

Embracing change for growth

Over the past year, CNA Hardy has been building its Lloyd's platform with new lines of business. Chief executive, Dave Brosnan, explains what is coming next for the group



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When *Insurance Day* first met Dave Brosnan, chief executive of CNA Hardy, at the beginning of 2015, he talked about establishing and working towards "big, hairy, audacious goals".

Nearly one year on, he insists "significant progress" has been made, including the introduction of four new lines on to its Lloyd's platform, syndicate 382, and a steady stream of new hires.

Today, CNA Hardy offers 30 broad classes of business, focused on four key areas: property, casualty, marine and speciality.

These are tailored to meet the needs of CNA Hardy's eight industry segments: construction; energy; financial institutions; healthcare; manufacturing; professional services; technology and cyber; and transportation and logistics.

"We've been looking to better leverage those capabilities", by defining them more clearly "across distribution platforms, as well as across geography, so that's really where our focus has been over the course of 2015", he says.

"We've made a tremendous amount of progress from a Lloyd's standpoint," he adds. Indeed, since January 1, 2015, CNA Hardy has introduced casualty, healthcare and technology and cyber on to the Lloyd's platform, as well as enhancing several other capabilities.

"It's been a key initiative to bring tech and cyber to our Lloyd's platform and we're really excited to be able to do this because it will

allow us to better leverage the licensing that is afforded to us," Brosnan says.

"Technology is in an area where we have a strong global position and it's growing, so by bringing the technology and cyber products to the Lloyd's platform, we'll be able to drive profitable growth even faster within that space."

According to Brosnan, technology is one of CNA Hardy's fastest-growing industry segments.

"Cyber fits in the overall technology offering, so not only do we provide property and casualty, and professional indemnity for technology industries, we also provide cyber to a broader audience, both as standalone product, or embedded, which is providing a lot of opportunity for us," he says.

Data breaches involving major corporations rarely seem to be out of the headlines, making cyber one of the key issues in the world today. "While there has been demand for the product, it is really beginning to increase and so we're actively better positioning ourselves across Europe, both in the company market space and the Lloyd's space, to write even more technology and cyber business," Brosnan says.

However, in line with other market senior executives, Brosnan has his own concerns regarding cyber risk and enters the space with a level of caution. "Accumulation is certainly one of the areas of concern which we take very seriously and a lot of work has been done on a global basis to put a framework in place to manage cyber accumulations; whether it be by a country by country basis, an industry by industry-type basis or an insured basis."

For Brosnan, CNA Hardy's fo-

Dave Brosnan CV

Dave Brosnan is chief executive of CNA Hardy, a position he has held since February 2014. He has more than 27 years of industry experience.

Brosnan joined CNA in May 2013 as senior vice-president of International. He was leading an underwriting team in the strengthening of CNA's Home Foreign business, and an expansion of its capabilities.

Before joining CNA, he was with Ace Canada and served as president and chief executive of Ace INA and Ace INA Life Insurance Companies. Before that, he served as president of Ace Casualty Risk and held various underwriting positions, including European zone underwriting officer with Chubb in London.



cus in the cyber arena is to grow a large middle-market book of business, as opposed to pursuing the larger, more complex, sophisticated risks at this time. "We will enter that space but that will be managed as a smaller portion of our portfolio," he says.

Looking at cyber more broadly, Brosnan recognises the "tremendous amount of talent" in the London market that does understand cyber risk. However, he believes the market needs a more organised approach in terms of how it is going to provide cyber cover in the future, whether that is through a supplement to either a property or casualty policy or through a standalone cyber product.

"Right now, we would say the approach is not as well organised and deliberate as it really needs to be, but I do see that evolving over time, with Lloyd's driving that [and] the market beginning to follow," he says.

Asia growth

CNA Hardy will be writing professional indemnity business on its Lloyd's platform from January 1, 2016. This will take the total number of new lines the group has brought on to the Lloyd's platform over the past 12 months to four, in addition to building out its financial institutions capability.

Lloyd's knows we have a robust offering in our key industry specialisms and is comfortable with us bringing those products to the platform," Brosnan says.

For the moment no further additions are planned. "That'll be it for now. We've brought a lot of prod-

Dave Brosnan on...

Technology business

"We're excited to bring tech and cyber to Lloyd's platform because it will allow us to better leverage the licensing that is afforded to us."

Singapore investment

"In 2016, we'll be moving to a new place where we hope to add up to 40 underwriters."

Exiting aviation

"We are confident with that decision. After a thorough analysis of our book of business and the aviation market in general, we just couldn't build critical mass and relevance within that space."

UK office openings

"We've developed a production office presence in Birmingham and Glasgow, while making investments in Manchester following thoughtful debate and interaction with a number of producing partners in those areas."

uct to Lloyd's in a relatively short period of time, so we want to reap that investment before we consider adding any more," he says.

Looking beyond EC3, Brosnan says the group will continue to make "significant investments" in the Lloyd's Asia platform in

Singapore. "In 2016 we'll be moving to a new place," he says, when a number of personnel hires, mainly on the underwriting side, will be made.

With its current headcount in Singapore, CNA Hardy offers treaty, construction, casualty and marine offerings, but intends to expand its product line capability to capture more Asia-Pacific business, which Brosnan views as becoming increasingly profitable.

Regional UK expansion

Contrary to some of its competitors, CNA Hardy has made a strong push to expand regionally in the UK in 2015. It does not, for instance, plan to have a physical presence in South America in the immediate future, despite writing reinsurance business in the region through its London hub.

China is also of interest, he says. CNA Hardy's parent company, CNA Financial, has had a representative office in the country for a number of years. "We intend to join the Lloyd's China platform, starting in Shanghai and, after time, we may put an underwriter on the ground in Beijing."

He adds: "It's an important, developing market. Based on our research, we think that our speciality proposition would resonate well there – both in terms of insurance and reinsurance."

While the Lloyd's platform is the most efficient way of entering the Chinese market, Brosnan says the key area in terms of people growth in Asia-Pacific will be Singapore. "Singapore, in my mind, is the insurance hub and there is a lot of talent there from which to draw from."

Treading carefully

Similarly to its competitors in the market, CNA Hardy has not been immune to the hardships suffered by the industry over the past 12 months.

Fierce price competition across nearly all lines and the abundance of capacity has played a significant role in changing the look of a number of portfolios in the market, causing many insurers to pull back from certain areas. In April this year, CNA Hardy exited aviation, one of the market's worst-performing lines at this time.

"We absolutely feel confident with that decision," Brosnan says.

"After a thorough analysis of our book of business and the aviation market in general, we just couldn't build critical mass and relevance within that space."

CNA Hardy chose to divert its resources to areas where its "value proposition is more broadly embraced" – for example, in energy, healthcare and technology and cyber, Brosnan says. "I have no reservations about that decision."

He adds: "Since then, it's been well reported that rates continue to decline, so that really reinforced our decision, and we can now focus on those areas where we want to offer lead capacity as opposed to follow."

But it is not just aviation that is under pressure. Two other key lines in CNA Hardy's portfolio – marine and energy – are also feeling the strain of soft market cycles, with a lot of the company's

all our products. It's just not an efficient way to do that. Putting underwriters in Birmingham and Glasgow was an important move for us. While local partners value what it is we have to offer, we have to be in their offices on a daily basis – just in the same way business is run here, in London – developing relationships, asking for the business and creating much more of a personalised touch."

There has been significant consolidation across the broker and company space, prompting considerable change for the industry. However, change for Brosnan equates to opportunity.

"In the distribution space, what I recognise is that we have larger, more powerful distribution partners and it requires a much more thoughtful process around accessing business as well as getting and running that business. As such, we are investing in people with solid distribution management skills who interact with the senior leadership of our key distribution partners so we can develop and execute a plan which all goes towards building a profitable book of business," he says.

"Gone are the days where you could just sit around and wait for business to come to you. It's a very competitive market, so you need to go out and hunt for business and get that business. There's been a wholesale shift in our approach in that regard and we will continue to invest in that area."

In June 2015, CNA Hardy appointed Andy Clements to the position of distribution director for Europe, responsible for building strategic relationships with broker partners to improve distribution channels and achieve profitable growth.

"What we are doing in terms of distribution management is that we're taking a much more organised and deliberate approach to managing those relationships,"

peers in the market reviewing these lines with caution.

CNA Hardy's marine book, which Brosnan says is a key strength of the company, is centred on cargo, hull, marine liability, and fine art and specie – the latter representing a new addition to the portfolio.

"I'm cautious about the marine

Brosnan says. "In addition to hiring new talent, we've been looking at who we are doing business with and are now focusing on a specific number, a smaller number of producers."

According to Brosnan, that "mix" will be pretty diverse, ranging from the large, global brokers to London brokers and to regional brokers across Europe.

"You have to keep in mind we're not a generalist, so we need to go to where that business is, so some of that business may be with Marsh, Aon, JLT, Willis and the like, or smaller independent niche brokers, and it's our job to hunt and mine that business accordingly. But we do know to better leverage our existing relationships, we need to bring it down to a more manageable level."

Consolidation in the company market has also driven opportunity, Brosnan says, and this can be seen in the steady stream of new talent coming to CNA Hardy. "The consolidation within the market is staggering. For us, the main thing is that talent has become available and there is a lot of great talent out there."

He continues: "Consolidation is allowing us to strengthen our speciality proposition through key hires from an underwriting standpoint, and claims and risk control perspective."

"All this change is allowing us to acquire new people and we will continue to look for opportunities during the rest of this year and next year that support our speciality proposition. We will remain independent and we want to continue to profitably grow the business and the talent pool to bring the value proposition to life."

Brosnan says CNA Hardy has made a lot of progress in the past nine months. "But there is still a lot of opportunity," he adds.

He continues: "That said, we don't have any portfolios that we intend to walk away from at this point in time. But as you know, the market changes quickly and as things happen, it's an opportunity for us to learn and reposition our portfolio moving forward. Change for me is opportunity, so I embrace change, as difficult as that can be sometimes, but I do embrace it and it does allow us to look at things differently." ■

to invest in over the course of the next few years given its premium weighting in the portfolio.

"We've already invested into the fine art and specie space, having brought an underwriter in. We felt that was a missing piece to our overall marine offering." Giles Coghlin, who was previously head of fine art and specie at Zurich, was brought in in July and is developing CNA Hardy's position within that space, according to Brosnan.

"But clearly, we'll be looking to make a more meaningful play in this space by looking to grow that team, both in the London market space, and other areas around the world, so maybe in Singapore on the Lloyd's Asia platform and also Europe," he says.

Looking at his energy book, Brosnan says he sees some "high points and low points", but insists he is committed to delivering a robust portfolio across oil and gas, power generation and renewable energy.

"Oil and gas is currently quite difficult, as everyone will know, but I'm optimistic we have built the right team and will continue to build that book cautiously, so when the market does improve, we will be in a significant position to improve volume at that time," he says. "Across energy, rates are dropping significantly, but looking at the book closely each segment is in a different market cycle. In contrast to oil and gas, power generation is a better, firmer market and if you look at renewable energy, that continues to incrementally grow."

Does he envisage walking away from any other lines of business? "We're constantly reviewing our portfolios and positioning within those portfolios, which is a collaborative process between all relevant teams," he says. "There are areas where we want to aggressively grow in, areas where we want to maintain the presence we have and areas where we want to tweak or fix so as to improve profit margin."

He continues: "That said, we don't have any portfolios that we intend to walk away from at this point in time. But as you know, the market changes quickly and as things happen, it's an opportunity for us to learn and reposition our portfolio moving forward. Change for me is opportunity, so I embrace change, as difficult as that can be sometimes, but I do embrace it and it does allow us to look at things differently." ■