Asia Insurance Review
Member: Beacon International Group, Ltd.

Day 3

India Rendezvous Daily

Friday
20 January 2023

Co-Organiser: GIC Re

Sponsor: भारतीय बीमा संस्थान INSURANCE INSTITUTE OF INDIA

Media Partner: Middle East Insurance Review
Member: Beacon International Group, Ltd.

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Insurance for all

By Anoop Khanna

In his inaugural address Insurance Regulatory and Development Authority of India (IRDAI) member (non-life) Thomas Devasia said that India today is a $3.5tn economy and among the fastest growing globally.

He said, "Our insurance industry, which is worth over $120bn, is growing at 13% year-on-year. We need to focus on a sustainable market for the next five years. Our target has to be insurance for all."

Mr Devasia said that in 2001 when the market opened up, the overall insurance penetration was 2.7% and by 2020 it had grown to 4.3%, with life insurers coming in at about 3.2%, which is comparable to global average of 3.4%. However, non-life penetration is a matter that needs attention as it is only about 1%, compared to the global average of 4.4%.

He said with 27 general insurers and five standalone health insurers the nation has a lot to do and lot to achieve. With the pandemic, alarming global inflation and changing geopolitical situation, the insurance industry is at an inflection point.

He said Bima Sugam, the proposed technology platform will be another big milestone for the Indian insurance industry and will help in expansion of the insurance market.

Mr Thomas Devasia

Focusing on sustainability

By Anoop Khanna

The panel on, "Are CEOs ready for tomorrow" was moderated by Insurance Institute of India professor Dr Thomas George and included Liberty Insurance CEO Roopam Asthana, GIC Re chairman and MD Devesh Srivastava and Reliance General Insurance CEO Rakesh Jain.

Mr Asthana in his opening remarks said the industry needs to be introspective on how it aligns its entire work force with digital technology. There is always a lag in this area and that needs to be overcome fast. He said cyber crimes are a new CAT event, which are shaping up very rapidly and it is now an open-ended risk.

Mr Asthana said, "We need to question ourselves is going digital a transformation or a fatigue in the making? The major issues that are confronting us today are adopting and adapting to technology, measuring up to the ESG benchmarks and ensuring that the industry remains profitable."

"We need to build on two very vital traits in our employees – talent and technical thinking. Now the investors are also bringing a new dimension to the industry. We need to focus on sustainability," said Mr Jain. "What I erect must sustain beyond and after me. The customer wants value for money, and it is a value scaling market and not a price setting market."

He said technology is important if there is context. Aligning business strategy and IT execution is the key. He said insurers who can successfully blend their business model with social upliftment will be more sustainable in the long run.

Mr Asthana said, "Respecting income disparity and ensuring protection for our larger population should be our focus."

Mr Srivastava said the CEO's role is to keep the team ready for the battle. "Sustainability is a concern while dealing with Nat CAT events. Technology does make us more efficient, but we need to be judicious in its use and implementation."

Mr Asthana added that for the increasing Nat CAT of today, the industry needs more capital and also needs to focus on its bottom line.

Panel discussion: Are Indian CEOs ready for tomorrow?
L-R: Dr George E Thomas, Messrs Devesh Srivastava, Rakesh Jain and Roopam Asthana

The modern era of insurance

By Anoop Khanna

Delivering his special welcome address yesterday morning, GIC Re chairman and managing director Devesh Srivastava said, the 1 January renewals, though not unprecedented, are a first for many insurance practitioners so used to soft market conditions. Life has come a full cycle and so has the market.

Mr Devesh Srivastava

He said, "We all talk of hard and soft cycles in our industry. Given the absolute mayhem witnessed in the renewals, should we not pause to consider a very basic tenet of reinsurance? If reinsurance is meant to even out the crests and troughs in an insurance company's balance sheet, should that not translate into a complete absence of a cyclical market in our business?"

Mr Srivastava said that four factors hint that the market cycle has changed considerably and that maybe the traditional hard-soft markets shouldn't apply in the modern era. He said these four factors are: Capital is still available; rate increases have varied significantly by class of business; there is no certainty about the rate adequacy; and cyber is another area where the rates being charged are debatable.

He said these four factors strongly suggest that things are different this time around. They indicate that possibly this hard market cycle is more of an amalgamation of 'small waves' rather than an overall tide.

He said, "We must also bear in mind that these hardening trends are not a flash in the pan but are expected to continue for a couple of years. It is now for us to brace for the tough times ahead and educate our clients on the importance of sustainability for the future of our industry."

Further regulatory support

International Financial Services Centre Authority (IFSCA) executive director Praveen Trivedi in his address 'Fostering the growth of insurance sector in GIFT-IFSC' said there has been a 200% rise in the growth of IFSC entities over the last two years.

Mr Praveen Trivedi

"From 129 in September 2020, we now have 391 entities operating from GIFT-IFSC. We offer a competitive tax structure and tax regime with several encouraging features. The GICT-IFSC has also developed an aircraft leasing and financing hub ecosystem and it offers a 360-degree approach to this market."

Making a specific mention of GIFT-IFSC insurance ecosystem, Mr Trivedi said IFSC insurance regulations are benchmarked with international best practices. He said GIFT-IFSC provides reinsurance support to the following categories of entities.

- IFSC Insurance Offices (IIOs) of direct insurers in IFSC
- Reinsurance support to IIOs (reinsures) in IFSC
- Reinsurance business from cedants based in India, subject to order of preference under the IRDAI (Reinsurance) Regulations 2018. Currently, IIOs are ranked above cross border reinsurers (CBRs)
- Reinsurance and retrocession to cedants/reinsurers based outside India

It also supports setting up of regional headquarters for Asian market and 100% tax holiday period is extended to 10 years out of any 15 years. No GST is levied on services rendered in IFSC or to an IFSC unit.

Growth despite challenges

New India Assurance Company chairman and managing director New India Assurance Company Neerja Kapoor in her special address, 'Winds of change' said the food and energy crises, global inflation, unsustainable debt levels, geopolitical confrontation and climate change, all add up to the present global turmoil.

Ms Neerja Kapoor

She said, the Indian insurance industry, however, is poised to take off on a growth trajectory. "Over the next decade we expect to see a strong double-digit growth in the market. By 2032 we are set to become the sixth largest insurance market in the world and non-life is expected to perform better than life insurance due to low penetration."

Ms Kapoor said global reinsurers can no longer afford to ignore the Indian insurance market. Appreciating the efforts being made by the Indian regulator, IRDAI to achieve insurance for all, she said IRDAI is leaving no stone unturned. Over the last 12 months a complete overhaul of the regulatory regime has been initiated. This is bound to create an insurance market where ease of doing business is the priority.

She said, "Very soon we expect a transition from an overly prescriptive regime to a principle-based outcome driven regulation and an open market unhindered by regulatory arbitrage is expected to emerge."

‘Social’ is the neglected middle child

By Ahmad Zaki

When it comes to environmental, social and governance (ESG), the social aspect is the neglected middle child, said Geneva Association deputy managing director Kai-Uwe Schanz, during his address yesterday morning.

Insurers, like many other organisations, struggle to measure their social footprint, which leads to this topic being under-researched and poorly understood.

At its most basic, social impact is the impact business has on people, be it positive and negative. Secondly, social impact can also be outcome-driven, essentially looking at what insurers want to achieve. “Of course, we want to enable as many people as possible to live in healthy and equitable conditions. That’s the objective of social sustainability efforts,” he said.

Even with this understanding, the topic can be difficult to address. Dr Schanz said that the pandemic and recent geopolitical shock events have shown a clear manifestation of protection gaps, with COVID-19 exposing the gap in health protection, that had previously gone neglected in favour of the Nat CAT protection gap. Further, the Russia-Ukraine war and the current cost of living crisis have massive social implications.

He also pointed out that the push towards a more transparent non-financial performance from both the public sector and the investment community is providing a major obstacle to channelling funds and capital towards sustainable purposes. “When you look at the landscape, there are more than 600 frameworks globally to describe and to conceptualise non-financial performance. With thousands of metrics. And this chaos is not just a nuisance,” he said.


Dr Kai-Uwe Schanz

However, he added that there are many efforts to streamline and facilitate this process, which offers the potential to pave the way towards a globally consistent approach to measuring non-financial performance.

Geopolitical risks to engage insurance community in 2023

By Jimmy John

In his international keynote address, the London Energy Club chairman and former diplomat, OECD executive Mehmet Öğütçü said that 2023 will be fraught with geopolitical risks that will engage the insurance industry and called on participants to prepare well in advance to manage these risks efficiently.

“Never in recent history have geopolitical risks shaped economies, energy flows, the water crisis, food supply security, financial flows and the position of countries in the world system more strongly than they do now,” he said. He further emphasised that companies, governments, banks and insurers must take these risks more seriously and include them in business decisions and government policy choices.

Speaking on the main geopolitical and economic challenges in 2023, Mr Öğütçü highlighted the following:

Authoritarian states trying to gain legitimacy. This is happening through economic nationalism, technology war, sanctions, supply chain relocations, fragmented geopolitics, global security issues and the increasingly politicised globalisation process will accelerate.

The US-China rivalry. This is a strategic challenge which will shape not only 2023 but the coming decades.

The Russia president Vladimir Putin’s invasion of Ukraine. The sanctions on oil and gas, disruption of traditional energy and investment flows that benefit China and India, and the shift of Middle East oil and North African gas to Europe will continue to be hot topics.

Iran. As one of Russia’s most important military allies, Iran is experiencing the greatest internal unrest since the 1979 revolution.

The energy crisis. The crisis that commenced in 2022 will create much more difficult market conditions, increase costs for households and businesses, especially in the second half of 2023, with the combination of geopolitics, economy and production factors.


Mr Mehmet Öğütçü

Asian risks. Higher interest rates will ensure a challenging economic environment in Asia. Growth in economies with high levels of household debt, such as Australia and South Korea, are set to slow sharply, even as a systemic crisis is avoided.

Turkiye elections. The election in 2023 will decide whether Russian geopolitical revisionism will bring Turkiye closer to the west or shift it to a Beijing-Moscow-Tehran axis.

The future of insurance broking in India

Insurance Brokers Association of India's **Mr Sumit Bohra** says efforts are afoot to make brokers more relevant and the preferred insurance intermediary.

Insurance broking was first Introduced in India in 2002 and the first licenses were issued in 2003. Earlier to that was a period dominated by development officers and agents. Triggered by the need to protect the interests of the customers and provide customer-centric solutions with careful assessment of risks led the regulator to this new channel.

Consistent growth

The broking channel has consistently grown over the years, gaining further momentum post full de-tariffing in 2008. Customers were now offered a wider choice of insurers and products which truly ushered in a customer-first approach. Today, brokers are the preferred channel of businesses in India as they account for more than 70% of the addressable market in general insurance.

The year 2022 has been a watershed year for the insurance sector. Not only has there been sustained growth, with the sector benefitting from the fundamental reorientation towards insurance post the pandemic, but the year has also seen regulatory reforms, most of which had been pending for over a decade.

Reforms are always healthier and forward looking but the pace in 20222 was like that of a bullet train, making it rather strenuous and difficult to catch up.

Reforms are important

Brokers can only survive and show their full potential of service in a detariffed market. There are several reforms that increase the customers' need for a broker and thereby make a brokers' role crucial. Most importantly, these reforms bring growth opportunities for brokers too.

1. Using Insurance Information Bureau rates only as a reference point and not use for all the risks– the regulator has clearly shown its intent by dislodging the artificial tariff created by the reinsurers. Every insurer must assess the risks based on merits and provide the customer the flexibility to choose the peril, deductible, first loss structure etc., giving freedom of choice to the customer.

2. The regulator has also asked insurers to free up the wordings there by encouraging new products and flexible options depending on the type of industry which can pave the way for penetration into newer territories.

3. Use-and-file has replaced file-and-use guidelines thereby paving the way for newer and quicker turnaround of products. This offers scope for product innovation and customisation, facilitates pilot studies in smaller groups and results in increasing penetration as customers will have newer products which are useful to them as well as connect with them.

While these reforms will help improve ease of doing business, encourage customer-centric and technology driven innovations, the only way penetration can increase is by creating awareness and continued thrust on education whether it is through digital or phygital means in addition to starting young through formal education in schools and colleges.

Keeping up with the times

Brokers have become the voice of the customer in many ways and being the only channel for customer representation can pave the way for growth and achieve the ambitious target of 'insuring India by 2047' where every household is insured through their wider distribution network and knowledge.

Brokers are also investing in technology to connect to the last mile customer and enhance the experience of instant policy and faster claim settlement.

Currently, there are close to 600 brokers across the country contributing almost INR600bn ($7.32bn) worth of premium and this will grow annually at around 20-25% going forward as price discovery and suitable wordings will become a real challenge and every customer will require a broker to provide proper guidance and suitable insurance cover.

As we aspire to create an environment where every citizen and enterprise has access to appropriate insurance cover, insurance brokers will be centre stage to bring this vision to life.

Mr Sumit Bohra is the president of Insurance Brokers Association of India.

Published by: Asia Insurance Review Member: Beacon International Group, Ltd. www.asiainsurancereview.com

Co-Organiser: GIC Re www.gicofindia.in

Sponsor: भारतीय बीमा संस्थान INSURANCE INSTITUTE OF INDIA www.insuranceinstituteofindia.com

Media Partner: Middle East Insurance Review Member: Beacon International Group, Ltd. www.meinsurancereview.com

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