

Knowing your strengths and playing to them pays off for ACR

The reinsurance company is an example of how identifying a gap within an industry, and plugging it, is important to building a successful business, reports **FELDA CHAY**

REINSURANCE company ACR Capital Holdings was just into its second financial year when the global financial crisis hit. Calling it one of the biggest challenges to date, chief executive John Tan said that the group's investment results that year were hit despite adhering closely to a highly conservative investment approach.

Despite facing such tough conditions in its early years, ACR has emerged from the crisis alive and kicking. Its survival strategy was a simple one: it identified its strengths.

Said Mr Tan: "Rather than aim for aggressive market share which may inadvertently result in unhealthy and unsustainable price erosion, we leveraged our intimate knowledge of the Asian reinsurance industry and market, and were able to work with our clients on risks on a selected basis according to our risk appetite."

"We also decided from the outset that ACR will adhere to a prudent underwriting approach in line with our long-term objectives of promoting reinsurance efficiency within Asia." This helped the firm to maintain financial stability through the crisis, he added.

ACR conducts its business through its operating company, the Asia Capital Reinsurance Group. ACR has expanded from a 10-member team when it was first set up in 2006 to a 300-strong firm with employees across Asia. It now has joint-ventures in Malaysia and Dubai to serve the Malaysian domestic and *Syariah*-compliant reinsurance markets respectively.

Together with its associated companies, ACR has a presence in Singapore, Hong Kong, India, Japan, Taiwan, Malaysia, Bahrain, and Dubai. To date, it has more than 600 clients across 50 countries in Asia.

The group recorded strong year-on-year growth of gross written premiums to US\$515 million in its last financial year, and has been ranked one of the top 50 reinsurers globally.

Its rapid expansion is no mean feat for a four-year-old company that started out during a major fi-



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ancial crisis, and is an example of how identifying a gap within an industry, and plugging it, is important to building a successful business.

"Having witnessed widespread losses sustained by various economies during the Asian financial crisis and the high rebuilding costs in the aftermath of the Asian tsunami, we realised the need for a robust risk transfer platform in the region to ensure the stability and security of Asia," said Mr Tan.

According to him, the Asian insurance industry has traditionally been reliant on global reinsurance support. "The implication is that any withdrawal of capacity from Asia by global reinsurers due to factors outside of Asia would destabilise the local insurance industry in the region," he said.

"The reinsurance rates that Asian insurers pay was also dependent on global developments outside of Asia, as evidenced by the aviation reinsurance rate hikes in Asia following the Sept 11 attacks in 2001."

All these pointed to one direction, that there was a need for an independent pan-Asian reinsurance institution that would help to diversify the region's dependence on global reinsurers. "ACR was set up specifically to be in Asia, for Asia, to address this need," said Mr Tan.

Finding a niche, however, is just part of the equation to help build up a firm. As with every other start-up, ACR had to pay its dues and work through the challenges that often plague new firms, one of which was sourcing for talent.

"One of our key challenges initially was to assemble the right team with the relevant skill sets who also shares ACR's vision of redefining Asian reinsurance," said Mr Tan.

"ACR is fortunate to have a strong management team and committed risk and underwriting experts who possess a balance of both international expertise and Asian market insight, with proven track records."

It also had to source for financing, and had to travel to "various key financial hubs" to secure the necessary funds, said Mr Tan. "The challenge then was to identify and select interested parties whose interest is aligned with the long-term potential and outlook of ACR."

Fortunately for the firm, it had the support of angel investors who were prominent figures in the local business scene and provided valuable advice and network support to ACR. According to Mr Tan, ACR was initially capitalised at US\$620 million – the largest-ever private

placement raised for a start-up company in Asia at the time of incorporation.

"I am thankful for the support I received throughout my reinsurance career. I am also especially appreciative of the understanding from my family as well as for the commitment from the ACR team of shareholders, board, management, and staff. Without them, none of this would have been possible," said Mr Tan.

The firm will continue growing by building up its specialised underwriting expertise, with an emphasis on growing the team's understanding of the unique risk environments across Asian markets, he said.

It is also looking to enhance its risk management and research capabilities to "bring even more innovative reinsurance solutions to the Asian insurance industry".

"We will continue to grow our presence in Asia, to have a close on-the-ground view of industry and related developments in the various markets," added Mr Tan. In particular, ACR will be expanding its network and product offerings to a wider market through its joint ventures in Malaysia and Dubai.

"We are also open to other business and expansion opportunities in line with our strategic aspirations, which will contribute to our vision of building a foundation for strong reinsurance capabilities in Asia," said Mr Tan.

His advice to entrepreneurs is this: to identify available niche opportunities, and keep in mind the long-term sustainability of the business with a focus on creating positive value.

Engaging shareholders to ensure a common understanding and aligned goals is also key to business success, he said. "At the end of the day, I believe firmly in building a business with integrity."

"I hope that with the opportunities available in Singapore due to its business-friendly systems and strong access to capital support, in addition to the tremendous market potential within Asia, we will be able to see more aspiring local entrepreneurs take the leap and pursue their business vision."