

Ascot 'cautiously optimistic' on casualty opportunity with new backing in place

The carrier has undertaken work to give it "optionality" for a public listing, but has no plans to list in the short term.



Jonathan Zaffino

Ascot and its current backers see "enticing" opportunities ahead for the franchise as the carrier looks to lean into a dislocated US casualty market in 2025, and further develop its third-party capital proposition, according to CEO Jonathan Zaffino.

Following the injection of additional primary capital from **BellTower Partners** in September, the former Everest executive said that majority backer CPP was "very supportive of Ascot and shares in the enthusiasm the management team have for our future".

He said that with the arrival of BellTower CEO Kewsong Lee as chairman – who was a founding investor in Arch and RenaissanceRe – CPP was focused on the value creation story that is in front of the company.

Lee joined Ascot on the close of the investment from BellTower, a new permanent capital vehicle he established after leaving PE firm Carlyle, where he was CEO.

Ascot was widely perceived as on a glidepath to an IPO in 2025, after prior efforts to find a sale under Zaffino's predecessor Andrew Brooks were **wrapped up** without a transaction.

And Zaffino said that management had undertaken a substantial amount of work to provide "optionality" around capital and ownership, with a public listing one such option.

But he said that CPP is a "long term investor", seeming to signal that post-BellTower there is no transaction on the horizon.

He added that he felt "really, really good" about Ascot's current model, with "ample" capital, a more diversified suite of investors, as well as a franchise that was generating capital through strong performance.

"Management has to come up with the plan and the strategy and the ideas. I think Kew [Lee] found those pretty compelling," Zaffino said.

"And I think his ability then to work with us and our shareholders, to help drive significant value is very enticing to all of us. All of us, including our largest shareholder, CPP, are excited about the opportunities ahead."

Jonathan Zaffino: Career timeline

| Company | Role | Start | End |
|---------|--------------------------------------|----------|----------|
| Marsh | Managing director | Mar 2010 | Jun 2013 |
| Marsh | President, Victor (United States) | Jul 2013 | Feb 2015 |
| Everest | President, National Insurance | Feb 2015 | Mar 2016 |
| Everest | President, insurance (North America) | Apr 2016 | Dec 2017 |
| Everest | President and CEO, insurance | Jan 2018 | May 2020 |
| Ascot | Group president | Jun 2020 | Jan 2023 |
| Ascot | Group CEO and president | Feb 2023 | n/a |

Source: Ascot; LinkedIn

Casualty and captives

Zaffino singled out casualty as one of the main areas where Ascot saw an opportunity for profitable expansion.

"We are cautiously optimistic on the casualty market, not all segments, not all pockets, but in the areas where we trade, particularly across the specialty lines," he said.

US excess casualty has headed into a micro-cycle, experiencing a second wave of hardening, with some carriers now recording rate rises of more than 20%.

Quizzed on reserving adequacy on the 2021-23 accident years where industry fears have risen over the last 12 months, Zaffino expressed confidence in Ascot's position.

"There's nothing in our data that makes us uncomfortable," Zaffino explained.

Ascot's growth in casualty exposure will not be limited to insurance business, Zaffino noted, highlighting that the carrier would also look to grow through ILS vehicle Leadline Capital Partners.

"We do see opportunities to expand into casualty and other areas as well, and I think that's because investors want to be very aligned with the portfolios that are being

underwritten, and they like opportunities that attach close to the original source of the underwriting," Zaffino said.

Ascot **launched** Leadline Capital Partners in August to support its third-party capital business.

The company uses the platform to partner with institutional investors and provide collateralised reinsurance for its global property portfolio.

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Meanwhile, Zaffino also sees opportunities in the captives arena, where Ascot is looking to expand globally to capitalise on significant growth during the hardening phase of the cycle.

"We have been working really hard on a captives initiative over the past few years, initially centred in the US, but it's something we're going to evaluate in other parts of the world as well," he said.

This includes fronting for captives that lack licensing, and offering its facultative capabilities.

Whilst Zaffino was broadly positive on underwriting conditions, he acknowledged that there are areas where Ascot is trimming its involvement.

He singled out pockets of financial and professional lines as an area "where rates have rolled over pretty hard".

Where pricing does not meet expectations, Zaffino was adamant that Ascot was prepared to walk away from deals.

"We're really good at leaning in, but I think our real superpower is leaning out," he said. "We know when to lean out, and that's happening across multiple pockets right now."

In changing market conditions, the executive explained that diversification was key to maintaining growth momentum – and that Ascot had over 200 products to leverage.

"The good news for us is Ascot Group [is] now [...] trading circa 200 specialty products across the globe," he said.

"So, we see lots of ways to continue to profitably grow, to innovate and continue to expand, while exerting the underwriting discipline that we always have to deliver the proper risk-adjusted return."

Cat volatility

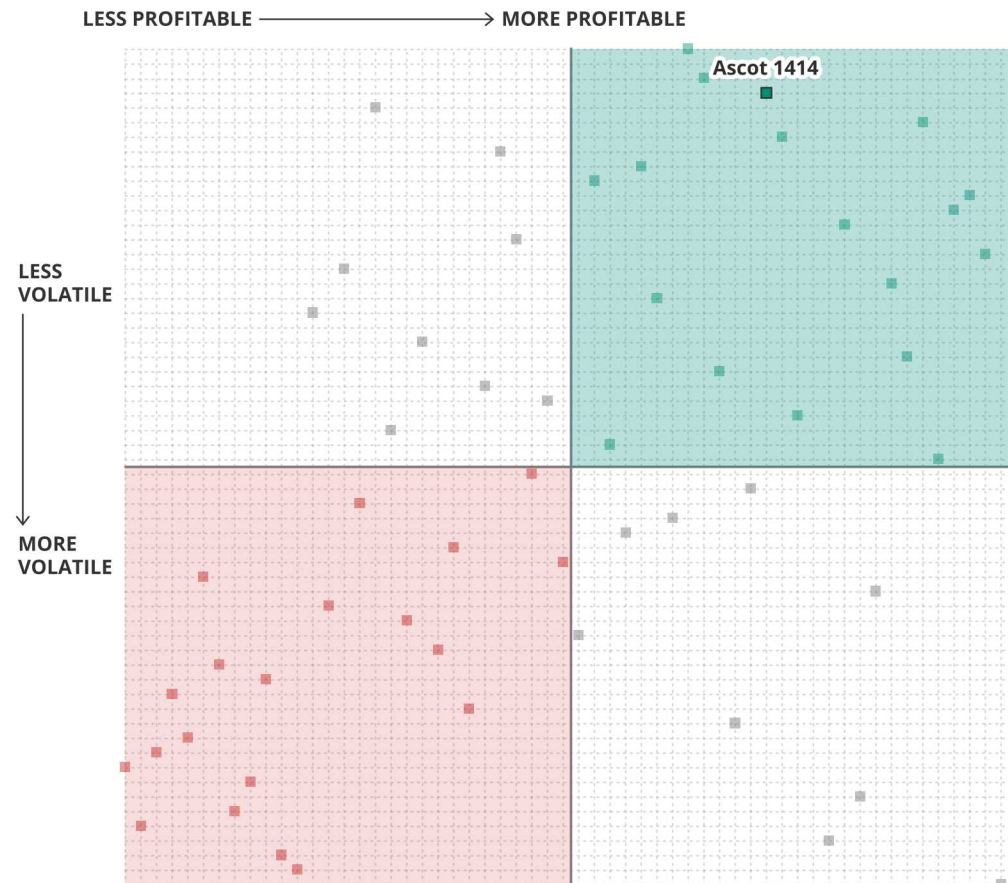
While Hurricane Milton has not proved to be the game-changing event the industry feared as it was hurtling towards Tampa, Zaffino said the storm was part of a trend of worsening extreme weather.

"You're getting these extreme weather patterns all over the world," Zaffino said.

"I think sometimes an event like Milton reminds you of what's possible, and companies who aren't planning for potential extreme events, I think it's a bit of a dangerous game."

Ascot 1414 was one of the least volatile and most profitable syndicates at Lloyd's over the last five years

Lloyd's syndicates ranked by → **underwriting performance between 2019 and 2023** and ↓ **volatility of underwriting returns over same period**



Profitability = average combined ratio for 2019-23 period, weighted by annual GWP

Volatility = weighted standard deviation of annual combined ratios reported for 2019-23 period

Criteria for inclusion: five years of trading, with more than £100mn of GWP in at least three of those years

Also excluded: life syndicates, RITC syndicates and SPAs

* Syndicates which changed ownership/management during the period

Source: S&P Capital IQ Pro; company financial statements

Despite the challenges of the changing climate, Zaffino said that Ascot was well placed to continue to thrive.

"For a company like ours, born and raised specialty, it's in our DNA," he said.

"You are forced to think about volatility from day one, so our portfolios are designed to attempt to deal with that volatility, even at extreme levels."