EXPANSION

Playing the long game in Asia: Echo Re

Echo Re tells *SIRC Today* how it is building on its strong Asian business, diversifying across markets and product lines while using GIFT City to deepen access to Indian business.



Asia is at the core of Echo Re's growth strategy, with the reinsurer taking a "long game" approach as it looks to diversify further across geographies and product lines, including building its liability and casualty business across the region.

Around 60% of Echo Re's premium income already comes from Asia. Backed by DEVK, the German mutual group founded 140 years ago, the Zurich-based reinsurer is now looking to its next phase of growth through further diversification rather than concentration, according to chief underwriting officer Paul Hertelendy.

"Our strategy is to further diversify the portfolio," Hertelendy told *SIRC Today*. "But we want to scale in a balanced way."

That approach spans Northeast Asia, ASEAN, the Indian Subcontinent and Japan, supported by underwriters with deep knowledge of individual markets.

"We have people with roots in those markets who understand the clients and understand the business," Hertelendy said. "We are a mid-size player with the majority of our team based in Zurich, so we are not at every client's doorstep every day, but we have people with very good access and a deep understanding of their markets. Travelling regularly to visit our clients and brokers is therefore of utmost importance."

That expertise is becoming more important as the market softens. Stronger reinsurer balance sheets and renewed inflows of alternative capital are shifting the supply-demand balance towards buyers.

Echo Re has seen risk-adjusted catastrophe rate reductions of roughly 10% to 20%, depending on loss experience, while ceding commissions on proportional business have increased by around one to two percentage points in average.

"The movements have been relatively harsh," he said. "In many cases, what we have seen in one year is what you might normally expect to see accumulated over two years."

"We could absorb this movement for one year. We supported the market, continued writing business and also grew," Hertelendy said. "But going into the next renewal, I think reinsurers have to be more cautious."

KEY POINTS:

- Asia makes up 60% of Echo Re's premium
- Diversification central to growth
- Casualty, new tech offer opportunity

Beyond price

For Echo Re, competing in this environment cannot simply mean matching the cheapest capacity. As margins tighten, cedants are also looking for broader support rather than reinsurers selecting only the most attractive classes. "Many clients will say: 'You cannot just pick and choose. I want you to support me across the portfolio,'" he said.

"You have to be prepared to move towards the edge of your comfort zone – not beyond it, but to broaden that comfort zone," Hertelendy said. "For us, it means sharpening our analysis and investing in a deeper understanding of our clients' portfolios, but not lowering our standards."

> "Our strategy is to diversify the portfolio. But we want to scale in a balanced way."

Echo Re's mutual ownership also shapes its approach to relationships. "We are interested in the long game. You choose the right partners and stay with them. Obviously, you still negotiate, but they trust you and you trust them."

New opportunities

Echo Re has recently added casualty expertise and it is one area it wants to develop further as insurance needs become more sophisticated across Asia. But Hertelendy stressed that growth will be disciplined.

"As societies develop, insurance needs evolve," he said. "As commercial and societal interaction becomes more complex, liability exposures become increasingly relevant."

"If you rush into one area, you risk unbalancing the portfolio. It is about growing with clients, understanding the opportunities and maintaining diversification."

Technology is creating another area of opportunity. "Data centres are a major topic," he said. "The energy supply and infrastructure required to support data centres is also becoming increasingly important. Where are these businesses going to obtain protection? Reinsurers have to be part of the answer."

India a growth market

India remains an important part of Echo Re's Asian strategy, accounting for around 8% to 10% of its business. "We have invested significantly in the business and built strong relationships there over time," Hertelendy said. "It became clear that, without a presence in GIFT City, you would be at a disadvantage and risk losing access to business."

Its GIFT City presence is intended to protect those relationships as the regulatory environment increasingly favours reinsurers with a local presence, giving Echo Re access to opportunities it "might not have seen as a purely cross-border reinsurer". But the influx of reinsurers into the market has intensified competition. "Indian renewals have become much tougher," he said. "Cedants can see how much capacity has moved into GIFT City, and they are using that competition in negotiations."

Greater choice may give cedants more negotiating power, but Hertelendy argues that price should not be the only consideration when selecting reinsurance partners.

"Reinsurance is bought for the rainy days, not the sunny ones. When the market starts to soften and you have greater choice, put together a panel of reinsurers you believe will still be there when you genuinely need them." ●

Paul Hertelendy is chief underwriting officer at Echo Re. He can be contacted at: paul.hertelendy@echore.com