

Greg Case: Aon's reinforcement plan

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Reactions

Profile: Aon now spends over \$250m on analytics each year, presiding over the world's largest insurance data repository, while its Berkshire sidecar is designed to "reinforce" its growing London market partnerships, Greg Case, Aon's president and CEO told Reactions.

Despite initial London market griping, the realisation that Aon's Berkshire Hathaway sidecar deal brought more business into Lloyd's for 2013 has shown the partnership's success, and reinforces the broker's commitment to London, Greg Case, Aon's president and CEO told Reactions.

"We thought that clients would really gravitate towards it and like it - and it turns out they do," says Case. "A large proportion of our business, and new business, wanted to take part in it. That has resulted in the first nine months a very substantial increase in new business going to Lloyd's."

Case dismisses some of the early shrieks of fear or hostility provoked in the London market by the Aon deal with Warren Buffett's investment group, suggesting the deal is "not adversarial at all".

"There was a lot of misunderstanding of what it was about, early on," he says. "We want to deliver for our clients and partner with our markets. For us it has been reinforcing - reinforcing our client strategy and focus - just as we anticipated it would."

In the first full quarter of the 7.5% quota share sidecar's operation - it reportedly resulted in 1,192 policies placed with sidecar participation, creating over \$700m in gross written premium by the 2013's halfway point, over a quarter of which was either entirely new to Lloyd's or an increase in volume on a previous placement.

Case stresses the broker's strengthening commitment to London, and the Lloyd's market, since the world's largest broker announced in January 2012 that it would move its headquarters to the UK.

"It's very important to us that we connected with London and the Lloyd's marketplace, to reinforce our partner Lloyd's and their [Vision] 2025 strategy," he says. "Now that the dust has settled on everything to do with what we've done with Berkshire, at its core it was all about providing stronger capital for clients, and doing it in a way that supported clients' needs."

Turning to the firm's global strategy for the future, Case describes the two elements at the core of Aon's business model: risk and people. He sees great opportunity around both. He sees "tremendous opportunity for growth" around both of these, not just in traditional sources, but also in new risks he says that clients now face.

"In a global world, there is more risk than ever before, magnitudes are going up, and it is more interconnected and intertwined than ever before. Complexity is going up, and it happening faster. Client need for risk understanding and risk mitigation is continuing to increase, which for us affords big opportunities to help clients succeed, so there are a lot of opportunities around risk," says Case.

Around people and human resources, he singles out health, benefits, rewarding talent, and provisioning for pensions and retirement. "These are huge issues that need to be dealt with around the world," adds



Case.

As the biggest insurance broker, ranked by revenues, Case notes that Aon has the worldwide scale and reach to capitalise on these global trends. The broker had global revenues of \$11.5bn in 2012, making it the biggest insurance broker in the world, and turning a profit of \$993m. The broking and risk management group has around 500 offices and 65,000 staff across 120 countries.

"We see opportunity around the world," he says. "We see opportunity in developing markets; we see opportunity in developed markets. I was in China a few weeks ago and we see tremendous potential in that market, as well as emerging markets such as Latin America and South Africa."

Perhaps the biggest shift in broker business models in recent years has been in the growth of data and analytics focused functions, going from an ancillary status alongside placement, to huge fiefdoms within a broader risk management model.

"We are continuing to underpin all that with an unprecedented investment in data and analytics capability. The data and analytics capability is for us fundamental to helping clients take better decisions," says Case.

"What's been different over the past five years is an unprecedented investment in data and analytics. The risk insight platform we have is the single biggest repository of insurance information that exists in the world today. We are tracking \$80bn of retail flow, and we are going to continue to add to that," he says.

Reinsurance is just one element of this, across the breadth of Aon - although a significant part.

"In reinsurance, at Aon Benfield, we have been investing more than \$120m per year, which we believe is very much more substantial than any other part of the market - certainly among the risk brokerage side, in content, capability, data and analytics," says Case.

"We invest even more than that on the retail side. If you put that together, you have at least a quarter of a billion dollars each year invested in that capability. That is an unprecedented investment into helping clients make better decisions, informed by better insight through data and analytics," he says.

While collecting data together has some value, its analysis makes it much more valuable than the sum of its parts, Case explains.

"Investing in data is one thing, but when data becomes information is becomes more powerful, and when information becomes insight, it's truly powerful. So what we're trying to do is convert data into insight in a way that helps clients make different decisions," says Case.

"We tie everything we do back to helping the client make a more informed choice, in a way which strengthens their operating performance, strengthens their balance sheet, or reduces their volatility. If we can help them make decisions that improve their performance in any of those categories, we know we have helped our clients succeed," he adds.