



AXIS Financial Institutions

Globalized, Specialist, and Sophisticated Risk Assessment is Paramount for Financial Institutions

In today's post-pandemic world of high-inflation, rising interest rates and varied regional volatility, [Tim Braun](#), [Calum McPherson](#) and [Hillary Williams](#) explain why the global AXIS Financial Institutions team is driving a more long-term, customer-centered approach to underwriting complex risks

When US regional banks, Silicon Valley (SVB) and Signature, collapsed in March 2023, followed by two more regional banks in the months that followed, there was concern about a potential domino effect. It quickly became apparent, however that the situation was contained and a repeat of what happened during the 2007 – 2008 financial upheaval was unlikely to happen again, this time around.

There have, however, been consequences to these events, especially against a backdrop of worldwide economic and political volatility. The specialist Financial Institutions underwriters within AXIS have therefore continued to evolve and elevate their approach to ensure that products and services remain relevant and appropriate for customers in this complex risk environment.

"The focus has become duration risk, because that's what brought down the banks in the spring," explains Tim Braun, Global Financial Lines Chief Underwriting Officer. "This means deeper focus on the quality of the loan portfolio, where they're lending, who they're lending to. The credit ratings of their borrowers. The leverage of the bank. Overall, underwriting banks hasn't fundamentally changed, but attention has gone to the duration risk relative to interest rates.

"We're also looking into the new capital rules and what effect they're going to have on the regional banks."

AXIS underwriters are not, therefore, shying away from risk, but they are asking a lot more questions: "Risk is what we do. We're specialists and we're thoughtful about how we underwrite each individual risk, which means understanding the customers' specific needs and making sure we respond accordingly," says Calum McPherson, Head of Financial & Transactional within the Professional Lines team in London.

"It's long been part of our risk assessment, but now it's become more of a priority along with other factors such as customers' responses to each component part of Environmental, Social and Governance (ESG), for example."



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In the same way that the financial institutions market is global with local and regional expertise, so is the approach of AXIS Financial Institutions underwriting teams. With decades of experience behind them, the teams work together to develop long-term partnerships, and underwrite risk in the jurisdiction that best suits the customer, not the other way around.

“We look at it from a customer perspective,” explains Hillary Williams, AXIS Head of Specialty Lines in Bermuda. “Our global FI customers are across the board, and we write specialist products for them out of all of our platforms. We work closely with each other, within AXIS, to coordinate our capacity and the products we’re providing to meet their requirements, wherever they may need them.”

Not only does this mean the underwriters have a deep understanding of how global risks and events impact their customers, but they can also address the impact of more localized risks as well.

“What became apparent after the recent US banking failures, was that the majority of the global institutions steer away from local real estate,” says Tim. “The regional banks in the US are the ones that support the local economy.”

“Something we’re very good at, at AXIS, is underwriting to the regional economics,” he continues. “In the US, San Francisco vs Atlanta, Miami vs Los Angeles, New York vs Chicago. The economies are different. For example, if you’re a real estate investment trust and you have office or retail space in a city where back to work isn’t going well, that adds pressure.”

“We found that the regional banks need to be addressed specifically to see if they’ve fallen behind relative to their local economy.”

Outside of the US, regional expertise is equally valuable, as institutions in different jurisdictions will be affected differently. While the US regional bank failures did have an impact on the London market, for example, it was more indirect:

“Our customers, irrespective of where they’re domiciled, all have exposure to US economic impacts,” explains Calum. “Increased regulatory oversight will follow and others will look to what the US is doing as a result.”

London market customers may also be impacted differently by other world events: “There are subtle differences around economic pressures,” he continues. “We have customers in southern Africa who are facing slightly different issues from an economic and social perspective, and challenges around energy and supply chain that are perhaps unique to them and different to Europe.”



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“Elsewhere, there’s greater scrutiny related to the war in Ukraine and how institutions are managing the increasingly complex sanctions environment.”

The team’s collaborative, global approach, and being better positioned to support and engage with brokers and customers, combined with deep underwriting expertise, sets them apart: “When regional banks in the US failed we were able to conduct an immediate review of our exposure by working quickly with a number of other teams within AXIS,” explains Hillary. “We were able to gather the data very quickly, analyse it and address how to move forward. We’re able to do that at AXIS because we all operate together as one, global team.”

During times of economic uncertainty, there is a flight to quality and the rationale for that is in the increased underwriting scrutiny at specialty FI insurers like AXIS: “We have been underwriting global financial institutions risks for over 20 years and have always taken the smart, inquisitive, problem-solving approach,” says Tim. “A really good broker is going to want sophisticated customers to ask tough questions, so they too can differentiate themselves from other brokers.

“Volatility can create opportunity due to our portfolio management, ongoing collaboration with colleagues in claims, actuarial and risk across AXIS offices,” adds Calum. “We have the ability to assist customers that might be on the more challenging side of the curve because of the current economic situation. However, among our global FI teams at AXIS, we pride ourselves on maintaining a sharp focus and consistency in our leadership and specialist underwriting approach across the cycle.”

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