

Resolution's Cowdery Seeks to Release 'Trapped Capital' in Mature Life Markets

Clive Cowdery has done his bit to shake up a stagnating U.K. life insurance industry, and the founder of Resolution plc intends to extend his influence to the life markets in the United States and Europe.

"There is trapped capital in the global life market and we are looking for ways to unlock that," said Cowdery in a speech at the International Insurance Society's 47th annual seminar in Toronto. He described Resolution, which he founded in 2003 to buy up closed books of life business, as a "test case" in a U.K. market where decades of steady growth have effectively ended in stagnation.

Cowdery said life insurers that do the bulk of their business in the U.S., U.K., Western European and Japanese markets are finding it difficult to deploy their considerable capital resources in these mature markets.

"We are finding a way to sensibly tap into emerging demand for life and asset management services in growth markets," which he said include Asia, Latin America and Central and Eastern Europe.

Cowdery said not only are life insurers in developed markets trapped by locked up capital and over-capacity, they are "trapped by regulation." What he means by this is that regulators are now clamping down on careless sales and marketing practices that in the past drew little attention.

"We will not benefit from ignorance and inertia," he said.

Resolution's unique role in the U.K. life market since its founding has been to buy up closed blocks of life business from life insurers who see little prospect for growth in those areas. Resolution takes a long-term view in extracting returns from those assets, while the ceding insurer can free up capital that was needed to secure those blocks to invest in higher-growth areas.

Cowdery was blunt in his prognosis for life markets in mature economies. Large multinational life insurers should begin to shift capital to emerging high-growth markets. Midsize insurers, he said, "should contemplate giving up if you can't grow your profit."

Known in the United Kingdom for his aggressiveness, Cowdery said the U.K. life market is now well on its way to the necessary consolidation -- Resolution itself made seven acquisitions since its beginning.

"Now that the U.K. life market has made the necessary adjustment, we are looking hard at the U.S. market, where the adjustment has not yet begun," he said.

He also hinted that 2012 and 2013 "will be an interesting time in Western Europe, where Solvency II will put increased capital strains on smaller insurers." (Published: BestWire - 06/23/2011).

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