that you can't get the line size that we now own. I want to do more of that as we grow," Hanbury explained.

At the same time, Hanbury said increasing numbers of LLVs are coming up for sale as Names age.

"Our strategy is to buy out older Names, often they are deceased and we are dealing with executors," he said.

"Other names are now old and tired and the regulatory regime is robust, some might even say brutal; [and] the infrastructure difficult to deal with," Hanbury added.

The executive also expected more capacity to come up at auction, as Names trim their portfolios to avoid having to put up more money.

Hanbury added that he expected ILS investors to be attracted to supporting Helios.

"ILS investors have been playing around in our market for some time, they are knowledgeable, they have had quite a bumpy ride, and I hope that they are looking at their track record and comparing it to ours and saying, 'we'll have a bit of that'," he said.