RUPERT ATKIN
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Talbot's chief executive is looking to a bumper year. But, as he tells Angelique Ruzicka, he's been burned in the past so is determined this time to keep his business diversified.

NOT MANY businessmen can say that the credit crisis has given them a boost. But Rupert Atkin, chief executive of Talbot Underwriting, says his peers' difficulties have given him a golden opportunity to expand the Lloyd's insurer's new lines of business heading into 2010.

Talbot Underwriting, owned by Validus Holdings, hit the headlines last week when it confirmed that it provided event cancellation cover for AEG Live, the promoter of Michael Jackson's O2 concerts, with a maximum exposure of $3m. But on this, as all other challenges, Atkin remains cool. "We have 25% participation but we are not the lead," says the smartly dressed chief executive.

Talbot operates in the Lloyd's of London insurance market through Syndicate 1183. Its 2008 results were positive while its 2006 Lloyd's year account closed at a 32.2% profit on stamp capacity and its gross written premiums were up 11.4% compared to 2007. However, profits fell in 2008 to £41.6m from £75m in 2007.

Sitting in a sparse meeting room, instead of his office, Atkin is relaxed and chatty as he meets Insurance Times to lay out his plans for the rapid growth of the insurer, which he expects to come from the newly formed construction, aviation and energy businesses. He has made a good start, having recently recruited an aviation team from XL and an onshore energy team employed from the troubled AIG. "These are a high-profile, well-regarded team of people. In that sense the credit crisis has actually helped us," he says with a smile.

Ever the gentleman, Atkin does not gloat about the coup. "If these companies weren't in the distress they are, there is no way we would have attracted these people."

But surely no Lloyd's underwriter with a hand in D&O can have remained unscathed from the recent string of corporate scandals? Unlike others in the industry Talbot has evaded the more severe D&O hits by not directly insuring large US financial institutions; something Atkin puts down to luck and judgment.

However, Talbot has not quite escaped – the tentacles of Bernard Madoff's Ponzi scheme have crept into financial institutions everywhere. "We expect to be more affected by Madoff as it's ended up in a lot of the Swiss financial institutions – the type that we insure," he admits. "But it's a more controllable loss; you can ring fence it."

Talbot was taken over by short tail reinsurer Validus in 2007 and Atkin promoted from director of underwriting to chief executive. "Validus was a very good business mix," says Atkin. "There was little overlap in terms of what we write. Talbot is quite an untypical Lloyd's business in that it has a lower proportion of property business, whether it's reinsurance or direct."

Talbot's parent company has just come out of a bitter – and very public – battle with Max Capital over IPC Holdings, which is based in Bermuda. Max Re's takeover was set to go ahead until Validus made a hostile bid. Atkin was not personally involved in the deal but he is forthright in his belief that Max would not have been a good proposition. "Max has a very long tail account … from a personal point of view it wouldn't be attractive to me. It also has a very alternative investment portfolio that has suffered in recent months, whereas the portfolio that Validus and Talbot run is cash based."

But the battle for IPC is not over yet. As we went to press, IPC chairman Kenneth Hammond said that the board continued "to recommend against the current Validus offer". The company was also considering bids from other parties but would not reveal their names.

Atkin's antipathy towards Max Capital does not stem solely from Validus's public battle; it comes from being burned in the past. "I have a strong dislike for casualty business. It had a very damaging effect on a previous company that I was in and I don't personally want to be involved in it again.

"It's an extraordinary class of business; to write something where you don't know where you are going to end up for seven years. I don't know how the successful underwriters manage to do it …."

His past experience ensures that no single class of Talbot constitutes more than 20% of the overall premium income of the syndicate. Talbot's Syndicate 1183 writes a diverse marine account with property, a contingency account, composite treaty, accident and health, livestock and a largely non-US financial institutions account.

Atkin says that he is keen to preserve this diversity. "My view is that each class of business will have a year where things will go wrong. Alleghany, my previous business, was taken down by an over-reliance on one class of business. Syndicate 1183 had always made money but we merged into the non-marine business. I felt quite bitter about it."

After Alleghany withdrew its support post-9/11, Atkin had two months to start the business again, this time as Talbot. He did this using the business his syndicate had generated and was able to secure $180m of venture capital. But more stability came in the form of private equity firm Olympus which, in 2004, became Talbot's largest shareholder. "At least we knew that we had permanent capital and didn't have to renegotiate with different people every year," says Atkin.

From then on, he was keen not to repeat the same mistakes. In 2005 three major hurricanes did not prevent the syndicate from making what Atkin believes to be a considerable profit, an 8% return on capacity, despite being leaders in property treaty, property DNF and energy – three classes that were affected heavily.

There is no doubt that the 51-year-old Atkin has a passion for insurance, but when the focus is on him he becomes modest. When asked if was the natural choice to succeed Michael Carpenter at Talbot when Validus took over? He grins and says: "You'd have to ask Ed Noonan [chief executive of Validus]."

The insurance industry, it seems, has always interested him, enough to steer him away from the glitz and glamour of the banking and asset management industry. "I was told to start as a broker as I would get more exposure to the business. Essentially if you screw up, your boss sorts it out … if you screw up as an underwriter it costs someone a lot more money."

Four years later he went to Catlin as an underwriter. "I joined Stephen Catlin [now chief executive of Catlin] as his deputy underwriter. He taught me a lot and it was a great experience."

But despite his success Atkin keeps himself grounded. "You are only as good as your last mistake. It's important to stay scared and not be intoxicated by past achievements. The business has a habit of surprising you."