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Business Without Borders

M&A mastermind Gustavo Cordo is turning Liberty Mutual Insurance from a domestic carrier into a global brand

By Matt Alderton

Argentina is a vibrant country known for its passionate people, charming cafés, delectable parillas, and unflinching fútbol fandom, all of which make it a popular port of call for world travelers. Despite being a beloved destination, Argentina isn't always an ideal point of origin, which is why Argentine accountant Gustavo Cordo moved to the United States in 2001.

"I always liked travel a lot," says Cordo, who's originally from Buenos Aires. "However, Argentina is very, very far away from everywhere else in the world, so when I was living in Argentina travel was a lot more challenging. I wanted to come to the United States to get more exposure to the world."

He's gotten exactly that at Boston-based Liberty Mutual Insurance, where Cordo has worked for more than a decade. As managing director of strategy and business development, he travels the world in search of foreign insurance companies that Liberty Mutual can merge with or acquire as part of its strategic plan, which calls for long-term diversification of the company's holdings via international expansion. Here, Cordo shares business lessons he's learned in three countries where the insurance market is growing big, and fast.

Ecuador
The insurance market in Ecuador has doubled in the last five years, recently surpassing the $1 billion mark, according to Cordo, who attributes the growth in large part to two recent regulatory changes, the first of which increases the financial reserves insurance companies must keep in order to do business there. "Most insurance companies have had to infuse more capital into their businesses," Cordo explains. "In some cases, however, companies are family businesses; they don't have the capital, so they're looking for ways to get it."

The second recent change to Ecuadorian insurance regulations required banks to divest their insurance subsidiaries. The cumulative effect of both regulations—a glut of insurance companies for sale—created a unique opportunity for Liberty Mutual, which purchased two Ecuadorian insurers in 2012: Panamericana de Seguros del Ecuador S.A. and Cervantes S.A. Compania de Seguros y Reaseguros.

In one fell swoop, the two companies' combined market share made Liberty Mutual the fifth-largest nonlife insurer in Ecuador. The acquisitions were the easy part. The hard part came after, when Liberty Mutual had to integrate Panamericana with Cervantes, turning them into a single subsidiary. The key to doing so successfully, Cordo says, was relying on local talent to build a local organization based on local market practices.

"Liberty's strategy around the world is to respect the local market, the local culture, and the local talent," he says. "Ecuador is a small country, but it shouldn't be underestimated. You have to treat it as an independent country. There are stories of other companies that have tried to run Ecuador from neighboring countries—Colombia, for instance, or Venezuela—but that doesn't work. You have to run Ecuador from Ecuador."

India
India's insurance market is restricted primarily to four government-owned insurers. However, in recent years, government reforms have opened the market to competition from private companies. That, along with a burgeoning middle class—which is buying and driving cars in record numbers—makes India an attractive market for Liberty Mutual.

"The number of new cars on the road in India is incredible, so the possibilities for an insurance company that insures auto, as we do, are tremendous," Cordo says.

Unfortunately, entering the Indian market isn't easy. Because private insurance is a new phenomenon there, there's a notable absence of companies for sale. Meanwhile, current law limits foreign investment in Indian insurance companies to 26 percent. "What that ends up meaning is you need to build your company from scratch, and you need a local partner to do it," Cordo says.

For Liberty Mutual, that partner was consumer electronics company Videocon Industries, with which it formed a joint venture—Liberty Videocon General Insurance Company—in 2012. "The right partner was key for Liberty in this market," Cordo says. "That partner gave us what we were looking for, which is a good distribution base, as well as [brand recognition] in the market. Indian people are very brand-oriented, and Videocon is a brand that's very well known there. Especially in India, you need to build those kinds of relationships."

Russia
Despite their proximity, Russia and Europe have very little in common when it comes to business practices, says Cordo, who in 2012 helped Liberty Mutual acquire the Russian insurance company KIT Finance Insurance. Due to vast language and cultural barriers, the acquisition was hard-won—but won just the same thanks to local advisers who helped Liberty Mutual navigate the rapidly expanding Russian insurance market.

"Sometimes, you can rely on advisers who work in another country," Cordo says. "That's very typical of Europe, mostly, and sometimes Asia, where you might see advisers based in Hong Kong who can advise you about another country. In Russia, you need Russians, because the language, the culture, and the context is very challenging."

Local advisers are especially important, because information in Russia doesn't flow as freely as it does in neighboring Europe. "Information is not readily available, so you need people who know the market and know the right questions to ask," Cordo says.

In the case of acquisitions, you also need a management team you can trust. "There are companies for sale, but choosing the right company is very, very challenging, because not all companies in Russia have the same accounting standards that US companies have," Cordo says. "Even though it's smaller than companies we usually acquire in other markets, we chose KIT because it's a very well-run company and because we're very comfortable with the management."

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