

Ryan the visionary

A year into his latest grand project, the industry's most mercurial entrepreneur took time in EC2 to share his views and reflections with *IQ* on his most recent business venture

Standing in front of your *IQ* reporter is an insurance legend.

Early on a typically cold and grey February morning in London he is very stoically having his picture taken – outside on a City rooftop and without an overcoat. The warm-hearted banter with the photographer keeps our circulation flowing, just enough to keep Jack Frost at bay.

Inside the great and the good of the London market are gathering over hot drinks and bacon sandwiches in anticipation of a rare collective experience. The chat is lively, old colleagues are regaled – gossip and war stories are duly swapped with comrades and rivals alike.

What can have dragged the guardians, regulators and distributors of at least \$40bn in capacity away from their

daily round of enterprise and international travel?

It is simple. Pat Ryan's in town to share a vision with us. And when someone with his track record says he has spotted something worth making a strong play for, even the Masters of the Universe should sit up and pay attention.

Visionary is a word too often bandied about in many sectors of business. The term has been so cheapened by consultants and public relations that it's usually good advice to run a mile if you see it used on a company's website to describe its CEO.

Ryan ("everyone calls me Pat – except my wife when she is unhappy with me!") is not your run-of-the-mill visionary.

This is someone who has already achieved the business equivalent of climbing Mount Everest, when others could not even see it was there.

He staked his reputation on the need for a global broker at a time long before globalisation was a word used by television journalists. He built it, and they came – in their millions. And now he is seeing into the future of insurance distribution once more, we are all dying to get more detail.

We shuffle into a small auditorium, the high-powered chat hushes and when Ryan gets up to speak the vision is painted in broad deft strokes, so all of us can see clearly.

First he addresses the "why?" Why the comeback?

"I wanted to be an entrepreneur; I love being an entrepreneur," comes the reply.

"I missed it. I missed the industry. I missed the intellectual challenge," Ryan tells his audience. "I wanted to go back to being an entrepreneur, to return to my roots."

Continued on page 24

The Ryan Specialty Group (RSG) CEO confides that he had planned to return to the industry even before the Chicago 2016 Olympic bid, for which he was ambassador, lost out to Rio de Janeiro in October 2009.

Pat explains his basic roots are in the managing general agency (MGA) arena. "Prior, I was a life insurance agent for a couple of years, but I won't dwell on that."

MGA opportunities

But why now for the veteran Chicago broker? "I see a lot of opportunities in the MGA world consolidating opportunities."

Aon's decision to sell approximately 80 percent of its MGAs soon after his departure had certainly been a factor. And, he adds, it created an opportunity to start something from scratch when combined with disruption in the wholesale broking markets caused by excessive leverage at many wholesale players – exacerbated by the financial crisis and the subsequent poor economic environment.

So the new venture is to be a combination of wholesale and MGA. Why? Because wholesalers tend to have a specialty focus and Ryan notes it was just such a focus that was the true driver behind Aon's globalisation.

"I like specialty business – it's very difficult to make money out of a commodity business," Ryan explains.

The fledgling company is concentrating on creating a wholesale brokerage network and building up considerable MGA capacity, with the focus squarely on the US at present (see box page 25 for the array of specialty offerings already up and running).

RSG has 17 offices in the US and London, with five operational MGAs and four more in the pipeline covering lines as diverse as public authorities, life sciences, mergers and acquisitions, political risk and construction.

"I THINK I'VE GOT HEART AND MIND SET ON LLOYD'S. WE'LL WORK HARD TO GET IT ACHIEVED BECAUSE THE VALUE IS IN THE SYNDICATION OPPORTUNITY"

One gets the distinct impression Ryan is not going to stop at just nine, despite already boasting an impressive \$1bn of revenue throughput from a standing start just 12 months ago.

Ryan explains in straight terms how he will win the confidence of his new clientele of retail brokers. He will simply never compete with them. Not only won't he compete, he will not allow even the merest hint of possible competition with retailer clients to cross their minds.

His four clear negative decrees (see box-out below) show exactly how he will achieve this.

Now Ryan turns to London, where the company's fledgling outpost is led by none other than former Beazley chief underwriting officer Johnny Rowell. London is also at an earlier stage of development than the US project.

Lloyd's veteran Rowell is, of course, a clue to the third string in the RSG bow. Ryan is already eyeing a time when the firm will bear some of its own risk in the London market.

Ryan's determination to make it onto the underwriting floor at Lloyd's is palpable. Is his heart set on Lloyd's?

"More than heart – I think I've got heart and mind set on Lloyd's. We'll work hard to get it achieved because the value is in the syndication opportunity. The value for us is in the Lloyd's rating and the broad licensing. Also, we don't want to be large risk takers."

Clearly, for a group that is all about distributing specialty risk, the ability to demonstrate "skin in the game" to peers can

be a valuable commodity when markets are difficult and lucrative opportunities are hard to place.

Ryan earlier explained how useful owning carriers had been to Aon on numerous occasions when backs were to the wall in a truly hard market.

However, he reveals that there is a distinct lack of good news from the Lime Street border patrol.

"That is shut down now by the 'no new entrants' decree," the veteran shrugs.

He describes the knockback as "painful and disappointing, but real". This comment was made all the more poignant by the presence of some rather key Lloyd's top brass in the audience – and one prominent market player who has publicly expressed his desire to keep the drawbridge firmly raised over the Lime Street moat.

Navigating Lloyd's

When asked whether he might circumvent the Lloyd's entry rules by acquiring an existing operation, he replies with a twinkle: "Let's just say it hasn't escaped us."

RSG was subsequently linked by *The Insurance Insider* with a possible tilt for small up-for-sale managing agent Jubilee.

So much for the why, let us look to some of the how. Here Ryan draws from his invaluable Aon experience, during which, he readily admits, mistakes were made.

"We ended up with too many platforms, bought many sizeable

Ryan's don'ts and won'ts

- "We will not be a retail broker anywhere in the world. Quite simply, we will not compete with our clients"
- "We won't be a specialist business – this is a euphemism for a retail broker"
- "We will not be a reinsurance business. And this is hard for me because I love reinsurance. But once again, you are competing with your clients. I do not want to do this"
- "We will not be a London wholesaler. Why? Because our retailers often own a London wholesaler"

companies in a short period of time and that gave us a digestion period – or an indigestion period,” he says.

The acquisitions left Aon with too many systems in conflict and too many costs, he concedes.

Later, Ryan tells *IQ* this means that from now on all his RSG acquisitions are to be integrated onto a single platform as a matter of urgent priority once the deal is closed, with no delay.

Asked if the sort of transformational deals that were such a feature of Aon’s barnstorming build-out might be on the menu at RSG, his response gives the distinct impression that a piecemeal approach is more likely this time around.

“I think the best thing for us to do is to broaden and deepen our specialties,” he explains diplomatically.

Another clue that big disruptive deals will be unlikely is his passion for a single core set of company values that new employees can buy into.

Singular skin

For all the talk of skin in the game, the only skin in RSG’s game at present is that belonging to Ryan himself. When might we see some of the widely mooted third-party investors appearing on the RSG share register?

“I think probably year-end or early next year,” comes the reply.

Will they be industry partners?

“Not industry partners, investors we know. I don’t want or need a lot of investors. There are a number of quite affluent individuals who have said they would like to invest.”

It also emerges that a visionary like Ryan is happier with investors willing to take a long view than those looking for a quick turnaround and sharp exit.

“Our strategy is similar to a Buffett approach – invest alongside of us rather than a private equity approach.”

And, as would be logical for a venture exploiting opportunities on offer from high levels of debt at rivals, Ryan is not a fan of anything but highly conservative leverage.

“I believe debt to be very stifling,” he explains.

“We have no debt now and as we build we’ll cap the debt at a maximum of 30 percent of capital across the group – it will only be used where it won’t choke the company.”

How long does Ryan plan on staying with the new project?

“You mean how long will I last?” he jokes, before explaining that his organisation is already brimming with highly talented potential successors in their 30s and 40s.

That, perhaps, is the ultimate secret to his long-term success.

Ryan brings his session to a close with a combination of passion and polite charisma, which when combined with the natural warmth, good humour and charm of the eternal broker makes it easy to see why he has had such phenomenal success across his long career.

The meeting is over. The vision and blueprint clearly laid out. Perhaps, some attendees leave thinking: “I wonder if he’ll ask me to join his new venture?”

Now *IQ* knows how it works: The difference between the good and the exceptional is that good people usually want to work with a man like Ryan – and exceptional people always want to work with a man like Ryan.

The expansion of RSG

Company	Date	Comment
CRC	May-10	Mass walkout as around 100 staff defect to RSG after a failed management buy-out approach
Chartwell Independent Insurance Brokers	Jul-10	Acquired US wholesaler with offices in California, Arizona and Georgia, with a focus on complex property accounts
McAuley Woods & Associates	Oct-10	Acquired Florida-headquartered wholesaler with specialty lines including professional liability, construction, hurricane and product liability
Oakbridge Insurance Services	Dec-10	Purchased wholesale brokerage specialising in professional liability
Technical Risk Underwriters	Jan-11	Launches managing general underwriter (MGU) providing underwriting for complex construction and property risks. Headquartered in Austin, Texas
CivicRisk	Feb-11	Launches MGU specialising in excess casualty cover for public bodies. Offices in Los Angeles and Philadelphia and writes on Scottsdale paper
American E&S Insurance Brokers	Feb-11	Purchased the wholesale insurance business from Wells Fargo. Offices in California, New York, Denver, Atlanta, Nashville, Tennessee and Seattle
Concord Specialty Risk	Feb-11	Purchased New York-based MGU specialising in transactional risk insurance

Source: *IQ*

