

Fraser McLachlan

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Spanish wind turbines did it for the chief executive of GCube; he's been hooked on renewables since. He tells Angelique Ruzicka how the industry has matured – and how he will compete when the multinationals join the fray

Fraser McLachlan, chief executive of GCube, is not the most intimidating of figures. Instead, the 42-year-old is relaxed and chatty, but perhaps this is down to the environment in which he works. GCube's open-plan office is small but comfortable enough for the 33 people who work for the company in the UK. It's also a close-knit group, so it's hardly a place for keeping secrets.

“When you have an argument with your wife, 15 other people know about it. You get to know each other's business pretty quickly,” he jokes.

Insurance Times visits McLachlan as he expands his renewables underwriting business and gets ready to do battle with the major players eyeing the burgeoning sector. He's keeping any details of acquisitions close to his chest, but is adamant that they would have to be businesses he understands. “We won't jump in just because it's fashionable.”

McLachlan has already proved that he is no pushover; if he believes in something he will back it. In

the 1980s he left his then employer after it refused to support him when he wanted to get into the renewable sector. It's clearly still a sore point, but he refuses to name the company that told him he was wasting his time.

"I was undaunted and resigned," he says. But it was very early days for the environmentally aware, and renewables were still a new concept to insurers. And those that did get involved got their fingers burnt after insuring firms' research and development risks.

Evolution

McLachlan said his interest was piqued when he got a call about insuring wind turbines that were being transported from Spain to the UK. "We took a leap of faith and started an underwriting agency – and that is what we have done since."

The business started as MGA WindPro and evolved into GCube Underwriting as the renewable energy market expanded.

"We took a view [on the name] because a lot of our clients were diversifying their energy portfolios. Some of our wind energy clients were going into solar and bio fuels, and they were coming to us and saying that they needed help in those sectors. We realised that the name WindPro wasn't necessarily appropriate if you were trying to market to the solar industry."

During its rebrand, the firm launched two new offices in the US to complement an existing facility in Newport Beach. The underwriter now covers six renewables: wind, bio fuels, hydro, solar, wave and tidal energy, and can provide up to \$650m cover for a single project – enough for any onshore renewable energy project.

McLachlan is unwilling to write beyond the confines of those categories, despite the fact that the industry is still evolving. "There is probably a lot of renewable business out there that could be written and insured, but we don't do it as we want to focus on the six key areas where we feel we can add value and expertise. We don't want to become all things to all men."

But if renewables were unprofitable in the '80s, are they now a worthwhile business? McLachlan insists that most of GCube's lines are sound. Over the past ten years it has made money from wind energy, solar, biofuels and hydro but, he admits, has struggled on the wave and tidal side. But he is unwilling to abandon these lines. "We are continuing to support that industry because we are in renewables and therefore we should. But we do need to do more work. Wave and tidal business is very new – it's like the wind business 15 years ago. We think there is an opportunity there; it just needs to mature," he says.

Lack of investment is another stumbling block. In April this year Alistair Darling announced a £5bn injection to fund offshore wind and kick-start solar projects in the UK, but McLachlan says it's "too little too late". Other renewables and the wave and tidal industry need more money.

"There is massive expertise in this sector from a technology standpoint; the government does not support it at the level it should."

It appears the woes of insurers specialising in the renewable energy sector no longer put off the rest of the industry. In 2007, [ascot](#) Underwriting entered the market by establishing a renewable energy operation, Renewco Underwriting. Ace European Group launched Ace Renewable

Energy in the same year. Meanwhile, GCube only transformed itself from WindPro in January 2008. So how will it fend off the competition?

McLachlan admits that it will be no easy task, as the major players will compete on price and the fact that they have worldwide offices. "We asked ourselves what we will do when an AIG, ACE or any other multinational composite comes into this business. How will we differentiate ourselves?

"The main area is in claims and understanding technology. We have heard of lots of incidences where large insurers have sent guys out to site and the first thing they want to do is understand how

a wind turbine works. We know how it works. We know why it breaks and we know what to do to fix it. That's our differentiator."

Diversification

McLachlan says this is how the subsidiary GCube Technical Services was born. It operates a repair service, enabling clients to have their equipment fixed more cheaply than having it replaced by a third party. He argues that it also means a cheaper premium in the long term.

"Our technical services business will become more critical. I am sure the large composites will follow, but it will take them time and I would like to think that, by that stage, we would have done something to stay one step ahead," he says.

With McLachlan's 25 years of experience in the insurance market, he is bound to come up with a tactic to stay ahead of the competition. So far he has helped to expand the business's portfolio, securing extra capacity from Lloyd's to enable it to write more sizeable schemes. In the UK, it has underwritten the £250m construction of Centrica Lynn and Inner Dowsing windfarms.

He is also currently pioneering the business's moves into eastern Europe, where it recently secured the contract to underwrite Europe's largest wind farm, the Fanatanele in Romania, due for completion in 2011.

So how does he relax outside work? He becomes animated, saying that he loves to cook, to scuba dive and to fly light aircraft. "I am a frustrated fighter pilot who ended up working in insurance," he grins. So did he not think to go into aviation? "You can't make money out of that, and I was looking for something more niche." **IT**