

THE Review

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A portrait of Henry Keeling, a man with glasses, wearing a dark suit, a light blue shirt, and a patterned tie. He is smiling and looking towards the camera. The background is a bright blue sky with some clouds.

He is now part of Guy Carpenter's 'strongest ever' management team. Can he conquer Continental Europe?

Henry Keeling

PLUS

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- QBE CEO Frank O'Halloran

INSIDE

THE WORLDWIDE
REINSURANCE
AWARDS WINNERS

Henry Keeling's new boss seems pretty pleased with his latest management recruit. Back in July, when the appointment of Mr Keeling as president and CEO of international operations at Guy Carpenter was first announced, the reinsurance broker's CEO, Peter Zaffino said: "The appointment of Henry marks a significant milestone for Guy Carpenter. Continued investment across all markets demonstrates our commitment to being the world's premier risk and reinsurance intermediary in every territory in which we operate."

"His executive experience at senior and global level and his reputation in the industry are tremendous," he continued. "This appointment marks an unparalleled step in our company's history towards growing our international operations."

Now, two months later, Mr Zaffino and Mr Keeling are sat side by side in a meeting room in the plush Hotel de Paris in Monte Carlo. The Rendez-Vous is underway and Mr Zaffino has just taken a question from this correspondent about whether Guy Carpenter has benefited strategically from the coming together of rival brokers Aon and Benfield last year.

Mr Zaffino prefers to focus on what Guy Carpenter is doing rather than what its rivals are up to and stresses that following the recruitment of Mr Keeling, the reinsurance broker now possesses 'the strongest executive management team it has ever had'.

"Our focus for Guy Carpenter has been about how do we drive organic growth for the organisation? And how do we look at strategic acquisitions?" says Mr Zaffino in response to that Aon Benfield question.

"We developed a robust business plan in 2008 with those two questions being very high level strategies."

"What do you need to do to drive organic growth? We needed to improve the sales culture and to improve our investment," he continues.

"In analytics we felt we already had a premier platform in terms of how we advise our clients but we wanted to further invest and create tools that are front-end for our clients, not just back-end. Helping them assess risk is critically important to us."

"Then, we looked at the landscape going forward and realised we needed to strengthen our executive management team. We have been incredibly successful bringing in Henry, Richard Booth [ex AIG vice chairman, now Guy Carpenter vice chairman] and Chris McKeown [former New Castle Re and Ace Tempest Re CEO, now Guy Carpenter CEO of global analytical and specialty practices]."

"Our executive management team is the strongest it has ever been to look at how we are going to position our business moving



The former XL man, now Guy Carpenter's new president and CEO of international operations, talks to Greg Dobie about cracking the continent and beyond

Eyes on Europe

forward. We have excellent opportunities for growth, particularly in international business."

BROAD REMIT

Any growth in Guy Carpenter's international business will now be achieved on Mr Keeling's watch and his career to date has already seen him clock up a significant number of air miles.

After starting his career in London he then spent 19 years in the Lloyd's and London market as an underwriter and broker. He then joined Mid Ocean Re in 1993 and, prior to the firm's merger with XL Capital, was president and chief operating and underwriting officer.

He then held the position of CEO of global reinsurance operations for XL Capital from 1998 to 2005 and was appointed chief operating officer in 2006, a position he held until last year. Prior to joining Guy

Carpenter he was an operating partner of Stone Point Capital.

Now Mr Keeling will chair Guy Carpenter's international board and will be responsible for its operations in the UK, Continental Europe, Asia Pacific, Australia and Bermuda.

In addition, he is also responsible for all marine and energy, aviation and retrocession businesses globally.

Mr Keeling believes that Guy Carpenter has not achieved the profile that it deserves internationally, particularly across Continental Europe, whose markets have traditionally proved harder to crack than most for brokers, regardless of their size.

"My ambition is to build that profile and build that market share by bringing better people into the organisation and better products to our customers," he says.

And the European market is a particularly attractive growth area because of Guy



Carpenter's relatively small market share in the region.

"I think in the international markets and Continental Europe clearly Aon Benfield has a very big market share," says Mr Keeling.

"However, it is not a question of 'we are going to go after Aon Benfield' but clearly that represents opportunities for us.

"Equally the smaller brokers represent opportunities for us, as do the large shares held by the direct writers, one of whom had some significant issues, and we are very glad that seems to be resolving itself because it would have been pretty disastrous for the industry if it had gone badly wrong.

"Clients are worried about concentration of risk," he adds. "We can bring alternatives to concentration of risk but we don't do it just as an alternative. We have to demonstrate the value so that they want to use us.

"I never want to win business just because we are an alternative. I want to win business

because we bring value, because by doing that we will then retain the business over time."

CAPITAL QUESTIONS

It is a straight-talking response from Mr Keeling and he takes a similar approach when asked for his opinion on the state of the market as he heads into his first renewals season with Guy Carpenter.

"Obviously, we saw capital coming under significant stress last year through the credit crisis, unrealised investment portfolio losses and catastrophe losses," he says.

"But guess what... That has been largely, if not more than, made up during this year. Most observers would have said that at the beginning of 2008 there was a surplus of capital in the industry and if that cash flow has gone down and back up again there is still a surplus of capital in the industry today," he says.

"That would lead one to assume pricing is not going to be going upwards. I spoke at a conference last year where I presaged that there would be a hardening rate environment in 2009, but cautioning that all of the drivers were non-underwriting financials. They were all financial fundamentals that could move back the other way.

"I think we are going to see a situation where the market has got surplus capacity and other than in your very peak exposed areas that is going to lead to no real impetuses for rate increases."

AFTER AN EVENT

According to Mr Keeling, it would take a 'very, very significant event' to rapidly reshape present market conditions. Such an event, he says, would be comparable to a combination of the insured losses from hurricanes Katrina, Rita and Wilma in 2005.

"I wouldn't rule out new money coming into the market after an event of that nature," he adds.

"In the investment world there are still relatively limited fresh investment opportunities. We have seen it happen time and time again. People see the re/insurance industry as being attractive in times of crisis.

"But I don't think it [capital] is going to take the same simple form as it has in the past. It will be through alternative vehicles," he continues.

"It is not necessarily going to be in the form of sidecars because of the problems with the debt. It could enter through securitised vehicles, insurance-linked securities and possibly even some straight start-ups but quite possibly not in the places we have seen them before either."

Mr Keeling suggests that London would be a much more likely location than Bermuda for the next wave of capital to head towards.

"I think Bermuda is a great place to do business," he says. "After all I did used to live there. But I do think some of the overhang on the island, such as what is the US administration going to do? Is the market overcrowded? Are the costs going up without incremental improvements in return?"

"Some of the social issues the island is facing as well, generally means that it is not as immediately compelling as a place to go. It was the most compelling place but I am not sure it is now.

"London has got its house in order in many ways, particularly Lloyd's. The distribution is very attractive."

Mr Keeling also believes that Switzerland and Dublin could prove to be attractive alternatives to Bermuda.

"All in all, I think that is good for the market. It gives people more alternatives and one of the things a broker is in business to do is to show the clients alternatives. So it is good for us as well," he concludes. 