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Regulatory reforms to boost industry

The Insurance Regulatory and Development Authority of India (IRDAI), with its focus on 'Insurance for all by 2047', introduced wide-ranging reforms in the insurance industry in 2022, which will have a far-reaching impact on the growth and development of the sector.

By Jimmy John

Registration of Indian insurance companies

The amendments to regulations pertaining to the registration of Indian insurance companies aim to promote the ease of doing business and simplify the process of setting up an insurance company in India.

Investments in insurance companies

Major highlights of the amendments relating to investments in insurance companies, some of which include: Investment through a special purpose vehicle is made optional for private equity funds enabling them to invest directly in insurance companies, providing more flexibility; Subsidiary companies are now allowed to be promotors of insurance companies (subject to certain conditions).

A new provision has been introduced to allow the promoters to dilute their stake down to 26%, subject to the condition that the insurer has a satisfactory solvency record for the preceding five years and is a listed entity.

Increase in tie-up limits for intermediaries

To provide policyholders/prospects with wider choice and access to insurance through various distribution channels and to facilitate the reach of insurance to the last mile, the maximum number of tie-ups for corporate agents (CA) and insurance marketing firms (IMF) is increased. Now, a CA can tie up with nine insurers (previously, three insurers) and an IMF can tie up with six insurers (previously, two insurers) in each line of business – life, general and health – for the distribution of their insurance products. The area of operations of IMFs has also been expanded to cover the entire state in which they are registered.

Regulatory sandbox

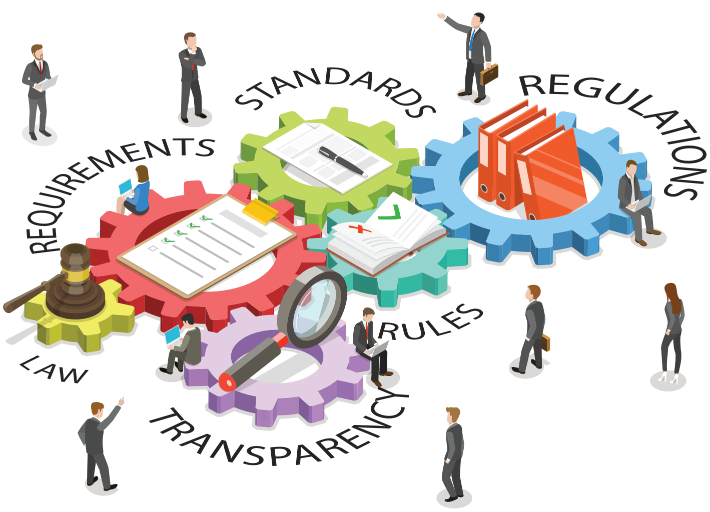
Amendments were made to the regulatory sandbox regulations to allow insurers/intermediaries to experiment on an ongoing basis by lengthening the experimentation period from six months to up to 36 months.

Other forms of capital

To facilitate the ease of raising other forms of capital including subordinated debt and/or preference shares, the requirement of prior approval from IRDAI is dispensed with. The amendments made have also increased the limits for raising such capital. This will enable insurers to raise the required capital in a timely manner. Amendments have been introduced for board oversight in raising such capital.

Appointed actuary

To ensure a sufficient pool of actuary professionals in the industry, the IRDAI has made actuarial experience and qualification requirements more flexible. Given that the maintenance of solvency by insurers is a critical aspect of the health of an insurer and that appointed actuaries (AA) play a significant role in maintaining solvency levels, the responsibilities of AAs have been increased by introducing provisions for the identification, monitoring, reporting and recommending of actions to be taken for risks affecting the solvency position of the company. Obligations have also been placed on insurers to ensure that the AA can discharge his responsibilities appropriately.



Solvency norms for general insurers

To facilitate insurers to utilise their capital and resources efficiently and to increase insurance penetration in crop insurance, the period for considering state/central government premium dues for the calculation of the solvency position has been increased from 180 days to 365 days. The solvency factor related to crop insurance is also reduced to 0.5 from 0.7 which will release the capital requirements for insurers by around $179m.

Education and training for the Indian market

Insurance Institute of India (III) was founded in 1955 as the Federation of Insurance Institutes. III provides education and training support to all stakeholders in the country and abroad in collaboration with the College of Insurance (COI), the training arm of III formed in 1966. III activities are aligned with many international institutions and organisations.

III currently offers licentiate, associateship, fellowship certifications, which are recognised by the insurance industry both within the country and beyond. Specialised diploma insurance courses in topics like marine, fire, health, life underwriting, regulatory compliance, actuarial science (non-life), and fraud control are some of the well accepted courses.

The Insurance Regulatory and Development Authority of India has authorised III to conduct training and examination of pre-licensing of intermediaries associated with the insurance industry.

COI regularly conducts training programmes for insurers and intermediaries in all lines of insurance business as well as in all functional and specialised areas of insurance for insurance professionals in India and abroad. In collaboration with the Mumbai School of Economics and Public Policy (Autonomous), University of Mumbai, COI conducts a post graduate diploma in health insurance and post graduate diploma in insurance marketing as well.

III is a recognised research centre of the University of Mumbai for PhD in business management. The research centre takes up various research, capacity building and consultancy projects with organisations of national and international repute.

III conducts many seminars related to insurance, publishes The Journal quarterly and sends out weekly and monthly newsletters. III has a library with lending facility with a good number of insurance and other books and periodicals.

Asia second most impacted Nat CAT region in 2022

Losses from natural disasters in the Asia-Pacific region increased to approximately $70bn in 2022 with insured losses rising to around $10bn, according to Munich Re's Nat CAT report 2022.

Ahmad Zaki

In Asia, industrialised countries accounted for a high proportion of insured losses, following past trends. Apart from the floods in Australia, an earthquake in Japan were the disasters with the highest insured losses in the region. The 7.4 magnitude earthquake caused overall losses of $8.8bn, of which $2.8bn was insured and was the second-costliest natural disaster in the Asia-Pacific region after the floods in Pakistan, which was the year's second costliest and greatest humanitarian disaster.

The flooding in Pakistan resulted from record-breaking monsoon rainfall during the June to October period. In the month of August, rainfall there was between five and seven times heavier than usual. Accelerated glacier melt as a result of the high temperatures significantly increased the flooding. At least 1,700 people were killed. According to the report, direct losses are estimated to be at least $15bn – an enormous amount given the size of the country's GDP.

In China, a protracted heatwave and drought, with temperatures of over 44°C in many parts of the country, led to water shortages and crop failures. The water level in the Yangtze, the longest and economically most important river in the country, receded significantly, as did the levels in many other rivers and reservoirs. In some areas, shipping was suspended and the electricity yield from hydroelectric stations fell drastically. Several large industrial corporations had to temporarily suspend production. According to rough estimates, the damage, including losses from crop failures, could be in the mid-single-digit billions, virtually none of which will have been insured.

Global risks ranked by severity over the short and long term

"Please estimate the likely impact (severity) of the following risks over a 2-year and 10-year period"

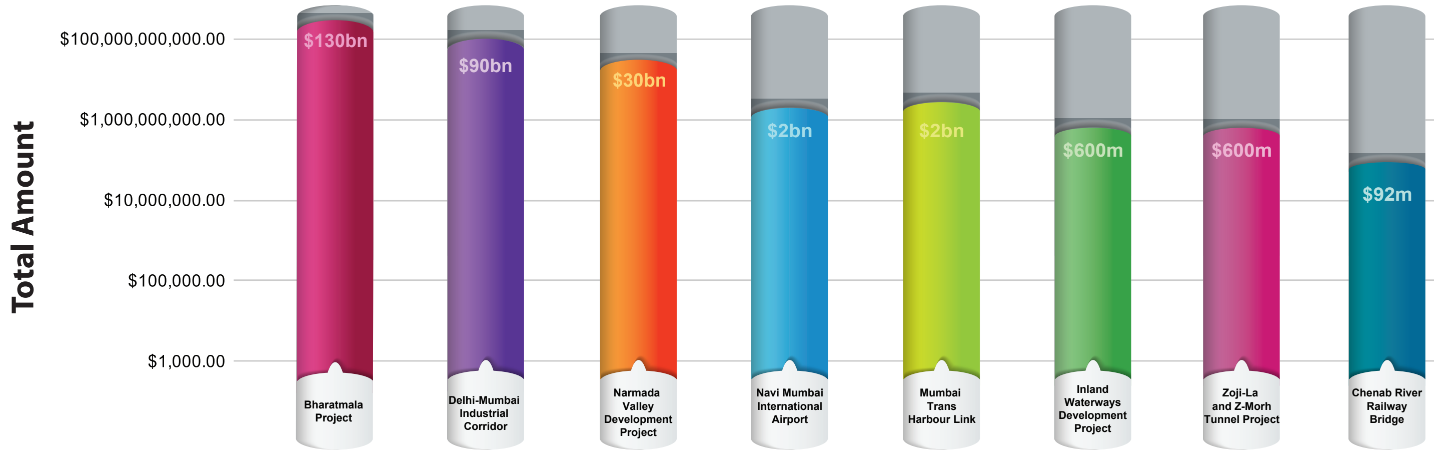
	2 years		10 years
1	Cost-of-living crisis	1	Failure to mitigate climate change
2	Natural disasters and extreme weather events	2	Failure of climate-change adaptation
3	Geoeconomic confrontation	3	Natural disasters and extreme weather events
4	Failure to mitigate climate change	4	Biodiversity loss and ecosystem collapse
5	Erosion of social cohesion and societal polarization	5	Large-scale involuntary migration
6	Large-scale environmental damage incidents	6	Natural resource crises
7	Failure of climate change adaptation	7	Erosion of social cohesion and societal polarization
8	Widespread cybercrime and cyber insecurity	8	Widespread cybercrime and cyber insecurity
9	Natural resource crises	9	Geoeconomic confrontation
10	Large-scale involuntary migration	10	Large-scale environmental damage incidents

Risk categories: Economic, Environmental, Geopolitical, Societal, Technological

Source
World Economic Forum Global Risks. Perception Survey 2022-2023.

Major infrastructure projects in India at various stages

India plans to invest $1.4tn in various infrastructure projects over the next five years. These projects will create major opportunities for insurers and reinsurers.



MAJOR EVENTS

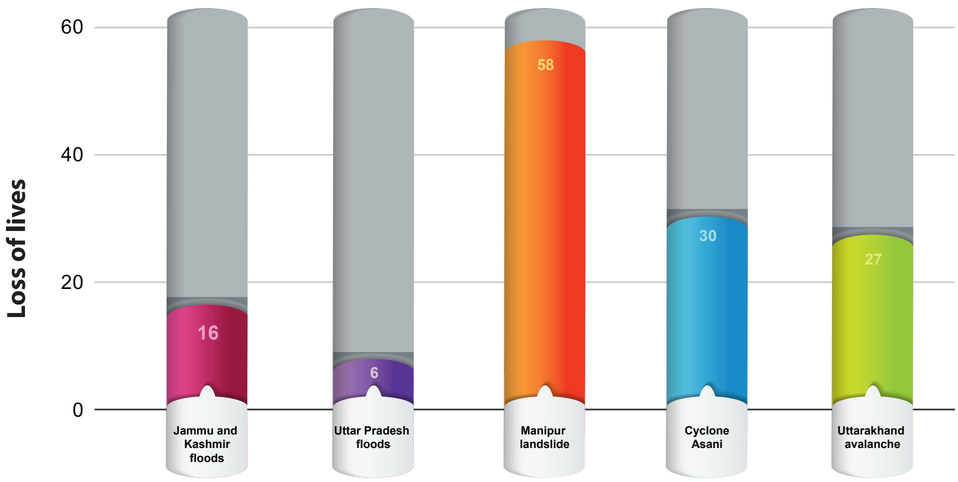
- Upgrading 34,800 km of national highways and border roads
- Creating industrial zones and logistics hubs
- Electricity, irrigation and drinking water
- Mumbai's second international airport
- Freeway grade road bridge connecting Mumbai with Navi Mumbai
- Developing inland waterways as strategic infrastructure
- Tunnels connecting Kashmir to Ladakh
- Highest railway bridge in the world

A year of extreme Nat CAT events

According to the Extreme Weather Report 2022 published by the Centre for Science and Environment, India recorded an extreme weather event on almost 90% of the days in the first nine months of 2022.

These disasters claimed 2,755 lives, affected 1.8m hectares of crop area, destroyed over 416,667 houses and killed over 70,000 livestock.

The major Nat CAT events to hit India in 2022 include:



NAT CAT EVENTS

- Impacted over 1,600 villages in 22 districts affecting over 250,000 people
- Impacted four states in South India

> "Beaming faces... bubbling hopes and new opportunities. Great vibes and energy all around. What we missed in two COVID-hit years is back now with the India Rendezvous 2023. Optimistic that what lies in store for Indian treaty renewals 2023/24 will be great surprises.

Alert Insurance Brokers executive director Arumugam Selvaraj

> "Given that reinsurance capacity is being sold at a higher price which was witnessed by the international market early this year, the Indian reinsurance market presents a good opportunity for reinsurers in structuring innovative programmes. A buoyant domestic industrial forecast coupled with healthy changes on underwriting in the anvil, reinsurers will chase good underwriting philosophies.

Prudent Insurance Brokers member – executive board Sathish Mathur

SHAPED IN THE LIGHT OF PROFOUND EXPERIENCE OF MORE THAN 90 YEARS

A warm welcome back to India

Nearly 600 delegates turned up at the cocktail reception for the 16th India Rendezvous. The continuation of one of our most storied events was celebrated by the vibrant crowd and lively atmosphere.





















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