

Underwriting Discipline & Scale

Liberty Specialty Markets' new CUO-Continental Europe guides growth strategy



Pierre-Edouard Fraigneau,
Chief Underwriting Officer, LSM

In September 2020, in the middle of a pandemic, **Pierre-Edouard Fraigneau** was appointed by Liberty Specialty Markets to the new role of chief underwriting officer - Continental Europe, part of the European management team and responsible for managing the performance and governance of lines of business and the underwriting of Liberty's direct insurance business in Continental Europe.

Since starting his new job, Fraigneau's office – similar to countless others throughout the world – has been at his home. Nevertheless, he saw a silver lining to the situation.

"Everyone was in the same position, at the same level," Fraigneau told Advisen. "In the new role I may have spent a lot of time on trains and planes, or conducting business in airport lounges. In that way, the situation was beneficial because it was convenient to have everyone available online.

"Now I am really looking forward to getting to the office and meeting people in person," he added.

Advisen spoke to Fraigneau about growth within Liberty Specialty Markets' Continental European operation, the rating environment, and marketplace trends.

What is the current position of Liberty Specialty Markets in Europe?

In Europe we have produced significant growth in the past four years. We tripled the size of operations and increased premiums generated in Europe while delivering robust underlying performance despite the ongoing COVID pandemic and the low-yield investment environment. We are focusing our energy where we can add value and be as relevant as possible to our clients and brokers. Our strategy is to position Liberty Specialty Markets as a leading specialty insurer in Europe, and I know we're increasingly seen that way by brokers and clients in that space as confirmed by brokers NPS and client surveys. We take this feedback very seriously and work hard to keep our promise to our brokers and customers.

Underwriting Discipline & Scale

How does the mutual business model benefit Liberty?

Being a mutual allows us to have a more consistent approach to underwriting and, based on surveys we have recently conducted of brokers and clients, they appreciate our consistency in our underwriting and the way we approach markets. I think that can be traced back to the fact we're a mutual – that we are here for the long term. We do not go in and out of markets because we don't have quarterly pressure to deliver immediate return-on-investment. We can have a longer-term perspective when we invest in people and technology like we are in Europe.

What is the rating environment like right now? Can we expect to see more price increases?

The next three months will be extremely interesting, I think. The past 18-24 months has been a one-way street of everyone expecting rate increases. We are seeing some deceleration in the pace of rate increases recently. That being said, we expect aggregate rate increases to exceed aggregate loss trends for the next few quarters. Creating more margin on underwriting is more important than ever before in a world of increased risk complexity. If you look at why the market hardened, rate was up because the insurance industry systematically realized it was underpricing risk as frequency rose and volatility increased. So, rates will continue to go up in 2022, maybe not at the same pace as 2020 and 2021.

“...They appreciate our consistency in our underwriting and the way we approach markets. I think that can be traced back to the fact we're a mutual – that we are here for the long term.”

What was the pandemic's effect on marketplace conditions?

I think COVID-19 exacerbated trends we were already seeing but certainly it is not the root cause of current market conditions. There was already an acceleration of some adverse trends like the expensive litigation environment on the liability line – social inflation – that are at the top of the list when it comes to driving loss trends. Climate change and the low-interest rates as well. These issues were already pushing insurers to focus on technical underwriting reserves. You can't compensate as some did in the past by generating financial income. The ESG (environmental, social, and governance) agenda in addition creates expectations which insurers want to consider.

How is Liberty staying on top of new or evolving risks to meet the needs of clients?

Innovation is critical and will play a key role in our future growth. We have implemented an innovative culture through the organization to remain on top of evolving exposures like ESG and cyber. We have created an internal innovation lab that allows us to nurture ideas coming from the organization, from underwriting or any other function, and we can look at these ideas and prioritize them.

Underwriting Discipline & Scale

What is the growth plan moving forward?

For us the future means further exponential growth while keeping in mind that underwriting, pricing and reserving discipline matter as much and even more than pure scale. We want to serve more customers in Europe and provide solutions for increasingly more challenging risks whilst at the same we are making sure we focus on underwriting and risk selection as a priority.

Currently we have a balanced portfolio between long- and short-tail lines, with long-tail accounting for about three quarters of our business mix in Europe. We consider that to be an adequate mix of business between the lines of business, products and geographies. We operate in six European countries – France, Spain, Italy, Switzerland, Germany and the Netherlands. Maintaining that balance is really critical to our long-term stability. We have maintained position in our key product lines of D&O, professional indemnity, and financial institutions while growing in other lines such as terrorism, casualty, and fine art and specie. We are about profitable growth – optimizing the portfolio – not only scale. This ensures the longevity of the partnerships we are building in the market with transparency and proximity.

At the end of the day we are a people-driven business. Underwriting is based on human judgement, supported by data-driven analysis. I am very proud of the underwriting team we have in Europe at Liberty Specialty Markets and we are going to continue to invest in people and technology to ensure we reach our full potential.●