



We were built for this

HAMILTON INSURANCE GROUP



David Brown

Interim Group CEO, Hamilton



Kathleen Reardon

CEO, Hamilton Re



Dermot O'Donohoe

CEO, Hamilton at Lloyd's

The insurance industry accepts that its business model needs to change if current players are to compete in a rapidly evolving landscape.

Since its inception, Hamilton has embraced the need to change, developing creative solutions for the benefit of all its clients and striving to take advantage of the latest technology to be more efficient and nimble. With almost \$2 billion in shareholders' equity, the Company is executing to plan regardless of market conditions.

At Hamilton's core is a talented, multi-generational team that combines astute analytical skills with significant industry experience that spans hard and soft market cycles.

Heading into the fourth quarter of 2017, David Brown, Interim Group CEO, Hamilton; Kathleen Reardon, CEO, Hamilton Re; and Dermot O'Donohoe, CEO, Hamilton at Lloyd's took some time to discuss how they are building a new kind of insurance company for the benefit of its shareholders, clients and employees.



An industry in flux

The insurance industry is coming to grips with what is often referred to as the new normal. Hamilton's success through the evolving market comes down to the Company's key characteristics: being a nimble, client-centric and non-bureaucratic company with a focus on making the most of technology.

“The new normal means lower rates and broader terms and conditions, all driven by a lack of catastrophes,” says David Brown. “We’re also faced with low investment returns and lower cost, or more efficient, capital.”

“The insurance business has lower margins than it used to have,” says Dermot O’Donohoe. “To make money, you have to be more efficient. And to be efficient, you have to use technology more and more.”

He adds that attracting and retaining talented people is central to surviving tough market conditions: “To operate successfully in this environment, you need good people with talent and expertise who can understand complex risk, and price it and underwrite it successfully.”

“I agree that talent is key,” says Kathleen. “You need a diverse set of talented people to develop solutions to meet the needs of the next generation of customers. We are cross-functional and multi-generational, with underwriters, actuaries and analysts sitting among the software developers to create underwriting efficiencies, and to get the data insights we need to make the best decisions.”

Capital, of course, is the industry’s engine. “To succeed in this climate, you need an efficient capital mix, including the lower cost that partner capital – often referred to as alternative capital – can bring,” David says. “The costs of our industry are way too high these days, so you need much more efficient systems to bring them down.”

Insurtech and traditional insurance need each other

It’s a truism that the insurance industry is ripe for innovation and disruption. Insurtech companies are tackling those aspects of underwriting where data science and technology can strip out inefficiencies.

David believes insurtechs are not actually doing anything that’s particularly new: “A lot of the elements these companies use have been around for a long time. It’s just that more people are adopting them. An example is Progressive, which uses data and technology to pass on risk better. It went on to be an early entrant in web delivery, with alternatives for consumers. Other examples are RMS and AIR, which also use data technology to produce models.”

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Kathleen agrees that insurtechs are here to stay, that there is an acceleration in the number of startups in this hybrid industry, and that these companies will form a large part of the insurance industry as it continues to evolve. However, she points out that the new insurtech firms still depend on the traditional insurance industry: “While these companies have good ideas, they need the traditional insurance industry to assist with distribution of the risk. There’s an evolving and healthy relationship between the insurtech and traditional insurance worlds. We both need each other.”



Hamilton was built for any market

Hamilton is now in its fourth year. From its market launch in 2014, the Company's Board and management knew they would have to do things differently as the insurance industry transitioned from an analogue to a digital world.

“We have amazing acceptance by clients and a great spread of business with very broad products,” David says. “What differentiates us is how we’re using technology to support different markets. Attune, the technology-enabled platform created by Hamilton, American International Group (AIG) and Two Sigma, is the most visible way we’re using technology differently. We have other less visible examples throughout our business that are extremely important to the way we run the business – both in how we select risks and how we manage risks at the lowest possible cost.”

“Right from the start, we embraced a multi-class structure, which means that we aren’t reliant on any one class of business,” adds Kathleen.

A new kind of Tier 1 company

Hamilton is leading the way in building a new kind of Tier 1 company. “A Tier 1 company is the kind that is going to succeed in the new normal,” Kathleen explains. “We know it’s possible to sustain a profitable company regardless of the market cycle. For example, Hamilton Re recorded its best underwriting quarter in Q2.

“We did this by moving quickly to meet our clients needs, by not having legacy systems or a legacy culture to hamper innovation and creativity, by having multi-generational teams, and by offering holistic solutions to clients.

“A Tier 1 company isn’t necessarily the largest. It’s the company that is smartest about its use of capital, and about matching risk with the right capital.”

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Hamilton at Lloyd’s is now in its second year of managed growth. “What differentiates us is the quality of our people and our ability to be seen as relevant because of our major focus on clients,” says Dermot. “We aren’t trying to be the biggest syndicate at Lloyd’s, but we want to be a reasonable size so we can operate profitably and be relevant in the specialist classes that we deliver.”

“In the short term, the measure of our success is the level of acceptance we’ve had in the market,” Dermot says. “We lead about 50 percent of our business, which means the market views us as relevant in placing risk.”



Separating technology reality from technology buzzwords

A lot of insurtechs struggle with lack of access to data – and when they do get access, it's often poor quality. They may have the systems, the ideas and the creative people, but In order to make a difference, you need good data and you need to know what to do with it.

From day one, Hamilton has explored how to use data science and technology to transform underwriting. It created Attune with AIG and Two Sigma to disrupt the small commercial insurance segment. Attune's machine-augmented underwriting gives Hamilton opportunities that can be extrapolated to other platforms by applying their learning to partner capital strategies and to underwriting.

Internally, Hamilton has built HARP (Hamilton Analytics and Risk Platform), a proprietary risk management platform that the Company uses to analyze, select and price risk more efficiently. HARP can run 200,000 years of data within a few seconds and with a precision the industry has rarely seen. This gives Hamilton's team the space to think strategically about portfolios, make decisions about different structures that might be compelling for a client or simply move on to other submissions.

At Hamilton at Lloyd's, Dermot's team created a scalable platform faster than any other Syndicate that creates efficiency in end-to end processing, demonstrating the potential for reducing transaction cost at Lloyd's – a market traditionally plagued by inefficiency.

"Because we started with a clean sheet, we were able to build an IT platform that integrates all the necessary information," says Dermot. "It underpins all the underwriting and gives everybody access to all the data they need."



attune

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Attracting and nurturing the right blend of talents and experiences

The industry already has a lot of talent in underwriting, analytics and capital markets. Increasingly, systems developers and software engineers are needed to help make our business more efficient. The industry also needs data analysts and scientists to help improve risk selection.

“We need to bring in talent from other industries so that we can benefit from different perspectives,” Kathleen says. “We know that we have a depletion of talent, with some senior people retiring, and we want to replace them with professionals who challenge the market’s existing norms, and who are diverse in their views.”

An industry as diverse as the world it serves

The insurance industry faces challenges in attracting new talent to a sector that suffers from a reputation of being stodgy and clinging to old-fashioned hierarchical cultures.

Dermot says: “In the past, the insurance industry has always had a problem with the way it was perceived. But if you look at the skills needed for the companies of the future, it’s going to be an exciting place where a lot of talented people will want to work.

“Having a blend of young people and more experienced people has been extremely rewarding for us. We have a team of people who are enthusiastic and equipped with technical skills and the ability to learn, as well as people who have experienced other parts of the market cycle and therefore are able to stay calm and recognize the right kind of opportunities when they arise.”

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Kathleen agrees that learning is a two-way process: companies and individuals can learn from those who have a lot of experience in the industry and from those new entrants who have refreshing, creative ideas.

She says: “In Bermuda, we want to bring people together across generations and disciplines. We have an open collaborative floor, and we create opportunities like think tanks so that people get to know each other. We also built the office so that meetings and company get-togethers can be held in spaces that are comfortable and informal. While there’s a strong work ethic, we know it’s also important to de-stress.”



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