

On the front foot

R&Q sets out its stall to be a leading program management and fronting service provider in both the US and Europe while still remaining committed to its run-off roots...

The growing popularity of MGAs is fuelling a renewed interest in firms that can provide program management and fronting services that act as a bridge between insurance entrepreneurs and their reinsurers.

R&Q believes it has a unique proposition with the ability to provide access to its fully licensed carriers in both the US and the EU.

Here, Todd Campbell, CEO of R&Q's licensed US carrier Accredited, and Paul Corver, CEO of R&Q's Malta business, tell *The Insurance Insider* that responding swiftly, understanding the needs of MGAs and their reinsurers, strong ratings and good relationships with regulators are keys to success.

The decision to sell R&Q's Lloyd's managing agency earlier this year marked a significant milestone in R&Q's strategy of simplifying the business. What will be the main focus for the year ahead?

Focusing on our core businesses; legacy on the one hand and providing fronting and program management services on the other. It is a commitment that our CEO Ken Randall reiterated in our interim results.

The latter is an area of significant growth and opportunity because R&Q is in a near-unique situation of being a service provider with licensed insurance entities in both the US – through our AM Best-rated carrier R&Q Accredited – and in the European Union (EU), through our Maltese carrier R&Q Insurance (Malta).

Interest is high – in part because insurance entrepreneurs are increasingly inspired to go down the MGA route. We are also looking closely this year to ensure both entities are resourced properly for the years ahead. R&Q prides itself on executing well, and this means we are looking closely at our businesses to ensure they can match demand and exceed expectations.



Paul Corver
CEO, R&Q Malta

In your interim results you talked about acquiring more run-off portfolios. What does the pipeline look like and where are you seeing the best opportunities, the US or EU?

Opportunities in the legacy space are buoyant on both sides of the Atlantic. We continue to see plenty of opportunities from captives and other self-insurance vehicles, as well as companies and portfolios in the commercial market.

“Our clients also value our independence, which minimises the risk of channel conflicts”

In the EU, carriers are becoming more cognisant of the impact of Solvency II and the capital efficiency that could be achieved through shedding discontinued lines.

And in the US, while the country develops run-off transfer mechanisms such as in Rhode Island, the main focus is on transfer of the economic risk through loss portfolio transfers (LPTs). This is an area where we are seeing increased activity, with our rated carrier Accredited able to provide such solutions across the US.

How engaged have you found the regulators to be in both the US and the EU when it comes to legacy transactions?

The regulators are very engaged. They quite properly put the policyholder interests foremost and this means we have to demonstrate a continuous commitment to the integrity of the transfer documentation or underlying (re)insurance contract. This is in the R&Q DNA.

You also talked about wanting to build recurring commission revenue from using licensed carriers in the US and EU to write niche books of P&C business, largely ceded to reinsurers. What's the appeal of this structure?

It's very attractive to our shareholders and bank manager because regular fee income complements the less predictable and lumpy nature of revenues from run-off

acquisitions and management.

But it also works from the perspective of our underwriting partners. If you have a book of business which needs a stable and long-term program carrier then you must be confident that the said carrier has the licences, security ratings and credible relationships with regulators. R&Q has those and that is in part due to the reputation and relationships we have built through our three decade-strong run-off pedigree.

What are the best ways to stand out as a fronting specialist?

The ability to provide paper nationwide in the US and across the EU through freedom of services is a key attribute. It means R&Q is assisting insurance entrepreneurs and their reinsurers on both sides of the Atlantic.

But good security ratings are also important – Accredited has an A- (excellent) rating – as are strong relationships with regulators. Our clients also value our independence, which minimises the risk of channel conflicts, and we pride ourselves on being responsive to client demands.

What impact will Brexit have on the potential growth of virtual insurers, such as MGAs? Does having a Malta base assist with your growth plan in this space?

It is difficult to predict what the impact of Brexit will be as there are so many uncertainties.

However, what we do know is that MGAs and brokers have to be confident that their licensed partners can respond to their needs across all 50 states and 27 members of the EU in a post-Brexit environment. Fortunately, we can.



Todd Campbell
CEO, Accredited