

# Keeping out of the spotlight



Jay Nichols, the “non-spotlight” chief executive of Axis Re, gives a rare interview to Reactions about the innovation and entrepreneurship that he sees as core values at the reinsurer.

There is something profoundly curious about a leader who actively deflects the spotlight and Axis Re’s chief executive officer, John ‘Jay’ Nichols, is no exception. Born in Longmeadow, Massachusetts with a business and accounting major degree from Babson college, the 54-year-old insurance lifer is a intensely humble American gent with impeccable manners and sharp wit.

In the nearly six months it took to set up this rare interview, Nichols remained as accommodating as possible, while also shying away from any overt attention; idiosyncrasies noted as “typical Jay” by colleagues and other chief executives. After speaking with several high-ranking officers in the market, it is abundantly clear Nichols is revered as the type of approachable leader who has many friends and few enemies. Not a single bad word was spoken of Nichols – a rarity in the rivalrous reinsurance space – but all agree that what makes Nichols so venerated is this constant keenness to shine the limelight elsewhere.

Aon Benfield Americas CEO Bryon Ehrhart, who has known Nichols for 20 years, says: “When it comes to being in the press or making good news, Jay is the latter. I think that is the difference with him.” Zurich Insurance’s head of group reinsurance Paul Horgan described him as “a good business partner but a great sparring partner”. Nichols himself says: “I’m not a spotlight guy. I keep a very low profile. I don’t like a credit culture. Nothing happens because of one person but a great deal happens because of the contributions of many. There’s no reason to put anybody in the spotlight when there are so many people contributing.”

Nichols joined Axis Re as chief executive officer in 2012 having spent more than a decade working at RenaissanceRe Ventures in various senior positions. Despite having “totally retired”, and thoroughly enjoying time spent with his wife and daughter, a call from Axis Capital Holdings president and CEO Albert Benchimol

quickly drew Nichols out of retirement and back into the reinsurance fold. Or as Nichols puts it: “I couldn’t stay away.”

But stay away he has. Nichols has already clocked more than 250 flight hours in the first quarter of 2014, after committing to spending at least 100 days in front of Axis Re’s customers this year. While he describes being away from home as “tough”, he also says: “This is an important goal for me both because of the obvious benefit of being face-to-face with our partners in business and as a show of support and appreciation for my team. They work hard to build these relationships and provide products and services that maintain them. I can show my appreciation for their work and the business relationships we have by showing up, and I want to do that.”

When Nichols joined Axis Re it was in the midst of shedding its start-up skin and maturing through its transitional adolescent phase. By all accounts, Nichols has worked relentlessly for nearly two years reshaping the culture and mindset of Axis Re’s 215 employees in order to move the business forward. Axis Re’s chief underwriting officer, Bill Fischer, says Nichols was at the very nexus of driving this indoctrination forward, but was equally determined that Axis Re should retain the youthful outlook which made it a success from the start.

“We’ve needed to mature our organisational structure and, along with that, the culture. Going from the organisational mindset where people were operating in start-up mode to where people are operating in a more mature environment is hard. But the one thing we didn’t want to lose culturally is our entrepreneurial spirit. That’s what really counts. We charged our people to take both personal risks as well as professional risks when we were a start-up. I think we’ve determined that people with that kind of skill set or basic desire are still very much people that we want to work in our company today.”

## **“I have heard that I have a reputation of being highly analytical; however, I spend most of my time, thought and effort on the cultural and interpersonal aspects of Axis Re.”**

**Jay Nichols, chief executive at Axis Re**

There are recurrent themes – innovative and entrepreneurial – used to describe both Nichols and Axis Re, which pepper conversations with those on both sides of the Axis Re walls. Ehrhart describes Nichols as “one of the leading innovators in the market” but also says what sets Nichols apart in a congested space is the fact he treats everyone he works with as an equal, whether client or colleague. “He gives them a chance to partner with his thoughts and make better outcomes for the clients they are serving. He understands what clients need to do and what makes economic sense for both parties.”

In terms of current and future plans for Axis Re, Nichols says he is keen to “extend, and make repeatable, our customer service model”, as well as use the company’s analytical capabilities to jockey for a better position in the overpopulated, oversubscribed, over-capitalised reinsurance market. Nichols is raring to hustle. “At the end of the day, all of this rotates around the ‘axis’ of having the right people, in the right roles, doing the right things, at the right time,” says Nichols, adding: “We also plan to lead in what we refer to as being an ‘arbiter of where risk meets capital’.

As for expansion of product lines, Nichols says Axis Re’s focus is currently on “digestion” of current product lines rather than looking to “consume” new lines. “Over the past 18 months, we have added three lines of business at Axis Re: agriculture, marine, and weather and commodities. These are scalable, global businesses that fit well alongside our current portfolio of offerings. Most of our focus today is on optimising this expansion and extending our current product offering. At the same time, we keep our eyes open for new and compelling opportunities, whether they are extensions of current businesses or entire new lines.”

Knuckling down to the brass tacks and hard facts, Nichols admits the financial burdens of the past five years have been arduous, but says the direct impact on Axis Re’s balance sheets has been “relatively manageable”. Speaking about first quarter results, Nichols says despite some hiccups he believes Axis Re will see out 2014 positively. “The [Axis Capital] corporate results were a little bit less than the market had expected due to some normal volatility and lower investment returns from our alternative asset portfolio, though the company still reported a combined ratio of 91.9% for the quarter.”

Looking more closely at Axis Re, Nichols defends the reinsurer’s 29% first quarter underwriting income fall to \$92m, from \$130 million for the first quarter of 2013. “It is worth noting that the first quarter of 2013 was a particularly strong quarter for Axis Re, which was positively impacted by loss-sensitive features in several contracts. Axis Re also achieved solid results from our core businesses and additionally, our results were positively impacted by a low level of catastrophes, as well as from favourable reserve developments from prior years. For the balance of the year, despite some strong industry headwinds, I believe Axis Re is well positioned to outperform.”

Moving further afield, we discuss whether Nichols feels there has been any relief from the macro financial burdens with the advent of new capital. “The simple answer is no,” he says carefully,

pausing before adding: “But it’s important for us to recognise that not all of the new risk capital providers coming into the market have the same goals or the same interests. It sounds like a paradox, but much of the new capital has caused many transactions to ultimately become oversubscribed. In addition, this bounty of new capital has influenced buying behaviour, pricing and terms and conditions across markets.”

“Over the near term, we expect pricing pressures in the property catastrophe lines to moderate as peak zones appear to be seeking a new equilibrium. We also expect pressure on other business that suits the capital markets as both traditional reinsurers and these new risk capital providers look to participate in other non-property lines of business.”

With respect to the market in which Nichols has worked for more than three decades, he feels there is a need for reinsurers to do a better job of managing risk. “In my view, insurance-based risk transfer is an integral component of the overall capital equation that business heads at corporations grapple with when evaluating their business and their overall risk profile.”

He continues by urging fellow reinsurers to change their mindset and allow more capital to flow freely back into market by adding further risk to their balance sheets. In other words, do what reinsurers do best. “Our role is to provide efficient and relevant products that respond to their interest in mitigating risk, managing uncertainty and recovering from unexpected events. This is a mindset shift for some and more common sense for others.”

Again, the theme of innovation arises as Nichols presses for increased use of analytical eyes across the industry. “We need to price our products for the current cost of the risks that are inherent in the products and be cognisant of the weaknesses and shortcomings in the analytical tools and models that are used to evaluate risk. On the most basic of levels, thinking about reinsurance companies as capital providers is a paradigm shift for some.”

Nichols’ future plans for Axis Re are precise but all encompassing. Unsurprisingly for those who know him best, Nichols’ plans involve every person in the company from the very bottom up as he aims for the “gradual and thoughtful development of people”. Speaking with several Axis Re employees, there are words that are repeatedly raised to describe Nichols’ leadership style – teamwork, collaboration, adaptable and again, entrepreneurial. And while there is an ever-so-slight echo of rehearsal in the syntax, it is clear that this is an area that is at the very heart of everything Nichols does. He speaks with enthusiasm about his desire “to make sure that people feel like they’re growing in their job, and that what they do is rewarding in more than one dimension”.

In his own words, Nichols describes his management style as: “Populist, mostly. I care very much about our people, our customers and our capital providers. I encourage collective intelligence and dislike large committees. I like to be part of a great team: Having the right people, making the right decisions, at the right time is symphony to me. I have heard that I have a reputation of being highly analytical; however, I spend most of my time, thought and effort on the cultural and interpersonal aspects of Axis Re.”

In his communications with Reactions over the course of six months, Nichols did indeed demonstrate his sheer enthusiasm for both interpersonal cohesion and high-level analytics via a series of Rubik’s-esque diagrams to outline the way he views Axis Re. A psychedelic matrix of colours, relationship interplays, geography and product lines, the handmade cube diagrams are exquisitely complex in their makeup but equally easy to decipher in reality; much like the man himself. ●

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