Loyalty at Liberty

Meet Australia's most dedicated insurance chief, who's still running the company he helped set up 20 years ago

By John Deex

n a world where personal ambition reigns, Mike Abdallah is a rare example of long-term loyalty.

He played a crucial role in setting up Liberty Mutual's international and specialty arm, Liberty International Underwriters. And as it marks its 20th anniversary, he's still there.

"I am the longest serving chief executive or president in the Australian market by a mile. There is nobody anywhere near that," he tells *Insurance News*.

And he's not the only one – five senior team members who joined in 1999 are still with the firm.

Part of the Boston-based Liberty Mutual Group, the fifth largest property and casualty insurer in the world, Liberty in the Asia Pacific is about to rebrand as Liberty Specialty Markets, bringing it into line with the group's London operations.

Mr Abdallah, who in 1999 was working with the company in New York, was one of the architects of Liberty Mutual's launch of a commercial insurance operation serving the Asia Pacific region. Being Sydneyborn and raised, he asked if he could relocate.

He started up operations in Australia, and later Asia Pacific, while retaining a global role.

Today, the Asia Pacific division has expanded to include 400 staff, and offices in Sydney, Melbourne, Brisbane, Adelaide, Perth, Hong Kong, Singapore, Malaysia and China.

The company has grown more than 50% in the past five years, now writing more than \$400 million in premium.



"I was always taught from day one that the only real selling point that insurers have is their ability to pay claims. We must have that right."

In the early days Liberty only dealt in "bigger ticket stuff", but now incorporates a sizeable SME operation. Today it underwrites more than 20 commercial product lines for 20,000 businesses across Asia Pacific.

There has been growth and change, but as President and Managing Director Asia Pacific Mr Abdallah explains, much has remained the same – not least a focus on sustained profitability, reliance on the broker model, and an enviable reputation.

He puts the company's "major success" down to its key attributes and principles.

Culture, he says, is critical. Having learned "what not to do" earlier in his career, Mr Abdallah says by the time he launched Liberty he had a clear vision.

"From day one I've always focused on getting the right people in," he tells Insurance News.

"We spend an inordinate amount of time interviewing, making sure we get it right the first time. We don't like having to make those decisions to exit people.

"We look to cultivate them, train them, develop them. We make our people feel good and we certainly have a team approach."

There is no place for "silly egos" in the management team, he says. "We don't have that big bravado, that they're the kings of the castle. That's something I don't personally enjoy seeing.

"Our people feel good about life here and they stay here and they work as a team. We have probably got the highest retention in this market. Certainly we are an employer of choice - people want to join us."

The company's culture was protected as the business expanded, with new branches set up by people already immersed in the Liberty way of doing things.

Only those who "understood the culture back to front" were trusted with these roles.

"The culture that we had from day one was exported all over," Mr Abdallah says.

"[New branches] were never started up by people outside the company, but by those embroiled in our existing culture, which really kept the cohesiveness and richness of our culture throughout Asia Pacific."

He says making employees proud of the company they work for provides a strong platform, and Liberty has always aimed to differentiate itself.

"Value propositions" were developed for every location, product line and function, and close relationships with clients are treasured.

"When you've got your act together it is like your body. If you are healthy on the inside you are displaying a good outlook.

"I believe that we have good insides and that is why people want to join us.

"We want to build over time, we want to bring value, we want the business to sustain profitability.

"When the majority of the past 20 years has been the soft parts of the cycle, it's no fluke that you can sustain profitability for 19 of those years."

Liberty's careful nurturing doesn't just apply to its culture, but also its business. Gradual, sustainable growth and a focus on actuarial insights have been central to its success.

"My philosophy from day one has been get your foundations right and focus on the right things, like underwriting profitability," Mr Abdallah says.

"We've gradually added products and capabilities. We haven't had that silly top-line focus, and we've been focused on building differentiation through our people, through our service.

"We are not going to go out and say we need to have this top-line by year 2020 and go after that for the sake of it. It will drive the wrong behaviours and produce the wrong result.

"We've introduced, with the help of London and elsewhere, newer products that we've been able to assimilate, and enhance our overall value proposition.

"We are experiencing some good uptick in certain pockets of the market which is enabling us to grow for the right reasons at the right prices in the right products."

Keeping a watchful eye on the insurance cycle has kept Liberty "ahead of the game", Mr Abdallah says.

This is visualised through the use of two clocks - an underwriters' clock and a brokers' clock. "The underwriters' clock is based on the underwriting year results, the brokers' clock is based on the profit and loss.

"Profit and loss brings in prior year development, it is not showing you the running rate of the business.

"We're basing a lot of our decisions on the underwriting clock. Which means these are our early warning signs working closely with the actuaries so we can take action."

Having early insight means Liberty can avoid kneejerk reactions that can destabilise the market.

It does not need to re-engineer, suddenly abandon

previously supported sectors, or pull back on paying claims.

"Having been around as long as I have, I have seen [markets pulling back on claims] happen before as the margins get thinner," Mr Abdallah says. "But if we're staying ahead of the game, then we are not over-reacting and not getting ourselves into trouble.

"And if we are not getting ourselves into trouble, we don't have those diminishing margins to the extent that we have to find ways of perhaps slowing down or not being as positive in our claims approach. We have not had to do that.

"I was always taught from day one that the only real selling point that insurers have is their ability to pay claims. We must have that right.

"We've never had to re-engineer. We have never done that and never want to. At the same time we want to have a fair, equitable and expedient way of dealing with claims.

"[Slowing down on claims] is just reflective of not having your own house in order – because that is the only reason why you would end up doing that."

Consistency is important in building a reputation with clients and brokers, Mr Abdallah says, as is a willingness to provide solutions for hard to place business when times are tough.

"That held us in good stead during the softer times. Our brokers and clients could have got up and moved to a cheaper market but they stayed with us because we had helped them out at a difficult time. We have still got that attitude.

"Some markets are in a bit of turmoil and are exiting.



"You'll hear chief executives of some of the brokers here saying that Liberty has been consistent, not walking away when the going gets tough. We are proud of that. That's been part of who we are. It's a long game.

"There are certain businesses that we wouldn't do in the softer market, that we would do in the harder market if we could get the right price for them. But we haven't gone into those and then exited them in a way that's left brokers in distress."

While Liberty trusts in its broker partnerships, getting closer to the end client is also part of the process.

By building relationships, and increasing relevance by adding products, it hopes to create more "sticky" business.

"We've got a strategy in play where we are adding products to our core clients so that we become much more relevant to them, so that it is not just the broker's

Mike Abdallah on...

The royal commission

"If you're talking about the banks, it makes me a little sick to see them calling you up now and offering to do this, or that. It's reacting, instead of having the fundamentals right in the first place.

"We built Liberty in this region very much on integrity, and who we are. That honesty and integrity has held us in good stead. Starting to be the nice person now after the royal commission is like shutting the door after the horse has bolted.

"Get your act together up front, and get it right and make sure that when the royal commission goes away you are still doing the right things."

Broker commissions

"In a lot of the bigger ticket stuff it's fee-based, but those fees have reduced alarmingly due to competition over a number of years.

"I think it has been quite tough [for brokers], and sometimes they are better off where they do receive a commission. They do need to start doing a better job of explaining their value propositions to their clients so that their fees are reflective of where they probably should be.

"This aspect has not been given the right attention over the years, and certainly in the softer parts of the cycle."

The hardening market

"The businesses that are hardening are doing so because they have had big claims or claims frequency. Part of this is related to inadequate pricing, some to weather perils, and others impacted by regulatory changes.

"Some of the segments within property that have always been volatile – whether that's abattoirs or sandwich panelling – are seeing very high prices and are difficult to place.

"There is a flow on to other business.

"I haven't seen the market hardening to this extent for a long time. But then again I haven't seen as many losses either."



"We've always been a broker market and always will be."

call to say 'Liberty can't give you this price and we'll just go somewhere else'.

"If we are doing more products and offering a service to the client it makes the business more sticky over time. We are constantly looking at ways to make ourselves more relevant."

But none of this means bypassing the broker. While others are looking at direct offerings in the SME market, Liberty is not.

"We've always been a broker market and always will be," he says. "But the brokers have always been prepared to put a quality bunch of our people in front of our mutual clients.

"That is why we've gone to a lot of trouble to make sure that our people not only know what they are talking about and understand the industry but are also user friendly."

And it appears to be working. In last year's National Insurance Brokers Association broker survey, Liberty was voted the insurer most trusted to deliver on promises - "the best accolade we could get".

There is no doubt that Mr Abdallah still sticks to the principles that set the company on a successful path 20 years ago.

He can list them in flash, so deeply are they ingrained.

"It's all about attracting the right people and looking after them. It's about the teamwork, discipline, the focus on profit, value propositions, having those direct relationships, looking at your actuarial numbers. Instead of being aimless do things thoughtfully, don't diversify for the sake of it, never re-engineer."

And he has no regrets about spending so long putting them into practice.

"It's been a great ride, and a great company," he says.

"It would be silly for me to say that I haven't had my ups and downs, and there have been attractive offers.

"But I am dedicated to the people, as well as the company." $\hfill\Box$

Falling into place

Mike Abdallah fell into insurance "like many people do" as a teenager.

Born and raised in Sydney, and having left school a little earlier than he would have liked, he was just looking for a job.

He ended up in the claims department at Norwich Union, but it wasn't long before a twist of fate shifted him into underwriting.

"A person in the underwriting department was doing up his car and gave himself third degree burns and they asked me to go and sit in the underwriting department. So I ended up in underwriting and moved on from there."

Next was FAI, then Hartford-Monarch, which was acquired by Cigna (which would later be acquired by Ace,

which then merged with Chubb).

With Cigna, Mr Abdallah moved to Tokyo in 1985, before being promoted to the head office in Philadelphia.

Then he "put his hand up" to go and rescue the London operation, which was in trouble.

"I did fix it," Mr Abdallah says. "I changed their behaviours and turned it around into a profit. I was a movie star with the actuaries who ran the company at the time."

But at 44 he felt young enough for a new challenge, moving to New York to head up a smaller company, Navigators.

However, they "didn't have the capital to run a global business" and he joined Liberty in February 1999.

"It's the best company that I've worked at," he says.