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A salute to the 10th India Rendezvous!

A decade of still finding the ideal reinsurance partner.

That is the theme of this year's 10th India Rendezvous which suffered growing pains in the aftermath of the serious 2008 Mumbai terror attacks and many international reinsurers staying away.

SCOR kept its faith with the cause of the India Rendezvous from day 1 and today, at the milestone 10th India Rendezvous, its global CEO Denis Kessler, a renowned thinker, philosopher and strategist of the reinsurance world, will keynote the event.



Mr Denis
Kessler

Belt up to be taken above the clouds!

Asia Insurance Review is also truly honoured to have co-organised this event all these years with GIC Re, the national reinsurer of India. And we owe a debt of

gratitude to Mrs Alice G Vaidyan, CMD, GIC Re, for her staunch support of the event.

A booming market

In the 10 years that have passed, the Indian insurance market has catapulted to the 12th largest insurance market spot in the world with a premium pie of US\$72 billion in 2015, where the latest comparable global statistics are available.

Though non-life business is only some \$15 billion, the India Rendezvous has drawn tremendous international attention with some 650 delegates coming from 40 countries around the world. And the search for the ideal reinsurance partner goes on, as there are more than 300 active internationals involved in offering reinsurance protection for the Indian market, which is still under-insured to the tune of some \$20 billion.

There is also an order of preference with a new local reinsurer and new branches of international players setting up. There is tremendous buzz over this order and its implications to the business done.

But reinsurance is a global game and some say even beyond borders. India is after all the seventh-largest economy in the world and will attract players from the world over regardless of the pecking order. This is a connected world.

An exciting ride

The potential is great. The journey has just begun and there are miles to go with seats for all.

My very best in the search for the ideal reinsurer! They are out there and not elusive.

Sivam Subramaniam

Editor-in-Chief, *Asia Insurance Review*

How much can happen in a decade?

A decade witnesses many changes driven by human ingenuity and natural forces.

The last decade has been a tremendous decade of transformation in the Indian scenario.

These changes were driven by the political, social, technological and economical changes that are happening in India. Indeed, the unthinkable can become thinkable in a decade!

When I look back on the last decade, I see a lot that has happened in the Indian insurance industry as well and am happy to say that all of it has been encouraging! This gives me an opportunity to look back and reminisce on what we have achieved. It gives us a chance to assess our progress and work out what remains to be done.

I had moved to GIC Re in 2008. GIC Re had around that time joined hands with *Asia Insurance Review* to provide a unique platform for all stakeholders of the Indian insurance industry. The sector was still young, just aspiring to move into its teens and hence required careful nurturing.

The India Rendezvous provided an apt opportunity to confabulate on all issues of the industry in a much better and more cohesive manner than before. India Rendezvous 2009 was the first Rendezvous that I attended, and am happy that I have been a part of all the India Rendezvous since then.

It's only the start

The Indian insurance industry has grown tremendously since then but it still has a lot of untapped potential. We are today at a junction where not only more insurers are finding opportunities but a whole lot of global and local reinsurers are today operating from our own turf. This reflects the strength of our systems, our regulatory environment and the potential of India. Today we can proclaim that we have arrived!

I am happy that GIC Re has been a partner in this journey of progress that we have made over the last decade. I would like to close with these lines of Robert Frost "but I have promises to keep, and miles to go before I sleep, and miles to go before I sleep".



Mrs Alice G Vaidyan

Chairman-cum-Managing Director,
General Insurance Corporation of India

India's new reinsurer to play its part in raising standards

India's first private reinsurer is confident of making a splash in domestic market, before spreading its wings abroad.

The first Indian reinsurance company in the private sector, ITI Reinsurance (ITI Re), is all set to commence operations at the end of this month – becoming the second Indian reinsurer after the state-owned GIC Re.

Mr R Raghavan, Chief Operating Officer (designate) ITI Re, speaking to *Asia Insurance Review*, said: "We shall be writing all classes in non-life to begin with, and later look at life reinsurance business as well".

Opportunities in the Indian market

About the opportunities in the Indian market, Mr Raghavan said: "Indian general insurance business is in a healthy growth phase and as it grows further, it will spur demand for reinsurance cover as well as expertise in product innovation and development". He said that the Indian market growth is already "phenomenal" and will be further boosted by agricultural insurance, thanks to the Pradhan Mantri Fasal Bima Yojana.

Competition

On competition from branches of overseas global reinsurers, which are also commencing their business operations in India very soon, Mr Raghavan said: "This should be seen more as a positive development which will aid quality underwriting and innovation".

He added: "When quality providers get together locally, you can anticipate quality to 'rub off' on the cedants also! Overall, there will be more maturity in the market." ITI Re will support the ceding community in terms of quality capacity, enduring

long-term support and product innovation.

Soft markets

"The soft market conditions are not peculiar to India, it is happening globally. Despite that, fresh capital is still coming in to this segment as reinsurance, as an investment opportunity, still provides better margins over cost of capital compared to other investment avenues like banking," said Mr Raghavan while speaking about reinsurance market conditions in India post the entry of ITI Re and the overseas reinsurers' branches.

He said: "As regards to pricing, the reinsurers have had the benefit of a few 'benign' years since 2011 and this has resulted in passing off the benefit to primary markets. But reinsurance CAT business being cyclical, the pricing has perhaps bottomed out to anticipate any future eventualities. There is only a way up!"

Natural Catastrophes

Commenting on the increasing frequency of Nat CAT events in South Asia and the role of reinsurers in the region, Mr Raghavan said: "Recurrence of Nat CAT events has come to stay for many reasons including but not limited to climate change. And developing countries, especially in SAARC region, do bear the brunt, periodically, setting back the achievement of development goals."

Mr Raghavan said adding agony to the misery is the yawning "protection gap" between economic and insured losses. The funding abilities of governments in these countries are also put under stress in such



Mr R Raghavan
Chief Operating Officer, ITI Re

situations. This is where reinsurance as "surrogate capital" can come to the rescue.

Alternative capital & reinsurance

Talking about the prospects for alternative capital and could it now find an opportunity in the Indian insurance markets, Mr Raghavan said: "The dividing line between pure reinsurance markets and capital markets is thinning out." He said that "the reinsurance community, with help from alternative risk transfers, can play a constructive role in disaster relief funding".

"They can, on the basis of the global experience in catastrophe-related financial engineering, also help communities and governments in ex ante measures, not just post facto indemnities."

Organisational focus

Concluding the discussion, Mr Raghavan said: "We will be a lean organisation and would start off with domestic business as the focus in the initial year. This will help us fulfil our commitment to 'Make in India'.

"Once our feet are firm on 'terra firma' in India, we shall pan out progressively to SAARC and MENA territories in the years to come. We are pretty confident of playing a very useful role as 'The Other Indian Reinsurer'."



Will reinsurers succeed in the struggle to stabilise?

With excess capacity and most accounts showing profits, it will be a tough ask for reinsurers to see stable rates this year.

The state and mood of the global reinsurance markets at the 1 January 2017 renewals is best summed up by John Cavanagh, Global CEO Willis Re, when he said: "With the 1 January renewal season setting the tone for 2017, reinsurers can only look forward to another demanding year where luck will play an even larger role in determining their final results. At the same time, buyers can anticipate that the period of time where reinsurers (reluctantly) accommodate their requests will be extended."

Hence, while the decline in insurance pricing has moderated across most classes

of business and geographies, capacity remains abundant, and the focus would need to remain on product innovation and hitherto unknown risks. Almost all classes of business, including aerospace, engineering, marine and energy, non-marine retrocession and global political risk, are flush with capacity.

JLT Re is of the opinion that there is a great imbalance between the demand and the supply of reinsurance capacity in the market. Hence, no meaningful price correction is possible.

JLT Re's risk-adjusted global property-catastrophe reinsurance rate-on-line index declined by 5.7% as at 1 January 2017. This would look much better when viewed in conjunction with the rates of the previous three renewal years. It recorded a fall of 8.2% on 1 January 2016, 11% in 2015 and 12% in 2014. The year 2016 therefore closed on a profitable note, although excess capacity and profitable business precluded any possibility of the stabilisation of rates.

A more modern market

As technology expands and more risks arise from climate change, cyberspace and nascent technologies, there will be a need for solutions that will usher in the evolution of a more positive market. Potential exist for the development of improved solutions for risks that still remain largely underinsured.

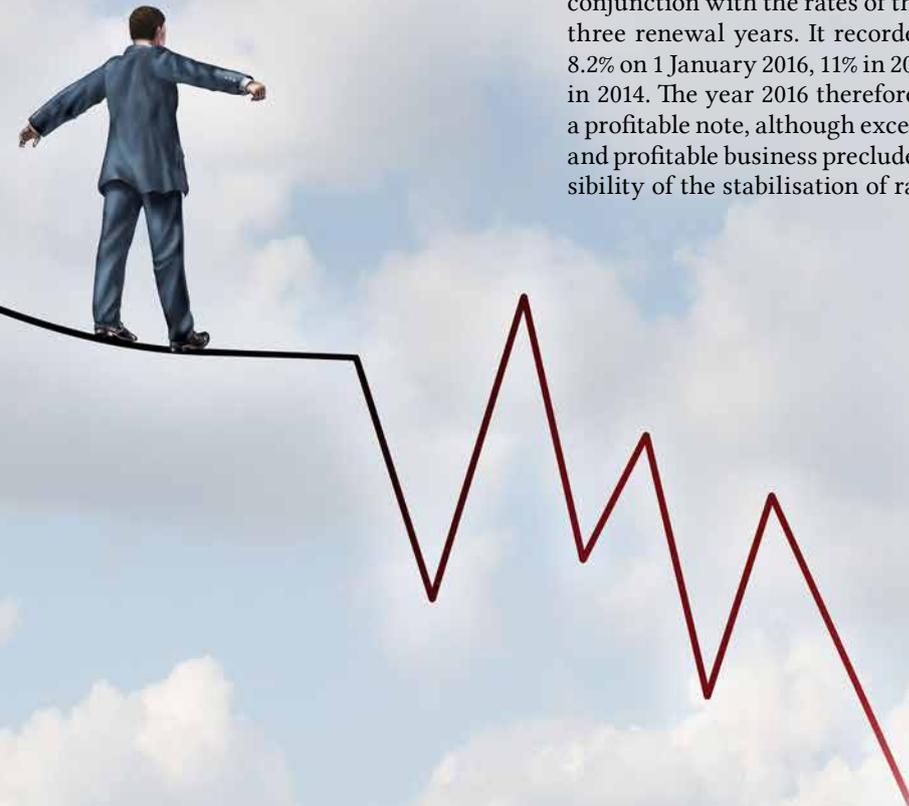
The reinsurance industry, despite various hiccups, has posted profit. However, the direct primary markets have been facing rough weather. The markets, including Lloyd's, have seen combined ratios rising and competition intensify, especially from those adopting and utilising innovative low-cost distribution and low-pricing models of business.

Insurtech has come in as a great disruptor in the market and much depends on how primary companies respond to this disruption. With abundant capacity and interest rates remaining low, 2017 is bound to be a challenging one for both reinsurers and primary insurers alike.

Gear up

The year 2017 is set to be a tumultuous one. Globally, political risk is increasing. With Donald Trump assuming office soon in the US, several equations, both political and economic, could change unpredictably. In addition, new technologies, market disruptions and big data and predictive analysis could throw up great challenges.

Meanwhile, Willis Re has predicted that the Asian property reinsurance market could be characterised by inconsistent pricing and further price reductions which could be more widespread than expected, and consensus would be glaringly absent from the market.



Diary of events 2017

Asia CEO Insurance Summit
21-22 February • Singapore



Asia Conference on Big Data and Analytics for Insurance
23-24 February • Singapore



Asia Insurance Brokers' Summit
6-7 March • Singapore



Revisiting the past 9 Rendezvous!

Asia Insurance Review conceived the idea of India Rendezvous in 2008 with GIC Re as co-organiser. The event has, over the past nine years, grown from strength to strength and is today a must-attend in the insurance professionals' calendar. The increasing number of delegates over the years and the constant buzz around the Lloyd's-type coffee tables highlights the importance of the Indian market to the international insurance community. We bring you a glimpse from the past nine rendezvous.



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