Timing right to grow at Lloyd’s, ILS capital a target: Helios CEO Hanbury

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The Lloyd’s insurance and reinsurance marketplace has reached a key moment, as capacity withdraws and rates increase significantly, making now the right time for prudent growth and, for Helios Underwriting, ILS style capital is a target, according to its CEO.

Helios Underwriting terms itself a “consolidator” for private capital at Lloyd’s, being the only listed investment company that provides investors with access to growth and returns from exposure to risks underwritten in the Lloyd’s market.

Through the acquisition of limited liability vehicles at Lloyd’s, funded by its listed investment vehicle, Helios aims to create a portfolio of Lloyd’s capacity that outperforms the market, which in the last five years has been achieved.

Speaking with Artemis, Helios CEO Nigel Hanbury explained that the opportunity in the Lloyd’s market is attractive for investors right now, leading his firm to look to the kinds of third-party capital providers more typically seen in ILS funds and structures.

He explained, “We believe that we have now reached a potential hinge moment in the Lloyd’s market with certain capacity withdrawing occurring and significant rate increases across multi-lines of business.

“We strongly believe the timing is right now to grow Helios and move the company to the next level. Absolutely we want to target ILS style capital to invest through the unique Helios structure.”

Hanbury told us that, due to the fact Helios is a listed company in London on the AIM sub-market of the stock exchange, “An ILS, or indeed any investor, can directly access what we consider to be best in class Lloyd’s syndicate participation by acquiring shares in Helios.

“Shares will be tradable and we believe we are in a unique position to facilitate direct participation in Lloyd’s to ILS capital.”

ILS capital’s ability to access the Lloyd’s market has been under discussion for many years, with some enterprising ILS fund managers finding a range of ways to help investors accomplish this, but still no wholesale entry route having been created by the Lloyd’s market corporation itself.

Efforts are underway to help ILS investors access the returns of Lloyd’s, including the markets own efforts to set up something like a multi-use SPV structure under the UK ILS regulatory regime. But whether these efforts are going to provide an opportunity that aligns with ILS investors ambitions for backing Lloyd’s underwriting remains to be seen.

Helios meanwhile believes it offers exactly that, a way to access Lloyd’s market returns in a listed and tradable vehicle, so one that investors can get their capital into and out of more easily.

Explaining more about how investors can access top-quartile Lloyd’s syndicate performance through Helios, CEO Hanbury said, “We are aware of Lloyd’s plans to create a multi-use SPV structure but understand this is still in planning stage. From our point of view we don’t need to use this structure as investors can access our portfolio of top quartile syndicates simply by buying shares in Helios.

“We also believe that ILS investors would welcome our syndicate selection, long experience and successful track record in accessing only the very best syndicates in Lloyd’s. These participations are typically very difficult to obtain. As a result, our portfolio has comfortably out performed the Lloyd’s market for many years.”

Looking forward to opportunities that lie ahead he added, “For 2021, we see significant potential opportunities to profitably grow our portfolio by either pre-emption or acquisition of other corporate members. But also by directly targeting additional syndicate participations, either through the auction process or indeed through other direct relationships we hold.”

Overall, Helios doesn’t differentiate too much between types or styles of investors, but strongly believes its offering is as uncorrelated as an ILS fund, or other collateralised reinsurance investment structure.

“The Helios model is effectively a listed corporate member participating directly on the syndicates we select so it is not the same as investing in Insurance shares or financial markets. We provide our required funds at Lloyd’s directly and these will be provided on a cash or equivalent basis. Therefore this is as close to pure (re)insurance exposure as we can get and we believe an investment in Helios is a true diversification similar to typical ILS funds,” Hanbury explained.

"Long term, we believe ILS capital will become mainstream supporters of direct participation in Lloyd's as they catch the hard market cycle and diversify their portfolio away the typical Catastrophe exposures," he continued.

"As you know, Lloyd's is keen to attract these types of investors and we have a simple mechanism to achieve that by the liquidity of our capital structure as a listed company."

Explaining why the time is right for ILS capital to access Lloyd's returns through a structure like his firm, Hanbury said, "Our current underwriting and past exposures are heavily reinsured with a 70% Quota share and a stop loss on the retained 30% so we believe we have an attractive platform for investors to catch the first wave of the anticipated hard market via a publicly listed vehicle and a portfolio of only the most attractive exposures with a consistent track record of outperforming the wider Lloyds market."

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