

Positive momentum



Reto Brosi, chief executive of Asia Capital Reinsurance Group, discusses strategy, pricing and some of the concerns facing the provider's clients, with Ronan McCaughey

Asia Insurance Intelligence (Aii): What is your outlook for Asia's (re)insurance market?

Reto Brosi (RB): We are certainly taking a view that the insurance market keeps growing and the moderate slowdown we have seen in some Asian markets is probably behind us.

As an underlying base line, the [Asian] region has been attractive and will remain attractive. On top of the underlying risk growth, this always implies that reinsurance demand grows at least in parallel. From that point of view, the general momentum is favourable.

Certainly, the momentum favours players like ourselves that have an exclusive focus on Asia and that have a strong distribution network. From that point of view, further expanding the footprint and further diversifying the portfolio is essentially what the journey is all about. Just being in Asia does not quite make it any more. Customers have become more sophisticated. They are demanding more analytics and more services.

Our geographic focus is from Japan to Turkey, and excludes Australia and New Zealand. Our current main markets are China, South Korea, Japan and Indonesia. We are optimistic about India. The general view was that whoever won the recent Indian election, as long as there was a majority that could rule, [this would be positive] and that now seems to have happened.

We clearly feel there is a sense of renewed optimism in India and we will probably see that GDP

growth and insurance growth will resume to previous levels, so we will certainly increase the focus on India to see if there are opportunities and we can help our customers.

Aii: How do you expect pricing in Asia's reinsurance market to change?

RB: There is pressure on rates. There is no denying that. Regarding this, we always look at price, but we also look at exposure. For example, in marine cargo, rates have actually come down significantly for over a decade. On the other hand, risk management safety has become so much better, so, on an overall basis the industry is still profitable.

Aii: What are your clients' major concerns?

RB: There are two aspects to this. One is the inherent challenges to their business. How they deal with distribution and innovation, for example. When it comes to the risk landscape, we see that our clients' customers are concerned about new and evolving risks, such as cyber threats. There are also a lot of SMEs [in this region] and family-owned businesses are concerned about succession and key man risks. The insurance industry is well-positioned to provide solutions for these issues. Environmental liability is another big risk, as is political risk, sovereign conflicts and terrorism. Again, the industry is well positioned to cover these risks.

Aii: What new products/services does Asia Capital Re intend to launch?

RB: Western insurance markets are data rich and model rich and that has allowed certain products like cat bonds to make quite an impact there. On the other end of the spectrum, in most rapidly emerging markets in Asia, we don't quite have the data or the model yet.

We want to show some leadership in this area and we have developed two pooling risk-sharing arrangements, which were the firsts of their kinds in Asia. We are also developing our in-house risk models where we collect data ourselves, and sometimes together with partners, to clearly position ourselves as a Pan-Asian leader and that journey will continue. ■