
Q& A:

with Paul Cooper
Group Chief Financial Officer

Opportunity knocks

Hiscox is financially sound and poised for significant growth across its many business units. The challenge for the finance function is to help realise that rich potential. >





Paul Cooper joined Hiscox as Group Chief Financial Officer in May 2022, after working in Chief Financial Officer roles at M&G Plc, Arrow Global and Canopus. Paul had previously served as Finance Director for Hiscox UK and Europe from 2006 to 2011 during a key phase in the Company's growth.



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Q: You're what's known in the business as a 'boomerang' – you left Hiscox in 2011 before returning a decade later. What were your impressions of the Hiscox culture the first time around, and has it changed much in the interim?

A: The first time around, the business seemed very entrepreneurial, very ambitious, always trying new things. It had a really strong vision for growing the business, not only in the Lloyd's space, but also across retail and internationally. The people here were a pleasure to work with, and they all wanted to do the best for the Company. There was a real sense that people wanted to get on, that they liked coming to work. I think what's very pleasing on my return is that those aspects still prevail. If anything, they've been reinvigorated under Aki's leadership. He's got loads of energy, and I think he's employed people who have the same vigour. We're all here to deliver on the potential that Hiscox undoubtedly has.

Q: How would you characterise the condition of the Group's finances?

A: The business itself is really well placed. It's a diverse business with a number of different business units and what's pleasing is that they all have very strong potential, they're all very well set in terms of performance and capability. And that's against the background of a strong rating environment. Pricing is going in the right direction, and has been for four or five years, and that looks set to continue. So, the commercial aspect is strong, the culture is strong, and the balance sheet is really strong too. Liquidity is good. With all that in place, my focus can be on how I help the business grow and drive more value, rather than – if I were joining a company undergoing turnaround – shoring up the balance sheet and fixing things.

Q: Where do you see opportunities for growth?

A: Everywhere – absolutely everywhere. As I said, all of the business functions are firing on all cylinders. If you take the Re & ILS business, for example, they're going through one of the most attractive rate environments they've seen in decades. From their perspective, the opportunity for growth is very significant. There's just a question of risk appetite – while those rates are very attractive, you don't want to bet the house on going after them and end up with an unbalanced portfolio. Rates are also continuing to harden in the London Market, so we see real opportunities for growth in that area too.

Then there's our Retail business. Europe is fantastically positioned – it's been growing in all of its six markets. The UK has been re-energised under the leadership of Jon Dye, who knows the market well and has the pedigree to deliver a really profitable business. And then the US business has an amazing

opportunity in a significant market that is currently fragmented, under-served and ripe for disruption from a digital perspective. I think we'll see big gains there over the coming years.

Q: Is much change currently required within the finance function?

A: Finance is a function that demands constant change – it's always going to be either a recipient of change because the business itself is evolving, or it needs to be proactively improving itself to help drive developments elsewhere. As a general philosophy, I'm always looking at what we need to change in order to be better. Right now, more specifically, there are some major changes required for the implementation of a new accounting standard called IFRS 17, which is placing an enormous demand on all finance professionals in the insurance industry. There's a significant level of attention on it, and its scale and complexity are not to be underestimated.

Q: In layman's terms, what is IFRS 17?

A: There are a number of elements, but essentially it changes the way that you measure some aspects of the profit-and-loss account and the balance sheet. The biggest part of that is that you now discount your claims liabilities. There's also a lot more presentation and disclosure required. From now on, we will have to report on a much more granular level. The biggest challenge in the short term is that this has placed significant demand on us to make changes to systems and data, which in turn adds to the demands being placed on the finance function. IFRS 17 is a big deal, layered with complexity. It will take time to bed in, but it does mean that, in future, transparency levels will be greater, so our performance will be easier to understand and easier to compare with other businesses.



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Q: Aside from that, what have your other major priorities been in your first year in the role?

A: One accomplishment has been to engage more with capital markets and develop a closer relationship with equity analysts. We also essentially refinanced our debt in September, and that's no small exercise. In the grand scheme of things, though, I would say that the big priority is to do things faster: report in a faster time, improve our forecasting capability, improve our management information so that we can better understand performance. We've had quite a sizeable investment in systems and processes in recent years, so the question now is, how do you maximise those? We have more and more data available, and I think there's a competitive edge to be gained by optimising its use and understanding its dynamics. We've made a good start in that space, and it's already showing. There are aspects of performance that we can measure now that we simply wouldn't have been aware of six months ago.

Q: You've come back into the role at an interesting time from a political and macroeconomic perspective. What has that meant for the business?

A: Clearly, the most notable thing has been the Russia/Ukraine conflict. From a reserving perspective, that's all been well covered off, and we've managed our exposures very well. But on the asset side of things, it has stoked inflation, and that's had an impact on central banks, which have responded by driving up interest rates. As a consequence, we've had unrealised losses on bonds in our investment portfolio, which has obscured the strong underlying insurance performance of the business.

In time, we're confident that those losses will be reversed. It's clear that markets understand and appreciate that this situation is not permanent, so our share price has not really been impacted.

Q: What will your approach be to developing people within the finance function?

A: That's a really interesting question. Traditionally, and I don't ascribe this only to Hiscox, finance people tend to become technical experts in a particular area – they become the best reserving actuary, or the best capital actuary, or the best financial planning and analysis (FP&A) person. The problem is that at a certain level of seniority, you really need to have a broader, more diverse experience. By necessity, if you want to be a chief financial officer, you've got to know how things work across financial reporting, actuarial, FP&A, capital, reserving, and so on. A management position requires not only a depth, but also breadth of understanding. At the very least, you need to know how to get the right people in to give you the right insights and help you get to the right judgements, and that does require experience. I'd like to see more emphasis placed on people moving around within finance, so that they get that greater breadth of understanding.

Q: Outside of work, what gives you energy?

A: Loads. I love to run with the dog. I socialise with good friends and family. And I watch Arsenal play football – although that creates a different stress! I'm a season-ticket holder. They've been very good recently, but that brings an angst of its own – worrying about when they're going to fall from grace, rather than why they're doing so badly. It's almost worse! ■