FINAL

Bloomberg Transcript

Sanford C Bernstein Financials Summit

Company Participants

- Josh Stirling, Analyst
- Kevin O'Donnell, President and CEO

Other Participants

- Unidentified Participant, Analyst

Presentation

Josh Stirling {BIO 17463087 <GO>}

I want to thank -- we have Kevin O'Donnell and Rohan Pai from RenRe here today with us. And obviously, it's a great Company who has really kind of invented the property cat reinsurance business a long time ago. Kevin is a really long-time RenRe executive who has, I think, started his -- doing modeling and underwriting work and stuff like that, potentially in the weeds. But become the CEO, obviously.

The Company has gone through a big transition over the past year or two. Became CEO, did an acquisition in the time of -- given a lot of volatility in the insurance sector and challenges and sort of fears of continued pricing declines. I think it would be fantastic -- granted, it's a very informal group. But it would be great if you guys were willing to just -- given that not everybody probably knows you that well, tell a little bit about sort of who RenRe is; how you've evolved; and how you think about sort of the market here. And your acquisition. And how it all sort of fits together.

Kevin O'Donnell

Great. Thanks. It's a pleasure to be here with you all today. So good morning.

I've been with RenRe -- I guess starting in April it will be 20 years. So I have seen the Company evolve over a long time. And as Josh pointed out, I started as an AVP on the international underwriting side and kind of worked up through the ranks. With that, I've got a very strong sense as to who we are and what our culture is. As I go into the office, the things that we had on the walls and the things that we valued are the same today as they were back in 1996 when I started.

We think about being the best underwriter; we think about the three superiors, things that we have talked about many times in the past. We think that if we're good at risk selection, if we are good at capital management. And if we're good at taking care of our customers, that will serve us well and make sure that we are successful over the long term.

That said, we haven't done the same thing for 20 years. And even just thinking about the three superiors, we've weighted which ones are most important depending on the opportunity that's available on the market. So going back 20 years ago, we were most focused on risk selection, because that's where we could capture the biggest spread between our competitors and build the best portfolios.

Around the turn of the -- in 1999, 2000, 2001, our emphasis shifted to bringing new types of capital. So thinking about capital management, we started DaVinci, we started Top Layer Re. We were really working on ways in which we could bring the most efficient capital to our customers. So our emphasis went a little bit from risk selection to capital management.

Today we maintain the focus on risk selection. We maintain the focus on capital management but we feel that the way our customers are approaching the market is different and we've added a greater weighting to thinking about customer relationships.

That's one of the primary reasons in which or drivers as to why we've changed the profile of the Company from being exclusively a cat company, effectively, in the late 1990s to being a company that's much more diversified today -- and really led to one of the primary drivers, which was the acquisition of Platinum, which we closed just over a year ago. So it closed March 2 of last year.

Customers are thinking about their risk increasingly in a more sophisticated way and a more holistic way. And we wanted to make sure that we could match RenaissanceRe with the way in which they wanted to see risk. So that's the reason we have diversified -- one of the reasons we've diversified into more of those specialty lines.

We think it better positions us not only to be the preferred cat provider. But to allow us to have access to their preferred risks in other lines. In order to do that, we had to build out our teams pretty substantially. We started that build really in 2009 when we went into Lloyd's and leading right up to the acquisition of Platinum last year. Interestingly, we were already a bigger casualty and specialty writer this time last year when we bought Platinum than Platinum was as a stand-alone enterprise. So people thought of us as a property cat company. But we were already a bigger specialty company than Platinum.

Bringing that platform on has helped us enormously. We've opened a New York office -- or we kept the New York office of Platinum. We added a Chicago office. And we've added some additional skills, some additional lines. And overall improved the efficiency of the organization, both from a capital perspective to get greater capital leverage on the balance sheet and from an operating leverage perspective, in that we've -- although it cost a little bit more, just one-time costs, for us to buy Platinum, the run rate savings have been greater than anticipated. So that's kind of a little bit of a backdrop.

Josh Stirling {BIO 17463087 <GO>}

Cool, cool. Just for everybody's context, could you talk a little bit about the broader dynamic of pricing pressures on the industry and alternatives coming in?

Kevin O'Donnell

Yes. So I think if you look back over the last several years, the property cat market has probably changed most. It's had the greatest pricing pressure. And a primary driver of that pricing pressure has really been new capital coming in. And that new capital has both retained earnings, because it's been better-than-expected results on the property cat. And third-party pension funds, et cetera, looking to enter this space.

That's added just a supply/demand imbalance and has added to the pricing pressure. Additionally, we haven't seen property cat -- that market grow. So all of those dynamics would lead to price compression. We think that we've withstood that pricing pressure quite well. We've changed our portfolio. But we also recognize that it's not the time to be growing.

So we have guidance out that we'll be down 10% in property cat, which we think is prudent. That is not -- that is a reflection of our desire to build preferred and leading portfolios. We are a preferred market for third-party capital. So we believe that capital has a place in the market; but we also believe the way to manage it is to align with that capital. So we want to be paid as -- for being the best underwriter. And with that, in each of the capital vehicles that we manage on behalf of third-party investors, we are a substantial investor alongside of them.

Outside of property cat we are starting to see increasing pricing pressure broadly in the casualty and specialty markets. We are not a broad player in those markets. We look to find markets where we think it's profitable and then look to execute better than others in those profitable markets.

We generally don't look for the one profitable deal in an unprofitable area of the market. It's been a winning strategy for us. And it's one that we think we still have scope to continue to grow, both within Lloyd's and within the specialty segment written across all of our balance sheets.

Josh Stirling {BIO 17463087 <GO>}

I wonder if, just going back to your comment about the market has changed in property cat, my perception was -- and maybe this was always true, that you guys had better opportunities to get into the business in, like, private layers. And relationships. And all this stuff. My perception was most of the property cat business was syndicated by brokers who go around. And they get everybody to bid on this stuff. And then there's like -- there's a price clearing exercise; and you guys get a differentiated -- you know, people want to give you business because you've got a bigger lead market. And so on and so forth.

But at the end of the day, it was very much sort of an option format [ph]. How is the actual placement in this business changing? And now, because you're becoming a multi-line guy, basically, to get out of that kind of environment and get into some sort of customer-to-customer relationship? You know, hey, we'll take your property cat if you also do this stuff.

Kevin O'Donnell

Right.

Josh Stirling {BIO 17463087 <GO>}

How does that really -- when the rubber meets the road. And you talk to customers, how does this lay up?

Kevin O'Donnell

So I think in general your market characterization is accurate. I think from an access point of view, we have a couple of advantages. One, we've been doing this for a long time. We have track records with many of our customers; and we don't only know the brokers. But we know the buyers.

I think there's two areas which allow us based on the market structure that you've outlined. We do have private layer. So customers will come to us to ask and have us solve problems specifically for them. And that's what we have called the private layer business.

In the more traditional -- what we have called the syndicated market, we have great access to build the portfolio within the layers we most want. So we don't traditionally participate -- we'll take 10% of each of the layers that are in the market. We'll pick and choose as to where we think we can build a better portfolio with bringing specific tranches of risk in from each customer.

I think the diversification gives us the benefit not necessarily to leverage where, if you write this, then you can have property cat; it's the fact that we have such a strong relationship, the foundation of which was the property cat business we've built over many years and supported many customers with. That is the -- that opens the door for us to have the dialogue to target risks that they are ceding to others. And the response from our customers has been quite good, where not only do our ratings help. But the track record we have a being a good partner to them gives us preferred access to the most desirable non-cat business that they're ceding.

Josh Stirling {BIO 17463087 <GO>}

Okay. So it's less of a -- I guess I want to -- sort of less of a defensive move to protect the cat book. And more of a, hey, this is an opportunity to leverage the cat book to get into that sort of looks at casualty businesses or specialty businesses that other people don't have the -- or, I mean, you can be a more competitive offering at the same time; not because of the price, because of relationship with your historic core business.

Kevin O'Donnell

Yes. Absolutely. We are not trying to defend the property cat business by running other lines of business. We think we have such a preferred access and such a preferred model there that we have a really leading position there.

I think outside of the property cats business, there's two things. One is we have built up a lot of internal capabilities to be able to write that business with the same underwriting mindset and the same -- not the same tools. But being able to leverage the cat tools into the non-cat lines.

And secondly, the way the customer is thinking about their risk has shifted. And so it allows that conversation to be much more natural than it would have been five or 10 years ago, where the segmentation between the property buyer, the casualty buyer, the quota share buyer, the -- it would have been quite different.

Josh Stirling {BIO 17463087 <GO>}

Could you walk us through some of your biggest specialty and casualty lines. And how you -- you know, both sort of what's going on. But also very interested in understanding how you bring the sort of RenRe analytics and discipline in underwriting to these typically much squishier lines of business.

Kevin O'Donnell

Yes. So let me start with the underwriting philosophy. And then we can talk a little bit about some of the lines that we are in. What we do is we do -- before entering any line of business, we assess the market.

So in the property cat, what we would call that is XYZ: we build the index of what the market looks like. Once we've done that, we determine how much -- what are the economics available within the market. And then we begin to execute into the market. With that, we take the tools that we have that are transferable and bring them with us. So if you take the property cat, we have modeling; we have portfolio construction; and we have -- kind of grossed in that we have the ability to bring in other types of capital.

The modeling is something that is a combination in the cat business of vendor modeling and our own proprietary modeling. There's not as much quality vendor modeling for many of the specialty lines. So most of it is proprietary. But we have a lot of tools to how to think about building the tail and how to build correlations among lines and among deals.

The other thing we bring is portfolio construction. So we have very good capital allocation tools. So we are able to bring that into any line of business that we come -- that we are targeting.

Then, finally, we bring our ability to think about gross to net. And once the portfolio becomes of size, which now about $1 billion of casualty specialty, it's of size that we can actually begin to think about bringing other types of capital in. And we've increased our sessions materially in 2014 and then again in 2015.

Within that, we have different disciplines -- one of which, though, we've been more public about is we've written a reasonably-sized mortgage portfolio. And just taking that as a lens into the type of risks that we'd look at, we like the mortgage business because it's gone through a crisis. We are coming through with very strong credit scores. We have the Freddies and Fannies under mandate to buy reinsurance. So we have a growing market and we have a reason for which they are coming to the reinsurance market as opposed to other markets.

With that we've built expertise internally. Then increasingly we're building a ceded strategy around supporting the risks that we're taking. We also look at that risk across all platforms in which we accept similar types of risks.

So we have mortgage risk within our investment portfolio; we have mortgage risk within our ventures portfolio, one example of which is we own Essent -- we own a piece of Essent, which is a primary mortgage insurer. Then we underwrite mortgage risk specifically on our balance sheet. We look at each of those to determine where we are best allocating. And then we also control aggregates in capital allocation individually within each of those disciplines. But then, more importantly, aggregate at the enterprise level.

Josh Stirling {BIO 17463087 <GO>}

So I'm not at all surprised to hear you guys say that you're really good at portfolio construction and figuring out tail risks. And the gross to net stuff, because that seems like fundamentally -- well, first of all, probably poorly done by most casualty guys. But also very similar to, conceptually, how you do enterprise risk management, all that stuff you guys kind of invented.

How about, though, the pricing in these businesses? Because I feel like the actual risk in casualty is basically that everybody thinks it's just -- like, the underwriter and the actuary think it's a 65 loss ratio. And actually it's at 85. And it's all just about, well, the terms way up the food chain really weakened. And pricing wasn't really as good. And you find out about it three or four years later. It's sort of more, like, a less complicated question. And more of that -- like, less statistical and just more what's the underlying loss ratio?

Kevin O'Donnell

Yes. That is always the risk with casualty. You've written the book for three years and realize you mispriced it starting at year one. What we've done is tried to, again, build the market; tried to look at it from a macro sense before we enter it from a micro perspective.

The other thing is looking at Platinum, one of the benefits with Platinum is on several lines, their data went back to 1984, going back to when it was St. Paul. So we were able to have access to very robust historic information. It's been really useful for us in thinking about the construction of the portfolio.

There isn't the same precision or the same independent -- let me change that from precision. But independent analysis that can be done with vendor models in the casualty book. So it is a lot of looking at rate sensitivity and how it's changing over time and just being very careful to react very firmly when you see subtle signals.

Josh Stirling {BIO 17463087 <GO>}

So are you guys tracking -- I mean, do you now have to be much more focused on things like, I don't know, like the industry price studies about what's happening in commercial auto. And what CIAB says. And MarketScout. And things like that.

Kevin O'Donnell

Yes.

Josh Stirling {BIO 17463087 <GO>}

Because you're sort of in a lot of uncertain -- because, I don't know, you probably hear it from the portfolio companies. I mean do you hear -- not your portfolio companies; your cededs. Do you get lots and lots of pricing data on a semi-real-time basis that allows you to feed the analytics engine?

Kevin O'Donnell

Yes. So I think what we'd -- when we first start writing a line of business, we generally rely on industry data from an actuarial perspective to build out what we think those good reserving loss ratios are. Over time we will translate the industry to our own internal data, with the hope that we can -- you know, if you take that -- our desire is to be a better than average industry player. So we are hoping that over time, the industry loss ratios will be somewhat protective of our underwriting as we enter a line of business, because we anticipate them outperforming the industry. But yes, we are absolutely much more reliant on macro industry data and thinking about building the reserving curves when we enter a line of business than we would be for something like property cat.

Josh Stirling {BIO 17463087 <GO>}

So then, if you think about just sort of big picture you sort of ended with it, too -- pricing has been challenged in the property cat business; but maybe it's sort of spilling over into other sort of specialty and casualty lines. How do you think that plays out? And how does that inform -- like, how do you guys think about navigating for the next few years if it's going to be a softening market?

Kevin O'Donnell

Yes. So I think the -- one is we are not to be an index player in specialty and casualty. Try to find markets, again, starting at 40,000-foot level, that we think are profitable and then execute into them.

Secondly, think about structures that make sense. Understand why the customer is buying. Then try to partner with people who you think are better-than-average underwriters. Then, thirdly, it really is about having a robust gross-to-net or ceded structures and changing that based on the way in which the market is behaving.

Josh Stirling {BIO 17463087 <GO>}

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Cool. I don't -- if anybody has a question, happy to cede the floor. It's fine for me.

Questions And Answers

Q - Unidentified Participant

One of the things you mentioned in last part of your evolution is the customer relationship. Having covered for a long time the (inaudible) that kind of rings a wrong bell in my brain.

You know, obviously that's the recent -- you know, the big guys coming up out of markets and of business. It was -- obviously, they are having that customer relationship that they have (inaudible)

A - Kevin O'Donnell

Yes. That's a great question. I think, firstly, it's not -- what we're talking about is weighting the superiors. So we still rely heavily on risk selection; we rely on capital management; and then customer relationships. Structurally we are organized so that the underwriter owns every aspect of the deal. Then where in different companies, they may have marketing group, or they may have a customer relationship group. And then an underwriting group -- and there's a degree of separation between the two; underwriter owns 100% of the responsibility for any deal that's written. And finally, I think the -- and most importantly, it's not being able to do any one of those things well. It's being able to integrate being good at all three of them.

So we recognize that being just good at customer relationships can lead to very bad behavior. Being just good at risk selection may ignore the fact that you need to have relationships to be able to access the markets in which you're targeting.

So I think it is the integration of that, those three skills, as well as the integration of the entity across all the platforms in which we're writing business. So it if it is best for someone to be serviced out of our New York franchise, we will make sure that that business is there. If it's best to be serviced out of Bermuda, the business will be written there. And our underwriters are always engaged in that dialogue.

And more importantly, or as importantly, they are all paid from a single pool. If our casualty business outperforms our cat, or cat outperforms casualty, it doesn't matter. The underwriters are all paid based on the performance of the overall organization.

Q - Unidentified Participant

What will happen if a betting [ph] customer of yours in one particular line said look, a problem in here. I need to take this business. You look at it. And you don't want to take it (inaudible) So what do you do in that situation? I lose a whole business with that line.

A - Kevin O'Donnell

Yes. I think we've done a good job being disciplined at what we're trying to do. And we are not trying to re-grade a quota share of your entire risk into RenaissanceRe. We are looking for places in which we can bring value beyond just the capital that we are bringing.

We'll share our expertise in the way we're thinking about risk. It's been very successful for us to do that on the property cat. And increasingly we're having success doing that in other lines. So rather than just saying that we're going to be anti-leveraged -- write this -- write B at negative 10 to get A at plus 10 -- that's not the game that we're playing.

And I think we've been good about being very clear with our customers that if things move to a point where we are no longer interested in supporting it, we will walk away. You're seeing that, actually, now in the property cat, where we are being [ph] down 10. But we are still seeing the opportunities to go into the specialty.

Q - Unidentified Participant

You talked before about the need to be aligned when you are doing the alternative capital. And I wondered what you would look -- what type of structure would make you worried if you see more of them in the market? And maybe how much of that is there occurring right now that worries you?

A - Kevin O'Donnell

So I think -- I wouldn't say worried is the way that we think about it, because we can replicate anything that worried us. So if we thought there was a real threat coming in with a different way in which capital was coming to the market, we could replicate it.

We think over the long-term, we will be paid best by being a good underwriter. So I think if you take it at the simplest sense, one is: someone gives us a mandate. We will go write 5% of every deal, or we will try to build you a preferred portfolio in property cat.

I think our view is we would rather be paid for the underwriting expertise that we can bring. That's what we are and that's what we have built over the last 20-plus years. Being just an index player in this space we don't think it's the way capital should be serviced here, because we don't think it will be the best way for that capital to participate in the market over the long term.

Q - Unidentified Participant

(inaudible)

A - Kevin O'Donnell

So I think from -- our investors are most comforted by the fact that we have a long track record of being successful in this business. And then that we align with them. So they've kind of -- you know, the belt and suspenders. I think if I was an allocator into this space, I would look very carefully as to what is the advantage that that manager has in this business? And in some I see strong advantages; in others I see fewer advantages.

A - Josh Stirling {BIO 17463087 <GO>}

I'd love to ask you where you by your retro?

A - Kevin O'Donnell

Everywhere.

A - Josh Stirling {BIO 17463087 <GO>}

Yes. There is a tension between -- you talked about the -- I think you mentioned the agency conflict. There's a tension between creating your own vehicle to buy reinsurance from and being able to buy it more opportunistically from other people.

And I guess your guys -- the way you manage, more or less, because you sort of had a ceded desk that is looking to take advantage of the market, wherever that best price is. Is that sort of the right way to think about it? Is that the reason you prefer not just to have, like, a -- basically a sidecar for casualty business that's going to give you a lower cost of capital. And maybe a little bit of lower-case adverse -- you know, like a little bit of agency or whatever, a little bit of leverage off of their lack of expertise?

A - Kevin O'Donnell

So I think I'll answer your question in two ways. If you take DaVinci -- if you were to take a step back, DaVinci in some ways looks like the quota share of RenaissanceRe's business. So in one way we are forming a quota share of our business. But it is customer-facing.

I think the other model is where you build a full capital that sits behind a rated balance sheet. And then you are ceding opportunistically into that. We are less interested in doing that, because we think that that is not building a partnership with the capital that we are bringing to the market. When we talk about our third -- or ceded, it really is cessions to true, independent third parties. And what we're looking, when we do that, is trying to optimize the returns within our net portfolio.

So if a cession increases returns, we'll buy it. If a cessions reduces returns, we won't buy it. That doesn't necessarily mean that the seller is getting a bad deal. They may have a very different construct of their portfolio.

One of the large cession classes that we have within Renaissance is something we call the CPT. And what that's designed to do is to give risk to mostly primary insurance companies that's purely uncorrelated with the risks that they have, to the point that if they have losses above the threshold, we will take the losses back. So to them, it's highly efficient capital risk to bring in, because it's perfectly uncorrelated with their tail. And for us it's very efficient, because we have been able model that. And it's basically sell them reinsurance on the portfolio that we ceded, which is the point at which we take it back.

A - Josh Stirling {BIO 17463087 <GO>}

If we talk just a bit more about your actual -- like, on the front end of the business, what is the status in Florida these days? Can you still get peak margin? I know they've come down. But is it still an attractive place that you can be overweight. And that will drive franchise returns? Or is that -- or has there been so much capital in now that everybody is going after Florida. And Florida kind of looks like a lot of other places? And it's not as -- you know, being over-indexed there doesn't make any sense?

A - Kevin O'Donnell

So I think your characterization that Florida has -- excess returns have diminished. And it is looking more like the rest of the US market. It's still substantially better than the international markets, which is true for Florida. And which is true for the US.

I think our desire to overweight in Florida has diminished only based on returns. So our focus on being overweight in Florida -- and we used to talk about it as being hot down low, or being overweight even within the low layers or the high layers within Florida -- has diminished. But we do still see significant opportunities to deploy within Florida. If you take the Atlantic hurricane in general, that still is a risk that drives the tail of our distribution. The Florida-specific component of that tail is smaller than it used to be.

A - Josh Stirling {BIO 17463087 <GO>}

I wonder if we can just talk more sort of about M&A -- obviously, you guys did a big deal. We have talked about the portfolio impacts. But how has the execution of actually bringing everybody on board, aligning systems -- how has that worked? And how do you think about your interest in doing more deals as the market continues -- you know, to consolidate within Bermuda? Or perhaps maybe we should be expecting you guys to do, like, specialty acquisitions or something here in the US?

A - Kevin O'Donnell

So let me talk a little bit about Platinum: what we learned and then what the future looks like. Platinum has been a successful acquisition for us. We closed -- as I mentioned, we closed the transaction March 2 of last year. And at this point every system that Platinum had is fully integrated with RenaissanceRe.

We closed the financial integration in February of this year, which was the last component. The first thing we focused on is the customer -- making sure that they understood the reasons we did the acquisition -- and worked to make sure that we could bring all of that risk on board. We believe we were successful doing that. And looking at the specialty book, the Platinum book plus the Renaissance book today is greater. So that in 2016 not only do we bring the book on. But we have about $100 million of organic growth within those lines as well.

I think it's something -- by doing an acquisition, you do learn a lot. So as I mentioned, our one-time costs were a little higher. But our run rate costs are lower. Part of that is because we kept fewer people than we anticipated. We focused -- from an underwriting perspective we added a New York office. And we added a Chicago office. And we kept all but one of those underwriters. So what we targeted to keep, we were very successful; but looking at what we needed to keep was a little less than we thought.

As far as thinking about future acquisitions, it's one in which we feel like we have everything we need to continue to execute our strategy. We are seeing good growth already on our own balance sheets with our own initiatives within casualty and specialty. And within the property cat, our guidance of down 10 is a reflection of the market, not a reflection of access. And we don't believe that an acquisition in those lines will really bring us much.

We would consider something. But it would need to strategically advance us. And it would need to be done at a financially viable price.

A - Josh Stirling {BIO 17463087 <GO>}

Does it make sense to be a bigger reinsurer here -- I mean, or, is this like the right size to be still nimble?

A - Kevin O'Donnell

I don't think there's a right answer to that. I think we are nimble. I think we're bigger than we were, obviously, a year ago. But that hasn't cost us anything in flexibility. I think our ability to scale with capital, third-party capital with our own capital and with ceded, provides us with great opportunity to continue to grow without acquisition.

As far as being bigger, I don't think we are disadvantaged at the size that we are. I think others are -- you know, it used to be -- you know, when RenRe started, it was $200 million. The last round it was $1 billion. I think that number continues to inflate. I think where we are, we are under no pressure to change the size of the organization. But I don't feel that being larger would diminish our ability to be flexible.

Q - Unidentified Participant

Could you speak about capital returns versus M&A opportunity? Capital returns versus the M&A opportunity?

A - Kevin O'Donnell

So we have always looked to return capital -- our first focus is to deploy capital within the business; and then, if we can't deploy it, is to return it to investors. So I think where -- that's historically been a good strategy for us and for our investors. I think the -- what we are returning and what would be required for a major acquisition is not -- one will not -- share buybacks won't impede our ability to do an acquisition.

If you look -- after closing the Platinum transaction, we have now about -- have about the same financial flexibility as we did prior to the transaction. So with all the capital that moved around over the course of 2015, we're back at about the same point we were this year -- at March of last year.

A - Josh Stirling {BIO 17463087 <GO>}

I wonder if -- I'm sorry, did you --?

Q - Unidentified Participant

No. Not anymore.

A - Josh Stirling {BIO 17463087 <GO>}

Okay, I wonder if you could talk a little bit more about what you guys are actually chasing after in your specialty and casualty things. And then some of the things you're doing at Lloyd's, just because I think everybody sort of understands the property/cat business. But then it's never clear what you actually do in the other business.

A - Kevin O'Donnell

So I think, again, we are not an index player in casualty specialty. We aren't targeting, I mentioned, the mortgage business. We are large in financial lines. We've increasingly added a growing professional lines portfolio. That's kind of a macro across specialty and Lloyd's.

Within Lloyd's we are writing some delegated authority business, which brings some primary exposure to the overall organization. We are doing it in a way that's consistent with the way we think about underwriting. We are not really looking to be the sole primary writer for many programs. We're looking to be part of a consortium of people protecting these delegated authorities.

Within the specialty book overall, I'd say it's reasonably well diversified. It's more professional lines than casualty. And it's areas in which we have targeted to build specific expertise. One of the areas in which the Platinum acquisition brought us was an A&H book.

So again, we not only increased the depth of the lines that we are in with the Platinum acquisition; we've also expanded some of the scope in which we're writing. I think for 2016, I think we're more likely to go deeper in the lines that we're currently in than to expand into new lines.

A - Josh Stirling {BIO 17463087 <GO>}

So what kind of -- what's interesting about financial lines or professional lines, given, though, it sounds like you started at that market high level and then tried to find subsectors or something.

A - Kevin O'Donnell

I think it's -- part of it was when we started writing this was post-crisis. So there was a lot of dislocation in many of those lines. So we saw an opportunity. And we were able to get a toehold into some of the better programs being ceded into the market at preferred economics.

I think within the professional lines, it's partially finding opportunities that we wouldn't have necessarily seen had we not been in Lloyd's or had not hired the teams that we had. So many of these are relationships that our underwriters had for many years. And they were able to bring them over to Renaissance as we continue to build out the platforms.

A - Josh Stirling {BIO 17463087 <GO>}

What kind of classes are you guys doing in these two businesses?

A - Kevin O'Donnell

It's pretty diverse within the professional lines. It could be writing kind of noncritical medical in Australia to writing an architect E&O program in the States.

A - Josh Stirling {BIO 17463087 <GO>}

And remind me: these are both reinsurance on some of these -- on primary?

A - Kevin O'Donnell

Some of those are direct delegated authorities out of Lloyd's. And some of them are protections of reinsurance -- or reinsurance of primary insurance folks.

A - Josh Stirling {BIO 17463087 <GO>}

I see. So like, your Lloyd's business -- is this the kind of stuff your delegated authority is? Or -- because I was imagining -- when you said that, I was thinking you got an E&S broker or something, who's a cover hold who is placing into Lloyd's? Is it like small bars and taverns? Or is it like unique, one-off Lloyd's-y things?

A - Kevin O'Donnell

It's both, actually. Yes. What I was referring to is more of a one-off type thing. So there is no specific example. So kind of one-off type things.

A - Josh Stirling {BIO 17463087 <GO>}

Got it, got it.

Q - Unidentified Participant

Could you talk just a little bit more about how Lloyd's has been in sort of a strategic vision for -- and the, like, flight path for putting it on a more profitable path?

A - Kevin O'Donnell

Sure.

Q - Unidentified Participant

(inaudible)

A - Kevin O'Donnell

So Lloyd's, we think, is important to us. First, it gives us access to write different business than we would otherwise see. You know, it's a big market. So you can set up a syndicate. And you're already part of have a very big existing market. So you have access to business that you would not have otherwise had.

Secondly, it gives us a pool of talent in London that we can access that would have been difficult had we not had the syndicate. Overall we are pleased with where we are with building out the syndicate. And one of the things that has been -- two things that have been hurdles to us in continuing to build the syndicate out: first was the headwinds in the markets. So in many of the markets that we are targeting, pricing continues to be under pressure. And secondly, it was frankly more expensive for us to build out the platform, largely as a result of Solvency II.

We think that it's also a higher bar to jump over to enter Lloyd's, because it is more expensive now that the regulatory requirements are so much more profound. I think the other thing that we've done, which affected us in 2015, is we increased significantly our ceded coming out of the Lloyd's platform. And we did that, really, in response to market conditions and constructing an overall preferred net portfolio. But it hurt us from an economic perspective, specifically in pushing up the expense ratio.

I think with the delegated authority, we've done a good job building out that platform. We have entered that market in a disciplined and measured pace. And we have built the claims and audit roles around that to make sure that we are carefully monitoring the risk and matching it against our expected portfolios that we've constructed.

Q - Unidentified Participant

What's the sort of tail on the type of business you're writing in the delegated authority?

A - Kevin O'Donnell

Firstly, it's within Lloyd's; so it's contained within not only our own risk metrics. But within the Lloyd's risk metrics. I don't have the numbers to hand as to how to think about the tail from that as opposed to the overall portfolio.

We do monitor it on a deal basis. We monitor it on a line of business basis at a syndicate level. And then at a holding company level. So there are several pieces to the way that we are looking at it. So that if we do see something at the holding company level from a risk perspective that we want to dive more deeply into, we can run it right down the chain to the individual account.

A - Josh Stirling {BIO 17463087 <GO>}

What's your big-picture interest in Lloyd's? Is it sort of long-term you want a beachhead there, just to have optionality? Or is it -- do you get really excited about the individual businesses you're in?

Because it -- I mean, I'm just -- it's been a big investment for a number of years. And it doesn't really drive the tail. But you've been growing it a lot. But I think -- not a failure. But not a ramped success either. Just kind of curious how you think about it.

A - Kevin O'Donnell

We like the flexibility to be able to enter and exit businesses. We like the fact that that it's a big market. So their access to risks around the world is pretty accessible. We also think that even on the writing in insurance, our primary exposed portfolio there, it's a reinsurance mindset to think about the risk that you're taking there. So it's very transferable from the way in which we think about risk.

I think over the long term we have great aspirations for Lloyd's. We think over the last several years, starting from scratch has been more difficult than we thought. But we built a platform that can continue to scale pretty dramatically, should there be a great opportunity.

A - Josh Stirling {BIO 17463087 <GO>}

Cool. I guess my last question, if no one else has any other -- what do you think -- this is an easy one. What do you think we need to turn the market? I mean, is it three or four years of pain, of, like, casualty -- you know, dumb casualty decisions? Or is there a big one out there that people are assuming they can't [ph] get hit by?

A - Kevin O'Donnell

I think it can be any number of things. If you go back historically 9/11 wasn't something that people would have talked about prior to it happening as being something that turned the market. The financial crisis, a nuclear plant in a Japanese earthquake -- there's many things that will come up in an unexpected way. I always think it takes some catalyst. And the more surprising, the more profound the response.

A - Josh Stirling {BIO 17463087 <GO>}

That's great. Okay. Well thank you, Kevin, I appreciate your time.

A - Kevin O'Donnell

Thank you, guys, appreciate it.