

Make reinsurance in India



L-R: Mr Sivam Subramaniam, Mr Denis Kessler, Mrs Alice G Vaidyan and Mr Ronald Klein.

Indian Prime Minister Narendra Modi's clarion call to 'Make in India' resonated on stage at the 10th India Rendezvous in Mumbai in January when there was a call to 'Make reinsurance in India.' The call came at an appropriate time, when India's first private reinsurance company, ITI Re, commenced operations and five global reinsurance majors were granted permission to set up branches in the country.

By Jimmy John



India has been experiencing exciting times over the past decade and the Indian reinsurance industry has now opened a new chapter in its functioning within the country. It was only appropriate that the 10th India Rendezvous had its theme as "in search of an ideal reinsurance partner".

India has positive possibilities

Mrs Alice G Vaidyan, Chairman-cum-Managing Director (CMD), GIC Re, in her welcome address, spoke of the immense opportunities that India can offer to the world.

"The Indian insurance community will need to take greater part and even shape the conversations around the risks facing our clients, be it climate change, cyber-security, privacy or supply-chain risk," she said.

Global reinsurance market & its impact on India

Mr Denis Kessler, Chairman and CEO of SCOR Re, in his keynote address, mentioned that at the global level, the insurance and reinsurance industry was facing a situation of excess capacity.

"The supply of capital exceeds the demand for capital and it is causing pressure on pricing," he said. "The insurance and reinsurance sectors are going through

challenging times everywhere in the world and this is not an era that we would like to continue to experience for too long."

Speaking about consolidation, Mr Kessler 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."

Investing early to capitalise on later opportunities

Mr Ronald Klein, Director of Global Ageing, The Geneva Association, 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 US\$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.

"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 and the question is will they start underwriting on their own or other balance sheets?" he said.

SPOTLIGHT ON INDIA

He also noted that despite all the developments, there still is a protection gap and hence the industry needs to focus on further development of skills, know-how and business models and new lines of business.

Rural thrust needed

Mr Yogesh Lohiya, former CMD, GIC Re and current MD & CEO, IFFCO Tokio General Insurance, said that the biggest challenge the Indian market faced is of low insurance penetration. He said this 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 Lohiya believes would need to be addressed if the Indian insurance industry is to remain healthy.

Mr Ashok Kumar Roy, another former



Mr Yogesh Lohiya



Mr Ashok Kumar Roy

CMD of GIC Re, spoke about the utility of IPOs for public sector general insurers. He mentioned that to date, only one company in the private sector has come out with an IPO and while this was subscribed fully, it was listed at a lower value.

“This is indicative of the high pricing and low support from investors as 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,” he said. As such to have 54 companies listed on the stock exchanges would be a long haul, he said.

Reinsurers’ critical role in India

Speaking on the critical role of the reinsurance industry in India, Mr R Raghavan, COO, ITI Re, India’s first private reinsurer, spoke of the stellar role played by GIC Re, the country’s national reinsurer in bailing the market out of various crises.

“GIC has been the flagship reinsurer



Mr R Raghavan

Highlights

- Low insurance penetration is still a challenge and speakers said this can be tackled through focus on rural India;
- Calls are made for trust among South Asian countries as they seek to break the barriers and find solutions in bridging the penetration gap in their countries; and
- GIC Re emphasised that it will continue its role going forward despite changes in the country’s reinsurance landscape.

of many a programme in the market, not only offering friendly terms but also substantial line sizes,” said Mr Raghavan. Additionally, he cautioned the industry to be prepared for intense competition not just from international players but also from the capital markets, which were flush with money and were seeking newer avenues to invest.

“The industry will have to ready itself to face the increasing pressure of policyholder aspirations on primary markets and the increased focus by local Government’s national developmental goals,” he said. Borrowing from the Prime Minister’s campaign to ‘Make in India’, he coined the adage for his company’s plans to help make India into a reinsurance hub – Make reinsurance in India.

Lloyd’s – Now in India!

Breaking the news that Lloyd’s has been granted the R3 license by the IRDAI which makes its onshore branch operational, Mr Kent Chaplin, CEO Lloyd’s Asia Pacific spoke on how the Indian market would immensely benefit from the Lloyd’s office. “We will bring our expertise and specialist capacity for the market and maintain high standards and security,” he said.

Mr Chaplin was speaking at the first Lloyd’s panel at the Rendezvous where panellists discussed if Lloyd’s was ready for the Indian market and vice versa.

Mrs T L Alamelu, Director & GM, New India Assurance Company said: “We are excited that Lloyd’s is coming to India as we can utilise their expertise in agriculture, infrastructure and disaster management.”

Panellists were clear in their opinion that the world’s specialist insurance market will have a key role in developing and supporting the Indian market. Mr Sanjay Kedia, Country Head and CEO of Marsh India Insurance Brokers, believes that real value on the entry of Lloyd’s in India will be seen only when Indian companies get access to all the syndicates. Currently the Indian market deals with only two syndicates.

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



Mr Kent Chaplin

Seizing the opportunity with disruptive innovation

The reinsurance marketplace continues to endure a soft cycle and is expected to stay so for the foreseeable future, said Mr Jayant Khadilkar, Partner, Global Head of Analytics and Technology, TigerRisk.

Highlighting how disruptive technologies business models have evolved to meet customers’ future needs better, he spoke about X-gRm, the web-based multi-broker electronic reinsurance trading platform. The platform provides reinsurance markets a single online repository for brokers to distribute offers, submissions and information such as exposure data, analytics and terms and conditions all in one place.



Mr Jayant Khadilkar



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

SPOTLIGHT ON INDIA

Are reinsurers meeting the needs of the cedants in Asia?

In a lively panel discussion moderated by Mr PC James, Principal Officer, Insure Edge, panellists made a call to break the barriers and find solutions in bridging the penetration gap that has long been a bane for the insurance sector in South Asia.

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

Mr Peter Gerhardt, Group CEO, ACR Capital Holdings said: "Trust is fundamental when the industry goes through a difficult



Mr PC James

phase." He called on the industry to identify and quantify risks as they emerge.

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

Mr Hitesh Kotak, Chief Representative for India and Indian sub-continent, Munich Re, added that public private partnerships can also play a key role in the development of the markets in the region while Mrs Usha Ramaswamy, GM, GIC Re, highlighted the key role played by GIC Re in stabilising the markets in the South Asian region. She emphasised that her company would retain a similar role going forward despite changes in the country's reinsurance landscape.



L-R: Mr Peter Gerhardt, Mr Hitesh Kotak, Mr MS Sreedhar, Mr K Sanath Kumar, Mr Mohit Kachlani and Mrs Usha Ramaswamy

Moreover, a built-in analytics tool enables buyers to 'triage' an offering to ensure it conforms to their risk appetites.

Reinsurance solutions for the booming Indian market

"Opening the reinsurance market provided new opportunities for the industry to grow and develop localised solutions," said Dr George Thomas, Professor (Research and Non-Life), College of Insurance, India & Insurance Institute of India (III), who moderated a panel on reinsurance solutions for the booming Indian market.



Dr George Thomas

Mr Segar Sampath Kumar, Director & GM, GIC Re, said: "We have to collaborate and work together to grow the industry and make it profitable." He further added that reinsurers were going to play a significant role in terms of product development and service.



Mr Segar Sampath Kumar

Mr Amitesh Sinha, GM, Oriental Insurance Company highlighted

that there was always a steady supply of foreign reinsurance capacity to the Indian market pre and post nationalisation, which included global majors like Munich Re, Swiss Re, Tokyo Marine and Lloyd's.

"Currently 7.21% of the country's GWP is ceded outside the country, and when we include GIC Re's share, almost 10.5% of Indian direct premium goes abroad," said Mr Sinha. He went on to say that there is room for many players to operate in the Indian market and foreign reinsurers should not be seen as a threat but as partners in the growth of the market.

Using blockchain to improve combined ratio

Cyber risks grow with each technical innovation and this affects data integrity. The issue gets complicated when corporations improve security 20% each year and the hackers improve 300% each year.

"The use of blockchain can show immediate developments on the top line of a combined ratio and open doors to new products and operational efficiency for the bottom line," said



Mr Amitesh Sinha

Mr David Piesse, Advisory Board Member, Guardtime. He further added that through this method companies can quantify and show daily profitability on the new internet to executives prior to investment income. "Blockchain becomes the underpinning risk management," he said.



Mr David Piesse

Historic Rendezvous

The 10th India Rendezvous jointly organised by *Asia Insurance Review* and GIC Re was historic in many ways, as over 630 delegates registered for the event and this was the highest ever turnout in the 10 years of the event.

The event took place at a time when the IRDAI issued new regulations for the conduct of reinsurance business in the market. The Indian market also witnessed the entry of the first private reinsurer and also the setting up of five foreign reinsurance branches and Lloyd's was also given approval to begin its India branch. The presence of a huge contingent of local and foreign CEOs at the event only confirmed that it is now one of the most important events in the calendar of the international insurance community. 