



# Insuring Success

After floating the company on the ASX in 2013, Steadfast has gone from strength to strength. The largest general insurance broker network in Australasia, it is looking at the challenges the future will bring for the industry.

Images by Scott Ehler

**R**isk management is an important part of any successful business. Knowing what you would do if and when the unexpected happens like a fire, flood, or theft, and having a plan in place is essential to managing the potential disruption to your organisation. In this modern era, businesses often need insurance that wasn't required or available in past years.

It's not only major companies like Sony that are affected by data hacks and targeted cyber attacks. According to the Australian Crime Commission, 30 per cent of businesses reported being affected by a cyber-crime incident, and many of these organisations had

not prepared for that kind of theft or attack.

Steadfast aims to ensure that businesses, specifically small- to medium-sized enterprises, are properly prepared and protected for anything that may happen. It offers insurance brokerage and advice from more than 500 offices across Australia, New Zealand, and Singapore, and is well known for its sponsorship of both the Brisbane Roar football team and the Nissan V8 racing team.

An ASX 200 company with a market capitalisation of \$1.2 billion, Steadfast is majority Australian owned and operated, and managed more than two million insurance policies in the

past year. It is passionate about getting the best for its customers, and has partnerships with more than 150 insurance providers. Having recently acquired equity interests in broker and related businesses, Steadfast is quickly becoming a significant consolidator in the Australian industry. The most notable recent acquisition was of QBE Insurance Group's two underwriting agencies and a related broking business, worth \$290 million.

An expert in the insurance industry, Robert Kelly is a co-founder of Steadfast and has steered the company during the past 19 years through both strong and weak economic cycles. Post the company float in 2013, Robert >



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# WHEN MAX NEEDED HELP TO SEE IT THROUGH, HE WENT THROUGH JOHN.



In 2013, when Max Cunningham's business dream literally went up in smoke, he was prepared. Within two days, CGU had purchased Max an onsite caravan to live in, so he could continue to manage his oyster farm. Within 20 days, CGU had settled the majority of his claim. Max's insurance adviser, Steadfast's John Farrell, didn't recommend CGU to Max out of habit. It was out of his experience seeing that when his clients needed it, CGU would be there to help them see it through. To find out why you should be recommending CGU to your clients, visit [cgu.com.au](http://cgu.com.au)

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has now taken on the role of managing director and chief executive officer.

*The CEO Magazine* spoke to Robert about how the business came to be, the challenges in listing it on the ASX, and the new types of insurance the industry is offering in the internet age.

***The CEO Magazine:* How did Steadfast come to life, and why was it created?**

**Robert:** It started as a group of insurance brokers who decided to pull together to see if combining their turnover and buying power could leverage quality products and be sustainable in a very competitive market. That was back in 1995, and we formed the unlisted public company in 1996. And we moved it from New South Wales into Victoria, then up to Queensland and around all states.

We initially started with 43 insurance brokers who were all shareholders, and we now have 306 brokers, most of whom have stakes in the public entity.

**What is your personal history in the insurance industry?**

I started in general insurance as an insurance broker in 1969, and I co-founded the Steadfast Group in 1996. So I was company secretary from the formation of the company and I became the executive chairman in 1999. In 2013, we floated the company on the ASX and I became managing director and chief executive officer of the listed entity.

**What were the challenges associated with floating a company like Steadfast?**

The float was designed to allow brokers to have an exit when they wanted to leave the business and to have an appropriate purchaser, or for them to take equity out of their business and still continue to run, manage, and develop it. The initial discussions about floating the company took place just before the last global financial crisis.

*"Cyber security has been an ever-present issue for some time, but there has been real momentum over the past few years."*

- Robert Kelly



The global financial crisis led us to place the float on hold and wait for a more appropriate time to list. So we started working again towards the float in 2012 with the support of our two lead managers, Macquarie Capital and J.P. Morgan.

The IPO raised \$334 million, and the stock listed at \$1.15 per share and closed day one at about \$1.40. The market has been kind to us ever since, and we have continued to meet both the prospectus forecast and our expectations that we put into the market for each of our reporting periods so far. We've just been to the market to raise \$300 million of additional capital, of which \$290 million will be used to acquire businesses from QBE.

**The insurance industry is changing with new technology and the types of insurance companies are requiring. What changes have you seen in insurance over the past few years?**

Cyber security has been an ever-present issue for some time, but there has been real momentum over the past few years. We've seen all sorts of cyber interventions into the back offices of many of the



companies that we provide advice for, and in some cases the insurance brokers that we own and have partial equity in. So cyber is an ever-increasing threat for anyone who works in an environment that uses the internet and where massive computer-generated data goes from one place to another. >





We have been insuring this organisation for the past two years for cyber protection. I think that we're seeing an amazing amount of interesting claims, from diversion of funds to stealing of data and holding people for ransom. Cyber is very much an emerging risk, and something that most people are not fully across in terms of what exposure there is for their business. We've also seen dramatic changes over the past couple of decades in electronic interfaces and electronic data transfers in our own organisation here.

We've built a comparison tool called the Steadfast Virtual Underwriter, which allows brokers to put in one set of data and to achieve, in some

cases, five to eight quotations from the market and accept one of those quotations and forward it on to their insured with a recommendation about the product. They can then manage the whole policy cycle from quote to bind, alterations to renewal, and policy issue electronically and all contained within an electronic interface.

The industry is changing, although it still is an industry where personal contact is crucial. Technology is really a facilitator for personal contact rather than the absolute be all and end all for taking away people and in imposing electronic data. It's a facilitation and a way of expediting document flow between people.

**Steadfast partners with a number of sporting teams. Why did the company decide to do that, and why were certain teams chosen?**

We decided a few years ago that, as we were the biggest distributor of general insurance in Australia, the industry knew about us and our brokers knew about us, but the general public didn't really know Steadfast. So we put together an advertising budget and countrywide advertising campaign. We started sponsoring the Brisbane Roar because they were a very well-run team who had great presence in Queensland but played in every capital city and had great television cover. We thought that football was a wholesome sport encouraging women and young children through to a first-class level.

We've had a great relationship for the past two seasons and are coming up to our third season with the Roar. And we're happy with the way Steadfast has been treated by them as a sporting team and also by the way the media looks after them, and of course we get some spin-off from that. The other area we moved into was when Nissan decided to go into V8 racing. We got the opportunity to go on the front and back of two of their cars, and we've had wonderful coverage from Nissan in the newspapers, magazines, and television.

That's put the brand out more publicly than it was before. Last year, our website had 150,000 hits, and most of those hits were generated from the advertising that we do. We do a little bit of television advertising and street advertising around Australia as well. We think sports are a good way to communicate the fact that you exist and to get your name in front of people.

**How does Steadfast work with insurance partners to achieve success and provide good service to their customers?**

We value our insurance partners as strategic partners in our >

"We treat our insurance strategic partners as very important to our business, and indeed very important to the future success of this organisation."

- Robert Kelly

1 Shared belief: the power of partnership.



Kelly Cartwright, Paralympian and world champion

### Allianz. Proud supporter of Australia's Paralympic athletes

At Allianz we believe in the power of partnership. Our programs of relationship building, education and teamwork prove again and again to be prime factors for business success. This year we will continue to provide ongoing support to our broker partners and to the Australian Paralympians.

Together, we believe our powerful partnership philosophy will deliver better performances and results for us all.

**Allianz: Because our partners matter.**



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## HOME AND CONTENTS INSURANCE

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## MOTOR INSURANCE

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organisation. An insurance broker or an underwriting agency that we own and in which we participate takes no risk. It is a margin player and it transfers that risk to insurers. Now, in doing that you have to make sure you have strong and robust relationships and that those relationships are fruitful for people on both sides of the fence.

We treat our insurance strategic partners as very important to our business, and indeed very important to the future success of this organisation. In fact, we meet with them regularly and we have strategic meetings with them. We review the policy wordings we have and their claims performance. And they work closely with us to make sure that the consumer that we represent is one truly served with top-quality products and top-quality client service.

### **What has been your biggest challenge as CEO?**

Some of the challenges we've had are around making sure that we do what we say we do, and we've successfully done that in the past 18 months of our existence as a public entity.

Another challenge is to make sure that the market and your investors are fully informed about where you're going and what you're doing, and to keep a dialogue going with the capital markets so they understand how the organisation is developing and in which areas it's going to go forwards—in other words, to make sure that the mandate in your prospectus is fulfilled and not breached in any way so that your shareholders are not surprised by what you're doing.

### **How do you invest in your staff with training and development?**

Through our HR manager, we conduct surveys of staff about what they would like to do to develop themselves, and then we provide them with training. We always try to promote from within the organisation and seek to promote employees who have

shown talent in various areas. We're also not afraid to put them through programs to bring that talent up to the required level.

We run four meetings a year nationally with all of our network brokers, and we encourage all of our staff to participate actively in those meetings. We also run a lot of training for our network brokers and a lot of training for our internal people here. All of our staff have to maintain 25 hours of professional development each year. We make sure they're continually up to date with their training, and facilitate a mechanism for them to be able to do it.

### **What would you attribute both the company's and your personal success to?**

The number one thing is we do what we say. We don't step outside the parameters of what the company is good at and what it has said it will do. We have a camaraderie that is contained within the organisation that spills out into our public domain. We also have very strict guidelines on our ethics. We stick to ethical decision-making processes.

If you do what you say, operate ethically, comply with a good culture within your business, then that spreads out into your client base and your customers. There's a general feeling, in my view, that success comes in trying to be excellent in what you do and not trying to move too far away from the main game plan that the business is seeking to achieve.

### **Where is Steadfast looking for the future?**

The main aim of this organisation is to deliver shareholder value. I know that sounds a little passé, but that's exactly what we want to do: to make sure that our return on equity is always in line with what the market expects us to do. To do that, we have to keep growing our businesses organically and we have to keep making acquisitions to deliver profits and strong and reliable dividend streams.



We continue to look after shareholders, look after staff, and look after clients. We're trying to be the best we can as the largest distributor of general insurance products in Australasia. We focus on small- to medium-sized enterprises [SMEs] who depend on us for our advice and knowledge of insuring their

risks. The general insurance industry in Australia, particularly the SME sector, is strong and robust, and we've been in it for a long time. We plan to continue to be at the cutting edge of anything that's required to enhance the delivery of what we provide for our client base. •