

# Planning for the next stage

Having taken over at Lloyd's insurer Mitsui Sumitomo, Andrew McKee talks to Jonathan Swift about his plans to move the company on, a decade after it was launched.

FOR Mitsui Sumitomo Insurance (London Management) chief executive Andrew McKee, stepping into his first such role was probably daunting enough. But he also faced the task of succeeding Allan Guest, the man who founded the Lloyd's insurer a decade ago.

However, the Irishman, who began his career at royal Insurance in Bristol and has more recently spent 18 years with Chubb — the past 12 in London — has taken his elevation to the top seat at a Lloyd's syndicate in his stride.

"I was very comfortable at Chubb, had a great deal of respect for the company and learned a lot there," says Mr McKee, who took over as London branch manager for the firm in March 2007 before departing two years later. "I had genuinely always admired Mitsui Sumitomo and, as it is 10 years old, my arrival in London coincided with its start. So I have seen the business grow in tandem with its market reputation.

"Having always had an interest in Mitsui Sumitomo, when the approach came I thought it was now or never. I could have stayed at Chubb, but I believed I had one more challenge in me, and the attraction here was obviously being CEO. I was running London for Chubb, but this gave me my hands on everything.

"There were only a handful of companies I would have left my previous employer for — and Mitsui Sumitomo was one of them."

When it comes to the question of succeeding Mr Guest, who was part of an original group of 16 former RSA employees (it now has 230 full-time staff) that left to set up the Lloyd's syndicate, Mr McKee reflects: "What was made very clear to me at the outset was that this was about taking the business to the next stage. There



is an element of truth in the line that there are 'builders' and then there are 'runners' and 'managers'; the latter's brief is different. Their task — like mine — is to use the existing infrastructure to take the business forward. You have to recognise that very few people put something new on the map in London. My predecessor did that — and you have to respect him for it.

"There were two other major draws in taking the role. One was getting involved with Lloyd's, as this was an entity I did not have great experience of, and then there was the prospect of working within a different culture — Japanese — and learning about the way they do business. It was a great opportunity."

#### Driven to succeed

So having worked for RSA and a US giant previously, what differences has Mr McKee become aware of

picked up on is the customer service ethic of the Japanese which he describes as "phenomenal", and something he is very much looking to build on.

"In Western companies we have become a bit glib about this, but with Japanese businesses there is a great degree of loyalty between insurers and their customers. Very often these ties last 20 to 30 years and, when a client's hour of need comes, their insurer is always there to back them up. The Japanese put a lot of store in long-term relationships, which I would like to make one of our differentiators here in the UK.

"Finally," he ponders. "Another thing I have noted is the timescale to which the Japanese work. They take a long and patient view of developing a business, which is good in that we are not totally governed by quarterly — or even the immediacy of monthly — results, which is reassuring."

With this last point in mind, Mr McKee has taken a long hard look at the business in his first 18 months in charge, starting with its underwriting. "The syndicate has been very profitable during its lifespan, and even though that profitability dipped in 2007/2008, it recovered in 2009 and that continues," he explains. "But I wanted to look at the mix of business and see what lines were being good to us, and which ones we needed to take some remedial action over. So, we have been reshaping the book and taking action in certain areas. That process is almost complete and we are ready to grow again."

Among the areas Mr McKee identified as potentially problematic were motor, which he says "was not performing as we would have liked", and professional indemnity, which he adds Mitsui Sumitomo is now more "comfortable with".

"We are still a player in both, we have just cut them back. We have not categorically withdrawn from anything, but reshaped them. In PI we have put an emphasis on excesses in certain professions, like solicitors for example." Having almost finished his review of the business, is Mr McKee now looking to add lines rather than reduce Mitsui Sumitomo's exposure — the last major addition being aviation in May 2007?

"We are now turning our attention to being more externally, rather than internally, focused

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To follow Andrew McKee's progress at the insurer  
[www.postonline.co.uk/tag/mitsui](http://www.postonline.co.uk/tag/mitsui)

and will start to add new lines to the portfolio,” he responds. “The mix is probably a bit volatile at the moment as we are very dependent on certain lines to make money. And, by the nature of our corporate book, we are bit exposed to large losses presently. So, we are looking to add new areas that will flatten that.

“One area we might include — and this is something everyone is looking at because it is capital efficient, which we need to take into account for *Solvency II* purposes — is corporate personal accident. I am asking [active underwriter] Eamon [Brown] about whether a directors’ and officers’ book would complement out PI book too. We have a very small D&O account but, in my view, a larger one would balance out the book.”

## New territories

Mr McKee’s focus is not just on new product lines but territories too, given that in property, for example, its clients are largely concentrated in the UK and western Europe: “We are a Lloyd’s syndicate and want to look more aggressively at where we can expand — whether that is Australia, South Africa, even potentially Canada, any country where we can write international property.”

And, despite Mitsui Sumitomo’s parent being such an Asian powerhouse, Mr McKee stresses that even this could afford opportunities for clients who want to use Lloyd’s. “Our Japanese parent is very supportive of the syndicate and understands that this market gives us the opportunity to access business from all around the world. The answer, therefore, is that there are not any no-go areas. We are not inclined to grow significantly in the US, but the rest of the world is open to us.”

This also includes a wider push into the UK regional middle-market — something Mitsui Sumitomo originally announced back in 2006 would be spearheaded by the former Fusion underwriting manager and national broker development manager Paul Hurdle and Mark Stephenson. “If you take the distribution piece, we have recently set up a strategic marketing and communications department, and part of its remit is to look at how we manage our distribution,” Mr McKee explains.

“We have a middle-market book and our intention is to grow that, but perhaps in a more controlled

way, so we can articulate to brokers what our risk appetite is and work with them to get that right. If we do that, it should remove some volatility from our overall book.

“It is far smaller than our initial aspirations because, when we started, we thought market rates would change to be more favourable. Instead, we have deliberately and accordingly cut our cloth given how competitive that space is. But we remain in the market and want to grow it going forward.”

Asked whether deeper relations with the consolidators could help facilitate this, Mr McKee adds:

## It is our aspiration to create a footprint in Europe that is more reflective of Mitsui Sumitomo’s standing.

“Mitsui Sumitomo does not deal with them to any great extent and that is something we are looking at as we review all of our distribution channels. It is not a question of whether we have enough brokers [Mitsui Sumitomo has close to 100 — but derives most business from 14], but targeting those regional brokers we do have and spending more time with them than we do currently.

“And, over time, we will look at how we do that. At the moment all of our underwriters are based here in London, but clearly, as we have aspirations to write more regional business, it may make sense —not to build a big infrastructure throughout the UK, but to have small teams in place outside London. We don’t want to make huge investment in bricks and mortar; it is just about accessibility.”

Despite Mr McKee’s reticence about making strong headway in the middle corporate market for now, is he not surprised by the number of typically SME-orientated rivals that have made noises around this type of business? Not least there is Aviva, which has recruited Mitsui Sumitomo’s Dipak Warren to head its push and then hired property underwriting manager John Tiernan a fortnight ago ([www.postonline.co.uk/1745805](http://www.postonline.co.uk/1745805)); and Axa, which includes former Mitsui Sumitomo employee Richard Gregory as mid-corporate senior fleet underwriter.

“The market is not changing in terms of rates, and most people will say we can expect 12 months of the same market conditions. Therefore, everybody is looking at how they can grow their books, and moving into new spaces is one option. It is not easy to do that, but we intend to move into spaces for the long term, taking a very measured approach. We do want to grow, but the phrase we use here is ‘controlled expansion’.”

Amid the competition, Mr McKee is confident that one thing in its armoury that should not be underestimated is the currency placed on its brand by brokers — especially given the merger of Mitsui Sumitomo, Aioi and Nissay Dawa last year to create a new Japanese superpower with a revenue of JPY 1,394bn (£10.7bn): “Brokers understand we have a powerful proposition. If you start at the top, this comes from the fact we are part of the MS&AD Group, the largest general insurer in Japan and the seventh largest in the world.

“Our plan is to leverage that strength in terms of the brand and synergies. It is our aspiration to create a footprint in Europe that is more reflective of that standing, and brokers respect that.”

The new CEO of MS&AD Insurance Group Holdings, Toshiaki Egashira, has already gone on record to say that the group is interested in increasing its profile in Europe, as well as Asia, and that acquisitions are one avenue it will definitely explore. “As you say, our group CEO was here in July and made it very clear that acquisition is on the agenda. And, by mentioning Europe, he was not ruling out Lloyd’s,” says Mr McKee.

## Growth aspirations

“For me, it is very important to have the right controls in place before we can contemplate an acquisition here. But Mitsui Sumitomo is now at the point where it can start to identify where that would make sense geographically and nothing is ruled out. The growth aspirations of our parent are going to be difficult to satisfy organically by bolting on different lines. It leaves acquisition as a very serious option.”

For now Mr McKee can point to several successes to show the business’ progress — not least the fact he has reduced operating expense by 18%, by internalising functions including its new actuarial resource and legal counsel. Furthermore, a recent claims survey found 94.7% of clients rated its service as “excellent”, while 100% of brokers graded it similarly.

It should also not be forgotten that, a week before the Ryder Cup, a team from Mitsui Sumitomo — including Mr McKee — won the 11 September Insurance Trust Annual Golf Day and the trophy is proudly on display in his office.

Looking ahead, he reflects on how Mitsui Sumitomo would like to pick up further accolades: “I would like to see the Lloyd’s syndicate as top quartile in terms of profitability and volume in that order. And I am not going to put a timeline on that. We are improving and the trends are positive but we have more work to do.

“The other thing we cannot do is rely on the market to come to our rescue. My message is ‘this is the playing field and we have to win in these conditions today’.”

Given the tough obstacles — not least the weather — the European Ryder Cup team overcame to emerge victorious earlier this month, the keen golfer in Mr McKee will want to draw inspiration from their efforts as Mitsui Sumitomo aims to top the leaderboard on the final fairway.

POST



Mitsui Sumitomo Insurance Group

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