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The search for an ideal reinsurance partner begins!

It was a warm and pleasant morning in Mumbai yesterday, and the animated discussion about the latest regulations for reinsurers in India and the recent decision of the Indian government on the IPO of public sector general insurers made things a little more heated at the 10th India Rendezvous.

India has positive possibilities

Mrs Alice G Vaidyan, Chairman-cum-Managing Director, GIC Re, welcomed the august gathering of the insurance community. Recounting the positive possibilities India can offer to the world, she said: "The Indian insurance community will need to play a greater role in shaping conversations around the risks facing our clients – be it in climate change, cyber-security, privacy or supply-chain risk."



Mrs Alice G Vaidyan

Exciting times in India over the last decade

Mr Sivam Subramaniam, Editor-in-Chief of *Asia Insurance Review*, in his opening remarks, spoke about the exciting times that India has been experiencing over the last decade. He said it is by sheer coincidence that, at a time when so much is happening in the Indian reinsurance industry, the 10th India Rendezvous has as its theme "In Search of an Ideal Reinsurance Partner". Mr Sivam thanked GIC Re for being supportive of the Rendezvous over the last 10 years through thick and thin.



Mr Sivam Subramaniam

Global reinsurance market & its impact on India

Mr Denis Kessler, Chairman and CEO of SCOR SE, delivered the keynote on the theme "Global Reinsurance Market & its Impact on India."



Mr Denis Kessler

He said: "The picture at the global level of the insurance and reinsurance industry is a situation of excess capacity. The supply of capital exceeds the demand for capital, and it is causing pressure on pricing."

Mr Kessler added: "All in all, the insurance and reinsurance sectors are going through challenging times everywhere in the world. This is not a situation we would like to continue to experience for too long."

"In addition to a situation of excess capacity and soft underwriting cycle, the insurance and reinsurance industry is facing persistently low interest rates."

Speaking on consolidation, he said: "Consolidation is driven by economies of scale and scope. It helps to bear the regulatory burden, to gain access to new markets, areas and products. I expect to see such a trend in India in the coming years."

Digitisation and consolidation: Disruption or evolution?

Mr Kessler's global keynote was followed by an interesting presentation on "How Global Disruption Can Impact India" by Mr Ronald Klein, Director of Global Ageing, The Geneva Association.



Mr Ronald Klein

He said: "Foreign insurers and reinsurers still view India as a difficult market in which to earn a profit. However, with a population of 1.25 billion,

a GDP of nearly US\$2 trillion and an estimated reinsurance market of \$2.5 billion, these companies are willing to invest time and resources to remain active enough in the market to capitalise on any opportunities that arise.

Mr Klein said: "There has been a consolidation in the broker scene also, increasing the bargaining power, and skills to offer, portfolio management, risk bundling and packaging services. The question is: will they start underwriting on their own or other's balance sheets?"

Speaking about digitisation, he said: "Whether digitisation should be viewed as disruption or just evolution is still a question mark."

Despite all these aspects, Mr Klein said there still is a protection gap and society is evolving. So there is a need to focus on the further development of skills, know-how and business models. New lines of business also need to be explored so as to penetrate underdeveloped markets.

More to be done

India Rendezvous, in its decade edition, also invited the former Chairman-cum-Managing Directors, Mr Yogesh Lohiya and Mr Ashok Kumar Roy of GIC Re to address the audience.



Mr Yogesh Lohiya

Mr Yogesh Lohiya said the biggest challenge in the Indian market is low insurance penetration which can only be tackled by concentrating on rural India, where at present the industry only writes between 7% and 8% of its total business. Corporate governance was another area



Mr Ashok Kumar Roy

Mr Lohiya believes would need to be addressed if the Indian insurance industry is to remain healthy.

Mr Ashok Kumar Roy spoke about the utility of IPOs for public sector general insurers. He said, till date, only one company

in the private sector has come out with an IPO. It was subscribed fully, but was listed at a lower value. This is indicative of the high pricing and low support from investors. Even after over a decade of being in the market, the insurance sector is not

fully understood by investors as there is not much sectoral data available. As such, to have 54 companies listed on the stock exchanges would be a long haul.

The 10th India Rendezvous attracted 625 delegates from India and across the globe.

Market cheered by Lloyd's status upgrade

Lloyd's has been granted the R3 licence by the Insurance Regulatory & Development Authority of India (IRDAI) which makes its onshore branch operational, revealed Mr Kent Chaplin, CEO, Lloyd's Asia Pacific, at a panel discussion on Lloyd's involvement in India yesterday.



Mr Kent Chaplin

Indian market has for Lloyd's. It first received the R1 licence – a first-level approval to provide onshore reinsurance services in India – in November last year.

Expanded role

The panellists discussed if Lloyd's was ready for the Indian market and vice-versa. "We are excited that Lloyd's is coming to India as we can utilise their expertise in agriculture, infrastructure and disaster management," said Mrs T L Alamelu, Director & GM, New India Assurance Company.

Meanwhile, Mr Sanjay Kedia, Country

Head and CEO of Marsh India Insurance Brokers, believes that the real value of the entry of Lloyd's in India will only be seen when Indian companies get access to all the syndicates. Currently the Indian market deals with only two syndicates.

Panellists were clear in their opinion that the world's specialist insurance market will play a key role in developing and supporting the Indian market.

The panel discussion, moderated by Mr Chaplin also included Mr Angus Fyfe, Senior Reinsurance Underwriter, MS Amlin and Mr Chay Wilkinson, Claims Director, Asia-Pacific, Markel International.



(L-R): Mr Sanjay Kedia, Mr Angus Fyfe, Mr Chay Wilkinson and Mrs T L Alamelu

Panel: Are reinsurers meeting the needs of cedants in Asia?

Reinsurers and cedants in South Asia have to work towards greater trust and collaboration, said panellists at a reinsurance discussion yesterday.

"South Asian countries may be different, but they have common features and cultural similarities and also face common challenges," said Mr K Sanath Kumar, CMD, National Insurance. He highlighted that South Asia is home to the largest population in the world and is also the fastest-growing economic region, but insurance penetration levels continues to be low.

"Trust is fundamental when the industry goes through a difficult phase," said Mr Peter Gerhardt, Group CEO, ACR Capital Holdings. He called on the industry to identify and quantify risks as they emerge.

All have an important role

"As a cedant, the biggest challenge is managing growth effectively and profitably," said Mr M S Sreedhar, MD, Royal Sundaram General Insurance. He called for technical support from the international reinsurance community in this key area of concern.

"Public-private partnerships can also play a key role in the development of the markets in the region," said Mr Hitesh Kotak, Chief Representative for India and Indian sub-continent, Munich Re.

Meanwhile, highlighting the key role played by GIC Re in stabilising the markets in the South Asian region, Mrs Usha Ramaswamy, GM, GIC Re, emphasised that her company would retain a similar

role going forward despite changes in the country's reinsurance landscape.

"The biggest need for life insurers in the region is expertise in developing products and increasing penetration levels," said Mr Mohit Kachlani, IT Head of India First Life Insurance.

The session ended with a note to break barriers and find solutions in bridging the penetration gap that has long been a bane for the insurance sector in South Asia.

The panel was moderated by Mr P C James, Principal Officer, Insure Edge.



Mr P C James



(L-R): Mr Peter Gerhardt, Mr Hitesh Kotak, Mr M S Sreedhar, Mr K Sanath Kumar, Mr Mohit Rochlani and Mrs Usha Ramaswamy

Can technology replace underwriters?

Technology trends for insurance in 2017 and beyond will include Artificial Intelligence, Predictive Analytics, Internet of Things, Big Data and Customer Experience. These are likely to become an integral part of insurance business moving ahead. Insurance underwriting, however, is perhaps one last bastion that has remained untouched so far. Will technology disrupt insurance underwriting? *Asia Insurance Review* spoke to a few reinsurance CEOs and posed the question: Can technology could replace human underwriters in the days ahead?

Human intervention will be required!

Ms Kalpana Sampat, Managing Director, **Swiss Re Services India**, said: "Underwriting is going to become easier and more effective henceforth due to the technological innovations. However, it still needs human intervention to make the underwriter's judgement and risk decisions.

"Traditional underwriting techniques to differentiate and select risks are effective, but the process is time consuming and involves high costs. New data sources, platforms to store and analyse data, and fast, innovative technologies to mine the data or simply automate existing processes have the potential to reduce the length and invasiveness of risk assessment, improve risk selection and refine policy pricing," said Ms Sampat.



Technology will transform underwriting!

Mr Hitesh Kotak, CEO of **Munich Re India Branch Office**, said: "New technologies will change our industry dramatically. However, the job of an underwriter, especially in a still evolving and rapidly growing market like India, is to a large extent, one based on relationships."

Mr Kotak said: "Underwriting includes understanding client's motivation, understanding the covered exposures and perils, fine-tuning the models, structuring the appropriate reinsurance solution, customising the wordings, finalising the overall product solution, and being involved in the claims management after a catastrophe event. Therefore, we will still need real underwriters in the future."



Judgement & experience matters!

Mrs Alice G Vaidyan, Chairman-cum-Managing Director, **GIC Re**, looks at technology as an enabler for underwriters to engage better with their clients.



Mrs Vaidyan said: "Internet aggregators, specialised modelling software and even social media are assisting underwriters in the better evaluation of risks. InsurTech applications also provide data that helps in assessing and monitoring underwritten risks. However, technology will never completely replace the judgement and experience of underwriters", said Mrs Vaidyan.

Too complex to be replaced!

Mr Thomas Mathew T, Managing Director & CEO, India, Sri Lanka and Bangladesh, **RGA Services India Pvt Ltd**, said: "Considering the complexities involved in medical and financial underwriting, technology currently will not be able to replace the underwriters".



Not wholly but substantially!

Mr R Raghavan, Chief Operating Officer (designate), **ITI Re**, said: "It will, if not wholly, but substantially. The amazing developments in the field of Artificial Intelligence (AI) portend heavily in favour of such a change.

"The only saving grace is the non-destructibility of personal relationships, which is the bulwark of a business, like reinsurance. Many London market acceptances are proverbially made in a pub. You are not obviously likely to share a beer with a robot, I hope. To that extent, optimistically, some space will still remain for human underwriters. But their cerebral strain will diminish due to the availability of AI", said Mr Raghavan.



India in numbers

Major natural disasters

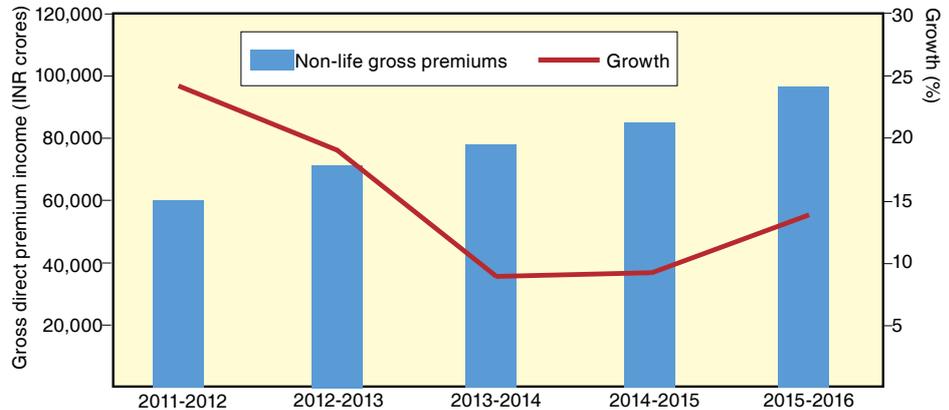
On average, India has more of its annual GDP exposed to river flooding and other weather-related disasters than any other country in the world. India's current US\$14.3 billion exposure to river flooding could increase to US\$154 billion by 2030. Weather-related disasters also claim a heavy toll on human life in India.

Source: Various

| Incidence | Year | Fatalities |
|--------------------------|------|------------|
| Indian Ocean Tsunami | 2004 | 200,000 |
| Gujarat Earthquake | 2001 | 20,000 |
| Odisha Super Cyclone | 1999 | 10,000 |
| Uttarakhand Flash Floods | 2013 | 5,000 |
| Mumbai Floods | 2005 | 1,500 |
| Chennai Rains/ Floods | 2015 | 500 |
| Kashmir Floods | 2014 | 500 |

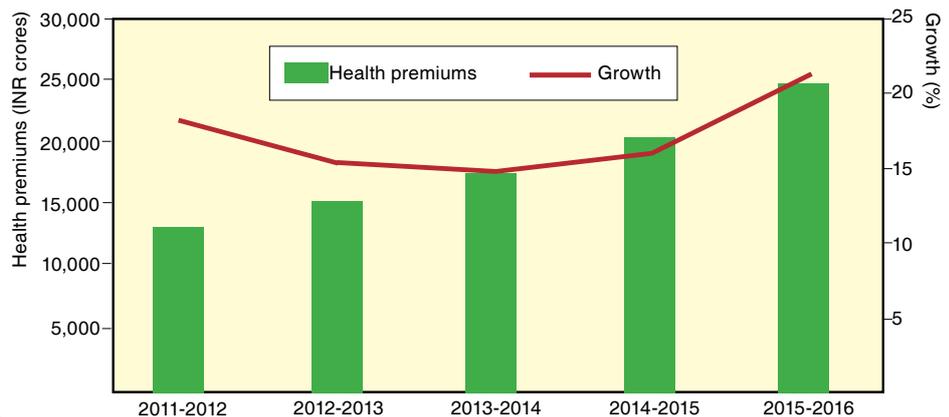
Non-life gross direct premiums

The non-life industry has shown tremendous maturity and resilience despite several challenges in the last decade. In 2015-16, the industry recorded a gross direct premium income of INR96,379 crore compared to 2006-07's INR27,135 crore, a 255% increase.



Health insurance premiums

Health insurance has emerged as a significant portfolio of the non-life industry. It accounts for almost 30% of the market share. Health insurance has grown at a CAGR of 23.9% from 2006-07 to 2015-16, and in 2015-16 generated a premium income of INR24,784.05 crore.



Source: General Insurance Council Handbook 2015-16

See you at the 2018 India Rendezvous!

17-19 January 2018 • Mumbai, India

Mark your diary!



Diary of events 2017

Global Insurance Forum (GIF)

2-5 July • London, UK



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