NOTEBOOK

This is India's time for insurance growth

The 17th India Rendezvous took place in January and saw some 800 delegates from 42 countries make their way to India's shores. The rendezvous remains the most important insurance event in the country and this year it showcased the interest that the global insurance industry has in the world's most populous nation.

By Ahmad Zaki

In his inaugural address at the 17th India Rendezvous Insurance Regulatory and Development Authority of India (IRDAI) member (non-life) Thomas Devasia said, "IRDAI is supporting the insurance industry to build strategically on the enormous successes of the innovations and successes of India's digital public infrastructure."


Mr Thomas Devasia

He said, "With the launch of the state insurance plan in 2023, the IRDAI has formalised and is working forward on a strategy of insurance inclusion. [Insurance for all] will be achieved via the state plans and the Bima trinity."

He said this is strategically designed also to position India as a prominent global reinsurance hub. "The next significant insurance reforms in the Indian insurance industry will be the rolling out of IFRS17 equivalent of Ind AS117 and our own risk-based model."

He said these are being worked on by dedicated mission mode teams and these will feed into risk-based supervision framework under refinement, by yet another mission mode team.

He said, "The Indian market in the near future will witness newer opportunities for regional, niche, more monoline, captives, mutuals, micro-insurance to add to the momentum of growth."

Industry must remain prudent and vigilant

GIC Re CMD Ramaswamy Narayanan, during his welcome address, said, "The Indian market, in a way, is on the crossroads. The economy is on a growth trajectory, thus ensuring that the insurance market continues its double-digit growth momentum. The regulator has been very proactive in ensuring that the regulations are simplified to enable ease of doing business."


Mr Ramaswamy Narayanan

He said, "There is also enough push to ensure that penetration levels in the market improve substantially. There is a lot of focus on ensuring that insurance is available to the strata of the people who need it the most."

"But challenges too exist. Recent CAT events show that there is a need to take climate change more seriously. As the frequency and severity of the losses increases, there is a fear that some risks may become uninsurable, something unthinkable in a growing economy like ours."

Speaking about the market hardening trends, Mr Narayanan said, "We must bear in mind that these trends are not a flash in the pan but are expected to continue for a few more years. It is up to us to brace for the times ahead. We must speak about the fact that underwriting prudence is now paramount. Sense and sensibility will continue to be rewarded. In a sense, it is back to the basics again – finally."

Asia's growth engine


Ms Neerja Kapur

New India Assurance Company CMD Neerja Kapur said that the Indian economy stands out as a bright spot in the G20 and is poised for a major take off. India today drives towards a $5tn economy and is expected to overtake Japan and Germany to become the third-largest economy by 2028.

Speaking during a special address to the delegates, Ms Kapur talked about some of the major factors driving insurance growth in the country; growing awareness of insurance products and their benefits; rising middle class and increasing disposable income; favourable demographic profile with a large young population; technological advancements and digitalisation and government initiatives to promote insurance penetration.

She highlighted that India's insurance market is one of the fastest growing in the world. "Although, non-life insurance penetration stands at only 1%, the country ranks as fourth largest general insurance market in Asia and the 14th largest globally," she said.

She spoke of the numerous transformations in terms of new developments, modified regulations, proposals for amendments, opening new avenues of growth and IRDAI roadmap to achieve 'Insurance for all by 2047', with aggressive plans to address the industry's challenges.

She also spoke about how the major infrastructure push across the country will drive property insurance. "India's eight infrastructure sectors exhibited a growth of 12.1% on an annual basis in October 2023 and the country is likely to spend nearly $1.7tn on infrastructure in seven fiscal years through 2030," she said.

Mutual co-operation needed to address climate risk challenges

There is greater need for mutual co-operation between insurers and reinsurers to address the growing challenge from climate risk, said panellists at the reinsurance roundtable on the second day of the India Rendezvous.

Moderator of the session GIC Re former general manager Deepak Godbole said that extreme protection gap drains national budgets and, during any Nat CAT event, governments will have to divert funds from other infrastructure projects to provide immediate relief to those impacted. "It was imperative on their part to look at insurance as an alternative risk transfer mechanism," he said.

Swiss Re India branch CEO Hadi Riachi said that over the past 10 years, on an annual average, economic losses from Nat CAT in India were in the region of $8bn and only a very small portion was insured. "We as an industry must play an important role in closing this protection gap and there needs to be a lot of investments in adaptation and in mitigation," he said.

GIC Re general manager Hitesh Joshi said that climate risk management and catastrophe risk management are babies of the reinsurance industry. They have been assisting insurers and will continue to assist insurers in the future although the frequency of Nat CAT events has increased in the recent years.

XL Insurance, India reinsurance branch CEO Joseph Augustine said that climate risks have a peculiar nature considering that in today's interconnected world any catastrophic event in any corner of the world can impact others in other regions.

Munich Re India branch head of client management, P&C Ankur Gupta said that Indians are living in a highly-exposed environment to Nat CAT. He said that Munich Re was working on three major pillars – understanding how fast climate change is happening, making climate change measurable through risk models and managing climate change as an industry.

M&A activity in India expected to increase in 2024

The global macroeconomic landscape is facing significant challenges, from the Russia president Vladimir Putin's invasion of Ukraine and the Israel-Hamas conflict, disruptions in food pricing and supply chain, shortages of natural resources and high-profile failures of banks.


Mr Jonathan Tow

Huntington Partners partner Jonathan Tow pointed out that these


L-R: Messrs Deepak Godbole, Hadi Riachi, Hitesh Joshi, Joseph Augustine and Ankur Gupta

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challenges have negatively affected global M&A activity. The year 2022 saw activity decline to the 10-year average levels, while 2023 saw an even further downturn. Global deal value in 2022 was at $3.79tn, while 2023 saw only $2.77tn.

The same applies to India. While India did see a big uptick in activity and deal value in 2022, last year did not fare so well, with only 19 deals occurring in the first three quarters of the year(in comparison to 2022's record-breaking 111 deals. He attributed this to the rising interest rates, which have cooled interest in M&A significantly.

Much of this is aided by the real GDP growth of the nation, he said. After a disastrous 2021, where GDP grew negatively, 2022 and 2023 saw India rebound, with experts projecting a 6.2% growth in GDP for 2024.

More M&A activity expected

Mr Tow also said that with the growing GDP, M&A activity will likely see an uptick this year. Deals will most likely follow global trends from over the past decade, with most deals focusing on consolidation, supply-chain diversification, renewable energy investments and acquisitions of start-ups.

The revisions proposed by IRDAI may also promote more activity, as the regulatory changes are expected to improve business ease, insurance penetration and distribution, alongside the InsurTech sandbox to enhance opportunities. Further, new capital requirements are expected to trigger a new wave of M&A deals this year, as smaller firms consolidate and larger firms divesting their non-core assets.

He also said that additional factors that would drive M&A include the revised FDI limits – which will increase from 49% to 74% - and the RBI's new banking guidelines. With this new guidance, which will cap insurance holdings by banks to 30%, the market will see continued divestiture of holdings.

The 17th India Rendezvous was held from 17 to 19 January. It was jointly organised by *Asia Insurance Review* and GIC Re, and was sponsored by ACE Insurance Brokers, India Insure, Insurance Institute of India, Kshema General Insurance, New India Assurance, Manoj Reinsurance Brokers, Lloyd's, Howden, Protection Re and UNISON Insurance Broking Services.