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Rising awareness aids non-life insurance growth



The non-life sector has shown increased maturity and resilience over the last ten years since the removal of tariffs, says **Mr R Chandrasekaran**, Secretary General of the **General Insurance Council**.

The Indian insurance sector opened up for private participation in 2001. Since then, non-life insurers have maintained steady growth against the backdrop of stiff market competition and various regulations relating to the conduct of business and solvency margin.

Insurance penetration

Market competition has dominated all lines of business other than Motor Third Party (TP) since April 2007 when the regulator de-tariffed premium rates. Non-life insurance penetration in terms of percentage to GDP has been gradually moving up from 0.6% to 0.71%. The volume of market premium has increased 10-fold since April 2001. A three-fold increase in capital deployed and a four-fold increase in the investments are decent indicators of growth and performance of the non-life insurance sector since the tariff was deregulated in 2007.

Growth areas

The present growth of non-life insurance business is characterised by

significant growth in personal lines such as motor, health and personal accident (accounting for 75% of the total and a number of government sponsored / supported insurance schemes at affordable premium levels for mass population).

Simple and rational personal accident, health and crop insurance schemes have brought about increased awareness amongst the rural, social and agricultural sectors. Health and personal accident insurance has been growing at a CAGR of 23.9% in the last decade.

Underwriting performance

The increasing pressure on premium due to competition as well as a series of natural disasters, which affected the country during the last three to four years, contributed to underwriting losses which have persisted since 2007.

The motor TP liability portfolio continued to be under the administered price regime of IRDAI and has been contributing to the overall underwriting losses despite periodical revision in prices over the last four years by the regulator. Underwriting

losses and overall profitability continue to be a very big concern for all non-life insurers.

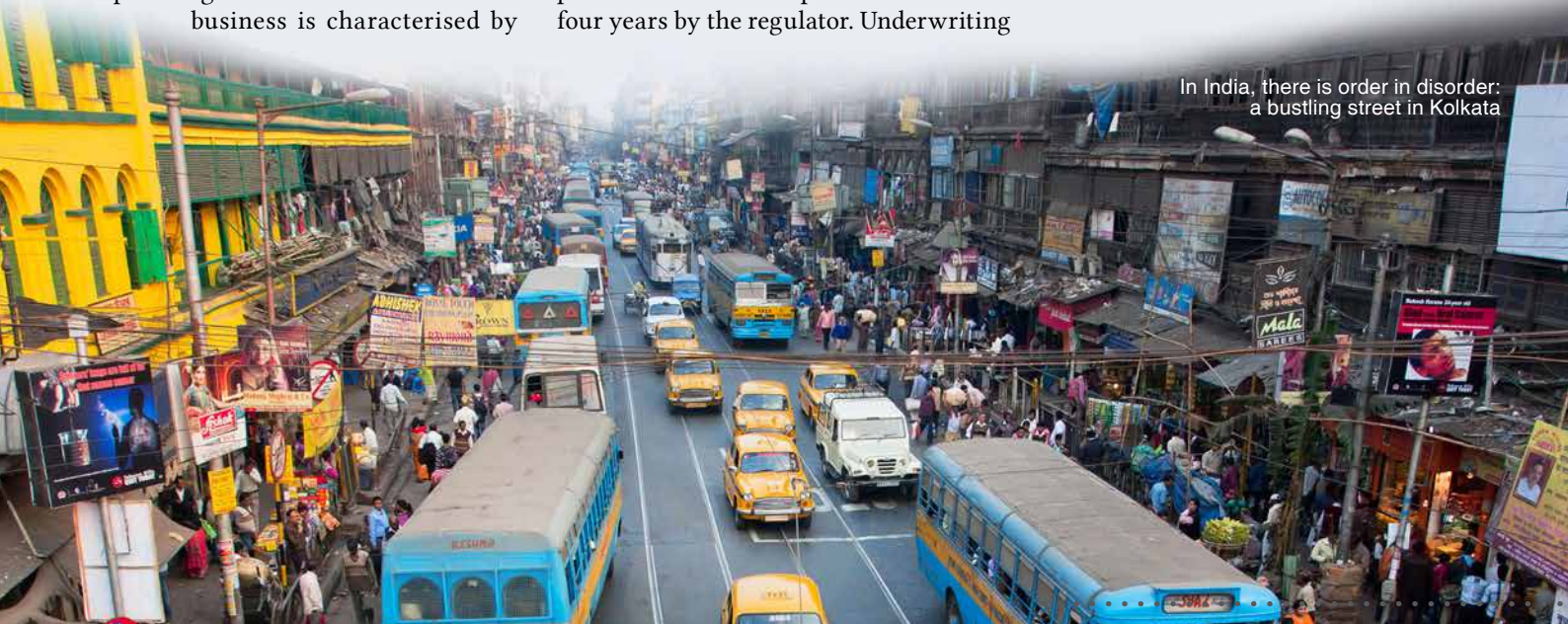
Performance in 2016-17

The number of customer complaints has come down drastically and accounts for 0.05% on a relative measure of complaints to the number of policies issued.

In the current financial year (2016-17), the industry has been growing at a faster pace and has already recorded INR91,500 crore as on 31 December 2016, and is poised to cross the INR125,000 crore mark by 31 March 2017.

To conclude, the Indian non-life insurance industry has shown maturity and resilience during the last 10 years, while facing many operational challenges since the removal of tariff. Industry players are now well-positioned to take advantage of the favourable business climate emerging from various government initiatives to unlock the untapped potential in the years to come.

In India, there is order in disorder:
a bustling street in Kolkata



5 trends in global reinsurance

With capacity being abundant and interest rates being low, 2017 is bound to be a challenging one for both reinsurers and primary insurers alike. *Asia Insurance Review* spoke to a few reinsurers who would soon commence operations in the Indian insurance market for their views on what 2017 portends for reinsurance industry. Their thoughts provide an insight into the trends that could transform the year ahead for our industry.

1 Alternative capital & InsurTech will dominate

Mrs Alice G Vaidyan, Chairman-cum-Managing Director, **GIC Re**, said: "Alternative capital and InsurTech will be the dominant themes in reinsurance markets in 2017. As reinsurers seek to provide customised solutions to their clients, alternative capital gives reinsurers the ability to access hitherto untapped sources of capital.

"InsurTech will assist in better pricing, monitoring and evaluation of risks. It is set to be the biggest source of innovation and disruption in the insurance industry in the years that follow".



2 Tech will help improve understanding of risk

In 2017, advancements in digitalisation and new technologies will have an impact on the risk landscape, feels Mr Hitesh Kotak, CEO of **Munich Re India Branch Office**. He said: "These innovation trends would not only mean growth opportunities, but also challenges for the insurance industry".

Mr Kotak said: "Large amounts of previously unavailable data and new sophisticated analysis methods will improve risk assessment, loss prevention and claims handling. Customer expectations and behaviour will change regarding product design, services and sales. To manage these challenges, innovation is crucial for our industry."



3 Focus on emerging markets

Meanwhile, Mr Thomas Mathew T, Managing Director & CEO, India, Sri Lanka and Bangladesh, **RGA Services India Pvt Ltd**, said: "The challenges of new geopolitical risks, focus on emerging markets and increased use of technology will be the key trends that are likely to dominate the global reinsurance markets in 2017."

4 Solvency regulations will favour reinsurance

"Changes in solvency regulations will continue to favour the use of reinsurance in 2017. Capital will remain abundant, while the growth of alternative capacity will continue to abate. The softening of average rates is expected to further moderate across all lines of business", said Ms Kalpana Sampat, Managing Director, **Swiss Re Services India**.

Ms Sampat said: "Asia is facing a very different economic outlook, but the fundamentals are still strong. However, there are increased uncertainties due to Donald Trump's economic policies which could potentially disrupt the global trade arrangements."



5 Emergence of new risk landscape

Mr R Raghavan, Chief Operating Officer (designate) of **ITI Re**, said: "A new risk landscape may emerge in 2017, unknowns like cyber risks, currently the frontier in reinsurance space in developed markets, may eventually be adopted in lesser developed markets on account of the increasing digitisation.

"The most noticeable trend is the increasing share in reinsurance, of capital markets. This will spread across regions, and will help better insurance penetration and reduction of protection gap," said Mr Raghavan.



Rekindling insurance education

The **Insurance Institute of India (III)** has been a pioneer in the field of insurance education in India and is on an expansion mode. **Mr P Venugopal**, Secretary General of the III, gives us a glimpse into the various activities of the Institute and its plans, especially in the reinsurance space.

Insurance education is the core activity of the Institute, but it is also engaging young minds on the nuances of the insurance subject by conducting seminars in various academic institutions throughout the country.

Uniquely, III provides conceptual knowledge to those who do not have the ability to pay and hence receptive to the benevolent concept and can avail of the same whenever they have the ability to pay. This is a step towards developing the industry which will then have access to a trained talent pool that also saves companies time and effort for extensive training.

Major activities of the Institute

The Institute, in addition to its normal activities of conducting courses leading to an Associateship and Fellowship, also conducts training programmes for the industry on a regular basis. It has been actively promoting insurance courses in a number of universities and colleges across



the country, with students being given access to III resources and domain experts.

The IRDAI is collaborating with the CBSE to have insurance taught as a school subject, and for this, the III has been approached to identify experts in different parts of the country who can teach and empower school teachers to teach insurance.

New initiatives

The Institute, in collaboration with the North American Training Group, plans to launch an anti-fraud course leading to a "Certified Insurance Anti-Fraud Practitioner".

At the behest of IRDAI, the Institute plans to launch a course for CEOs and CAOs of Third Party Administrators. Initially, there would be a classroom course at the College of Insurance. This is followed up by refresher training programmes through online modules.

International foray

The III is part of the Institute of Global Insurance Education (IGIE), which sets the industry standards for insurance education.

The Institute presently conducts examinations in 17 locations worldwide in addition to 132 examination centres in India.

It recently signed a MOU with the Myanmar government for insurance training in that country. Last year, the Institute signed an MOU to support the Insurance Institute of Uganda.

The Institute also regularly conducts



onsite/ offsite seminars and training programmes for insurers in neighbouring countries like Sri Lanka, Bangladesh and Bhutan.

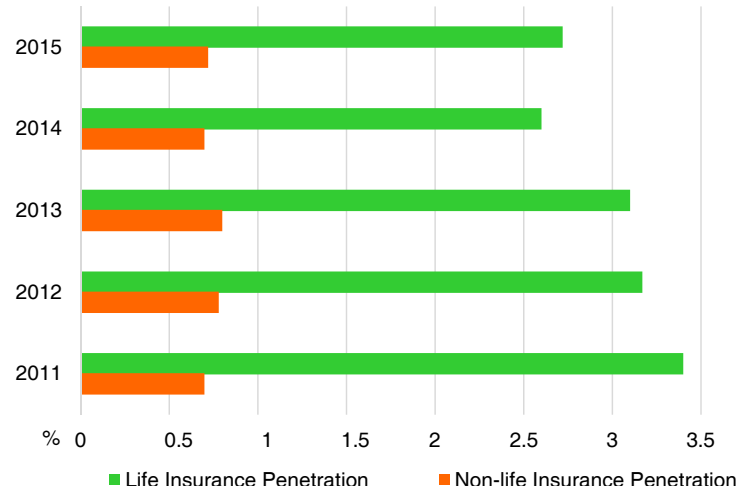
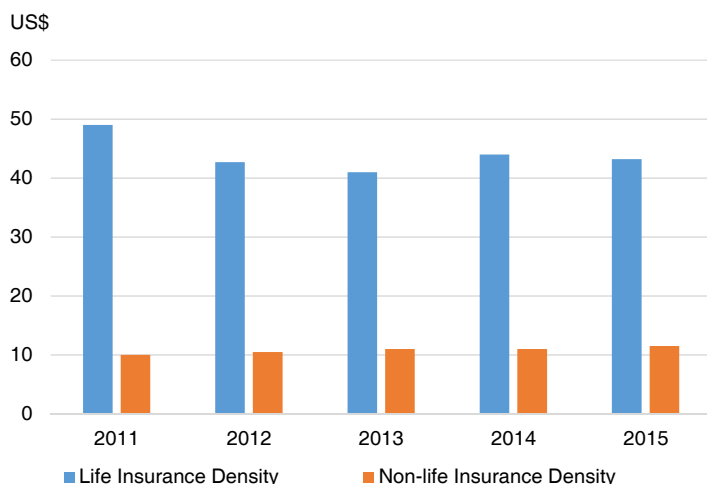
Role in the reinsurance space

In the last few years, the Institute has trained over 300 practitioners from various countries as part of GIC Re's academic and professional support for its cedant companies. The College of Insurance conducts a minimum of two programmes specifically on reinsurance, while many other programmes have a component of reinsurance.

III is an integral part of the Indian insurance industry and has been working in response to its needs. And as a handmaid of the industry, we are willing to provide all the training support the industry needs.

Insurance Density & Penetration in India

Insurance penetration remains low in India reflecting the large untapped potential in the market. However, a fairly robust economic growth and enabling policies and regulations are expected to increase insurance penetration and act as a catalyst for future growth in the industry.



Welcome Cocktail

Rendezvous hotnob central

The customary cocktail on Day 1 of the 10th India Rendezvous yesterday evening was agog with delegates hobnobbing and discussing business. Sponsored by ACE Insurance Brokers Pvt Ltd, the cocktail saw around 550 delegates registering for the 2017 Rendezvous on Day 1.

ACE Insurance Brokers is a leading insurance, reinsurance broker and risk management company. It is one of the fastest-growing broking companies in India and has been operational in Indian since 2004.



Media & industry should work together to raise awareness and trust in insurance

Leading journalists and CEOs of major Indian insurers brainstormed on how to change the perception of insurance for the man on the street at a media-industry interaction yesterday to kick off the 10th India Rendezvous.

The invigorating session between journalists and insurers was moderated by Mr Sivam Subramaniam, Editor-in-Chief of *Asia Insurance Review*.

Both journalists and insurers agreed that the concept of news should be redefined as far as insurance

is concerned.

The media should do more to create awareness and educate the consumer, while the industry, on its part, should be more forthcoming so that the trust deficit in the industry is bridged and insurance becomes more accepted.

Participating CEOs included Mrs Alice G Vaidyan (GIC Re), Mr Tapan Singhel (Baja Allianz), Mr Bhargav Dasgupta (ICICI

Lombard GIC) and Mr Antony Jacob (Apollo Munich).

The media was represented by Mrs Mythili Bhusnurmath, Senior Consultant, NCAER and Consulting Editor, The Economic Times; Mr Joydeep Roy, Leader for Insurance Practice, PwC India; Mr Mayur Shetty (Times of India); Mr N S Vagesh (The Hindu Businessline); and Ms M Saraswathy from Moneycontrol.com.



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Sivam Subramaniam, Sheela Suppiah-Raj, Jimmy John, Anoop Khanna, Krishna Kumar