

# Ryan: Lloyd's will treat us differently but that's fine

**A**on founder Pat Ryan is sanguine about being treated differently by Lloyd's as he is poised to become the first broker to own a syndicate in almost 30 years.

Speaking at *The Insurance Insider's* InsiderScope 2011 event in New York last week, Ryan said he acknowledged that Lloyd's would apply restrictions to the amount of business it flows into its own syndicates as it manages the potential conflict of a broker controlling an underwriting platform.

"They're going to have some strict discipline on amount of internal business that can be generated as a percentage – the 20 percent rule. We're very conscious of that and will abide by it", he explained.

But he added that Ryan Specialty's plans would be "accretive to the market" because his wholesale broker would bring more business into Lime Street as a consequence of its new platform.

"Even some of those who were negative about new entrants now said they think Ryan Specialty coming in is a good thing because it will bring accretive business to them. That's what they want, that's what they need. There's the multiplier effect – as we bring business in we're taking a very small slice of it", he explained to a 200-strong audience of industry professionals and investors.

Last week, *The Insurance Insider* revealed that Ryan Specialty had won the auction to buy the up-for-sale Lloyd's insurance group Jubilee for a fee thought to be in the region of £35mn (\$56mn). In doing so, it had shaken off competition from private equity-backed Lloyd's insurers Antares, Barbican and Torus.

In 2008 a change to the 1982 Lloyd's Act – the UK legislation that governs the market – gave brokers the right to own syndicates again. The ban had been introduced because of concerns over the conflicts of interest that can arise from distributors owning underwriting platforms.

Since then, however, aspiring entrant brokers such as BMS and Willis have been thwarted by Lloyd's reluctance to allow new start-ups as soft market conditions became increasingly pervasive.

Jubilee, on the other hand, was formally put up for sale after its owners decided that it lacked scale and capital. After sale talks with Israeli group Clal Insurance broke down late last year, it restructured its management and board and appointed JLT Advisory to formally manage a sale auction.

## M&A on Lime Street

Year	Lloyd's insurer	Buyer	Price	Comments
2011	Jubilee	Ryan Specialty	Circa £35mn	Pat Ryan believed to be paying around 2.5x book value for Lloyd's entry
2011	Brit Insurance	Apollo and CVC	£880mn	Apollo and CVC complete largest ever buy-out of a Lloyd's insurer
2010	Alterra Syndicates 2525 and 2526	Whittington	?	Management of syndicates handed to Whittington (itself up for sale)
2010	KGM	Canopus	Undisclosed	Canopus acquired the business of KGM's managing agency and approximately 60 percent of Syndicate 260's capacity from the Gibraltar-based Perseverance Ltd
2010	First Reserve/Starr Syndicate	Torus	Undisclosed	Torus achieves Lloyd's platform through the neat solution of becoming a delegated underwriter on First Reserve's existing Lloyd's syndicate, managed by Starr
2009	Spectrum	RenaissanceRe	Undisclosed	Less than six weeks after launching at Lloyd's, RenRe buys out its managing agency
2009	Advent	Fairfax	£94mn	Fairfax acquired Advent's outstanding equity at 220p a share
2008	Marlborough	Flagstone	Undisclosed	Flagstone joins the Bermudian invasion of Lloyd's by buying Marlborough from Berkshire Hathaway
2008	Pembroke	Ironshore	£17mn	Deal to buy the Chaucer-managed syndicate saw Bermudian insurer Ironshore establish a long sought after Lloyd's presence
2008	Heritage	Argo Group	£136mn	Heritage accepted 154p a share from expanding Bermudian
2008	Imagine	Max Capital (now Alterra)	Undisclosed	Max shrugged off competition from French reinsurer Scor to acquire Imagine's three Lloyd's syndicates from its parent, the Bermudian-domiciled Imagine Insurance Company
2008	Kilin Group	Tokio Marine	£442mn	150p a share, valuing the Lloyd's (re)insurer at a rich 2x NTA
2007	Atrium	Ariel	£193mn	Ariel followed fellow Bermudian Talbot into Lloyd's, paying a full premium for the well-regarded agency
2007	Talbot	Validus	\$382.2mn	Validus begins its M&A expansion with Talbot move
2007	Beaufort	Munich Re	Undisclosed	Munich Re added Beaufort to its existing Lloyd's insurer, Watkins, after agreeing to buy its parent company MSP Underwriting, in a deal priced in the "mid double-digit million euro range"
2006	Creechurch	Canopus	Undisclosed	The deal saw all of Creechurch's business – which was underwritten through s syndicates 1607 and 3786 – channelled through Canopus's Syndicate 4444
2006	Wellington	Catlin	£600mn	Largest Lloyd's M&A to date saw Catlin cement its position as a dominant Lime Street player
2006	Equity Insurance	IAG	£570mn	IAG bought the UK motor underwriter just months after it acquired Hastings Direct
2006	Alba (Whittington)	IAG	Undisclosed	IAG thought to have paid a handsome price for Whittington's start-up Lloyd's Singapore insurer

Source: *The Insurance Insider*

One of Jubilee's shareholders and principal backers is Lord Marland, the former JLT reinsurance broker and ex-Conservative Party Treasurer. Although Ryan refused to comment directly on the Jubilee sale process, he did pay tribute to the Lloyd's franchise, pointing out that its ratings and international licences would enable the firm to source business on behalf of the market.

Jubilee has the structure of a traditional Lloyd's managing agency, with little permanent capital and significant amounts of third party backing. In 2010 it wrote £124mn of gross income, but laid off almost £71mn of this to reinsurers.

The combined capacity of its two syndicates 779 and 5820 is £127mn in 2011.

Ryan has made no secret of his ambitions to secure a Lloyd's underwriting platform for his new business.

In February he told a meeting of *The*

*Insurance Insider's* London One Hundred club: "We want to own a Lloyd's syndicate. It is really important to us."

Working alongside former Beazley chief underwriting officer Johnny Rowell, Ryan had previously made a concerted effort to set up a Lloyd's managing agent, but was frustrated by what he referred to as "the 'no new entrants' decree".

Jubilee's capital-light structure means that third-party backers and minority shareholders currently provide the lion's share of the underwriting capital.

Caribbean insurance group Guardian, which has a 39 percent holding in the company, writes a quota share on Jubilee's syndicates thought to be in the region of 30-40 percent.

Big four continental reinsurer Scor also puts up underwriting capital and Names provide a sizeable slice, including 15 percent on the firm's main Syndicate 5820.