

REINSURANCE DEAL ADDS COMPETITION TO BROKER MARKET

By [Rob Lenihan](#)
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The deal between General Reinsurance Corp. and Transatlantic Reinsurance Co. announced earlier this week will quickly give both reinsurers access to capabilities they need to grow, analysts say.

Direct reinsurer Gen Re will be able to tap broker market business through the underwriting agreement and Transatlantic will have access extra capacity, they say.

In the agreement announced Tuesday, New York-based TransRe, a subsidiary of Alleghany Corp., will be Gen Re's exclusive underwriting manager for U.S. and Canadian property/casualty treaty reinsurance business produced by brokers.

The five-year arrangement gives brokers access to Berkshire Hathaway Inc. subsidiary Gen Re's traditionally direct-only capacity.

The facility is expected to be available for business written on and after Aug. 1, depending upon regulatory approval, according to a joint-statement from both reinsurers.

The deal comes during an increasingly competitive market for reinsurance with abundant traditional and nontraditional capacity.

The agreement also reflects changes in the reinsurance market over the past several years that resulted in a greater proportion of reinsurance business being placed by brokers rather than by direct relationships between insurers and reinsurers, said James Eck, vice president and senior credit officer at Moody's Investors Service Inc.

"It's been a good market for them, but really over the last 10 years, we've seen more and more of the reinsurance market gravitate to the brokers, who are now 75% to 80% of the market really, up from maybe 50% 10 or 15 years ago," he said.

The deal gives Gen Re the ability to tap into many more business opportunities, he said.

In addition, the agreement "really allows Gen Re to tap into this market without building an infrastructure or adding additional costs on to the organization."

The deal also gives TransRe new capabilities, said Jim Auden, head of property/casualty insurance at Fitch Ratings Inc. in Chicago.

“For TransRe, it gives them capacity to deploy, makes them more attractive to the market and highly rated. The interesting thing is that this was the choice Gen Re made,” Mr. Auden said. “I’ll bet they’ve had proposals for years and years of how they can get into the broker market. It definitely speaks to what they think of the quality of underwriting at Trans Re.”