

## Commoditisation means niche opportunities

*Despite over-capacity in the reinsurance industry, much of this business is chasing increasingly commoditised business, leaving gaps and opportunities for smaller, niche, players, as Tony Weller from Citadel Risk tells Intelligent Insurer.*

As parts of the reinsurance industry become increasingly commoditised and more players seek scale over specialty, an increasing number of opportunities are emerging at the smaller end of the market—something that Bermuda-based reinsurer Citadel Risk is able to take full advantage of.

Tony Weller, group chief executive of Citadel Risk, believes that despite there being a surplus of capacity in the industry as a whole, much of this is concentrated around certain types of perils and the large risks. In other parts of the market, there is a deficit of capacity.

“For us, as a small player, this means there are a lot of niche deals we see without much competition for them—the bigger players would not look at them because they would see them as either too specialist or too small.

“Those are the sorts of risks we like—those which may be difficult in some way or hard to place. We are willing to look at programmes

that others are not and that has yielded some great business for us.”

By way of an example, Weller says that there are occasions when the industry will not touch deals in certain countries because of a wider economic or political crisis. Citadel, however, will consider each deal on its own merit.

“During the economic crisis in Greece, no-one would touch that country. But we were approached and did some small and yet very profitable programmes. We are a small carrier but with an A- rating—that means we can take opportunities others cannot.”

Another advantage of this strategy, he notes, is the diversity it lends the company. The reinsurer never ends up with a disproportionate amount of exposure to one peril or type of risk. He also stresses the willingness of the company to conduct independent research to help establish the insurability of certain risks, rather than simply relying on actuarial reports.



Tony Weller

He gives an example of a large number of US cattle yards the company writes a reinsurance policy to protect. While there was little actuarial data around the risk, the company did its own research using sources such as academic data and veterinary studies, to make an informed decision on what has to date proved to be a profitable book of business.

Weller said that as much of the industry seeks size and scale, a growing gap is emerging between the biggest players and smaller niche players. The same is true in terms of brokers, with the biggest players interested only in placing business over a certain size.

“The industry is becoming more commoditised and driven by scale. But that is just opening up opportunities for us. If we can take a £50K premium and there is no claim, that is great business for us but not everyone wants it.” ■

*Tony Weller is group chief executive of Citadel Risk. He can be contacted at: [tony.weller@citadelrisk.com](mailto:tony.weller@citadelrisk.com)*