Symbiotic relationship

As the property D&F market begins to get its discipline back, Antares' Conor Finn says the firm's binder portfolio has enabled it to provide deeper long-term relationships with clients

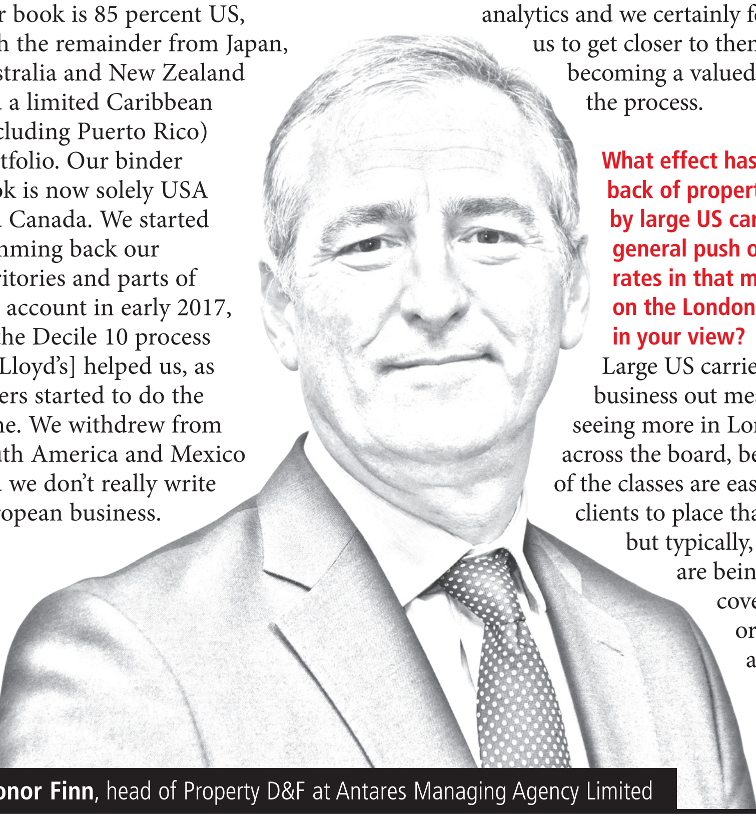
How would you describe the environment for writing open market property D&F business currently?

I think the property D&F market is finally getting its discipline back and the market has most definitely turned. Capacity is restricting, prices are going up, limits are coming down and the US domestic market seems to be doing the same. Capacity for catastrophe exposed risks is particularly affected and we are aware of some accounts that have struggled to get completed. The London brokers are typically doing a pretty good job of telling their clients what the environment is like now and injecting some realism into expectations, but you still get the odd client that looks a little surprised!

I think the rating environment and the terms and conditions will continue to improve all the way through 2019 and into 2020.

What is the geographical spread of your business?

Our book is 85 percent US, with the remainder from Japan, Australia and New Zealand and a limited Caribbean (including Puerto Rico) portfolio. Our binder book is now solely USA and Canada. We started trimming back our territories and parts of our account in early 2017, so the Decile 10 process [at Lloyd's] helped us, as others started to do the same. We withdrew from South America and Mexico and we don't really write European business.



Conor Finn, head of Property D&F at Antares Managing Agency Limited

What type of occupancies do you prefer to underwrite?

We write a light commercial book including shopping malls, office blocks, real estate investment trusts and hotels. We don't write a heavy industrial book here although we do on occasion write light industrial or heavy manufacturing business, but it's very limited. We don't touch mining and we shy away from accounts with contingent exposure to mines.

What do you prefer to write in the binder space, and what are market conditions like there?

We typically work with family-owned MGAs – or those with a particular niche – and prefer MGAs who focus on smaller risks. We provide all of our coverholders with in-depth analytics (using their risk and claims data) to help them identify good and bad trends, which improves our portfolio and enables them to grow their business profitably.

Our clients often tell us that they value our analytics and we certainly feel it helps us to get closer to them, hopefully becoming a valued partner in the process.

What effect has the cutting back of property business by large US carriers, and the general push on primary rates in that market, had on the London D&F market in your view?

Large US carriers pushing business out means that we're seeing more in London. It's not across the board, because some of the classes are easier for the clients to place than others, but typically, the brokers are being asked to cover larger orders, or to at least have a shot at covering larger orders.

What are you anticipating at 1 April renewals and further into 2019?

We're seeing accounts that we haven't seen for quite a long time and most people are expecting these accounts to get re-structured in order to gain capacity. We are seeing a fairly consistent rating improvement and very few people expect any kind of rate cut.

The second quarter is always the busiest for open market business and we anticipate the improved environment will continue. The majority of the US open market business will have been written by 1 July, and at the tail end of the year it's more Australia and New Zealand, which we expect to continue to tick up.

> "I hope that the market will get to a point where we're offering a much more sustainable and stable product to our open market clients"

We also continue to see a steady stream of binder business, which accounts for about 60-65 percent of Antares' property D&F income. The binder portfolio gives us a base book of business which is less volatile than open market – and provides deeper, more symbiotic long term relationships.

We run our portfolio as a whole – with the binders and the open market business using the same pot of aggregate. We can manage our attrition effectively with the binder portfolio and then augment it with a low attrition, excess of loss, open market portfolio.

I hope that the market will get to a point where we're offering a much more sustainable and stable product to our open market clients (it's happened in the past), but this market has been getting cheaper and cheaper for many years so it may take a little longer than just one or two renewal seasons to fix it.