Bermudian insurer Ironshore has grown fast since Kevin Kelley took over as chief executive officer at the end of 2008. The firm grew 100% last year and in the first quarter of this year grew a further 60%.

Ironshore has been a big beneficiary of American International Group (AIG)’s troubles. The firm quickly expanded into professional liability and construction later that year. In 2008, it added healthcare and bought the Pembroke Syndicate 4000 at Lloyd’s of London from Chaucer for £17m ($25m).

The expansion has continued since Kelley took over in December 2008. He hit the ground running. A week after joining, Ironshore completed the purchase of Marine Re, which added North American marine reinsurance to Pembroke’s repertoire.

In Kelley’s first full month in the job, Ironshore set up an environmental unit, created an excess liability unit and launched Iron-Starr Excess, a joint venture with his former boss Greenberg’s CV Starr. Iron-Starr is a specialty lines insurance and reinsurance managing general agency domiciled in Bermuda writing catastrophic excess casualty insurance.

Kelley was just getting started. Later in the year, Ironshore launched a programme facility, an energy unit, a life science practice, an aviation practice, and expanded into Canada. And in January this year the firm entered the Bermuda financial lines market. As Reactions was going to press it also announced a move to personal lines.

Ironshore is now in 15 cities in North America as well as having international presence through Lloyd’s.

Kelley sees no reason why the firm cannot continue to grow. “I don’t see 60% growth being sustainable for the rest of the year but our growth is not predicated on seeing the same number of submissions as we saw last year. It is predicated on seeing a vastly increased number of submissions.”

Kelley sees the biggest challenge for the firm as getting in front of clients. Ironshore saw about 47,000 submissions in the US last year. Kelley says this year that figure should be between 75,000 and 85,000, and maybe even as high as 90,000. He says Ironshore saw more submissions in April this year than in the entire first quarter of 2009.

“We believe our biggest challenge is seeing the business in the marketplace,” he says. “The last thing you want to see in our business is selection against. So you want to define your businesses, have a sense of where you want to take those businesses, have a sense of what is a respectable submission activity number so you feel comfortable that you are not being selected against, and then build your company around those basic principles. That is what we have done.”

In addition to attracting business, the firm has attracted a lot of talent since Kelley joined – much of it from AIG. In the same week that Kelley was appointed CEO, his long-time colleague Shaun Kelly was appointed as president and CEO of Ironshore’s US operation. Kelly was previously president and chief operating officer of Lexington and had been at AIG since 1986.
Having lured a lot of talent away from AIG, Ironshore is now focused on taking its business and that of other large insurers.

Kelley says Ironshore is being helped in its goal by risk managers looking to move away from relying on a few large counterparties. Buyers have become more wary as a result of the financial crisis and the effect it had on the capital of firms such as AIG, XL and The Hartford. Kelley says this is creating opportunities for firms such as his.

“What I think is very interesting is there truly is a megatrend of customers and their brokers moving away from concentrated counterparty exposures,” says Kelley. “Nobody wants to be in a position should another crisis occur of being over-weighted with anybody.”

As an example, Kelley says the top five players in the professional liability space have lost almost five percentage points of market share in the past year. He says this has meant smaller firms have been able to take market share and increase their business, despite the market being flat.

“There are markets that are concentrated at the top in which clients and their brokers are driving change to where share is being lost, and that gives an unprecedented opportunity to a company like ours,” says Kelley. “I think that is a trend that is going to continue over the next several years and it is not only happening in our business—it is happening in reinsurance and it is happening all across the financial services spectrum.”

After more than three decades at AIG, Kelley has long experience of working at a large insurance firm. He says the regulatory environment is not favouring his former firm and other large companies.

“It is really interesting. There are a lot of forces that are counter to the status quo right now and regulation is one big one,” he says.

“Take a look at all the discussion taking place regarding financial reform. It is not geared necessarily to our business but I do think it gives you insight to how our federal government thinks. The focus is all on the big–too big to fail.”

He adds: “If you take a look at the traits of tomorrow’s successful organisation I think nimbleness trumps scale. It used to be that you had to be big. You don’t have to be anymore. That is almost a liability. You have to offer your clients flexibility in how they can access you. If you view the world a bit differently than your competition that becomes a competitive advantage. We are not bureaucratic and will never be. That capacity to make the right decision quickly is a competitive advantage.”

There has been much talk in the past year of newcomers undercutting rates and pushing the market down, with Ironshore frequently mentioned as an offender. Kelley concedes his firm is aggressive, but says not dangerously so.

“My response would be that we watch our hit ratios very, very closely,” says Kelley. “Our hit ratio for everything we did in 2009 was 9%. For the first quarter of this year it is 8%. We are aggressive in the marketplace – aggressive in shaking the market and wanting to see the business—but once we see it we are pretty selective. If we were undercutting the market I think it would show up in the hit ratios.”

Kelley says firms should concentrate on their own business rather than throwing accusations around.

“I’m not one to criticise competition. I don’t think that gets you anywhere,” he says. “To blame your competition for your own lack of performance I don’t think is a vote of confidence.”

He says many of his customers are large Fortune 2000 companies that buy big capacity. This makes it easier for his firm to be flexible on where it wants to be on a programme.

“In a competitive environment you may not want to be exit five, you may not want to be exit 10 but maybe you want to be exit 25 so you move your attachment point according to the riskiness of the proposition,” he says.

Thinking global

The core of Ironshore’s business will be its D&O, professional liability, environmental, healthcare and property business. Kelley believes economic conditions will improve in the next few years and that this will help his firm. But he says growth for his firm outside the US will be cautious.

“What we want to do initially is take our 12 to 15 businesses and expand those into a global business, as opposed to taking a look at opportunities that may arise in the local markets and trying to build a response to those,” says Kelley. “I think there are a lot of companies that do that very well. But you need a lot of capital to do that.”

Ironshore did complete a $250m debt offering in May. An obvious way to get more capital would be to take the company public. But, given the present market conditions, Kelley is not exactly rushing to float.

“There are pluses and minuses to being private,” he says. “The pluses are obvious. You tend to have a different capital management strategy when you are private. We are overcapitalised and like being overcapitalised. But if you are public you have easier access to capital, both on the equity side as well as the debt side, so you have to look at that as an alternative. There is no timetable. It is a function of the condition of the IPO market and a function of what our need for capital is going forward. We are very adaptive.”

Kelley also does not appear keen to do big acquisitions.

“We have a pretty good sense of who and what we want to be when we grow up. We are in our fourth year. We think we can get to where we want to go organically. We have the 15 or so product areas all picked out. We want to be a global market but we think we can do that organically. We have a Lloyd’s platform—which really serves as our international platform—that is about 20% of our business. So clearly there is no need to acquire. But if something became available that got us to where we want to go quicker and was extraordinarily compelling then obviously you take a look. But, quite frankly, I don’t see anything like that near term.”

By Michael Loney – mloney@euromoney.com

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INTERVIEW: KEVIN KELLEY