July 2018
Issue 133

FIRST ON PROTECTION

J. B. BODA

75 Years

1943 - 2018

WE BELIEVE

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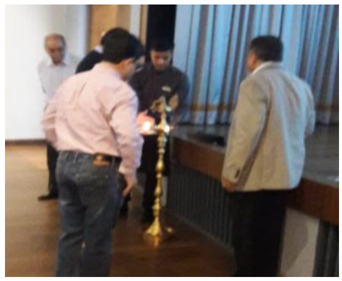
NEWS AT J. B. BODA

J. B. Boda Insurance Survey & Loss Assessors – All India business meet at Goa – 17 & 18th May 2018



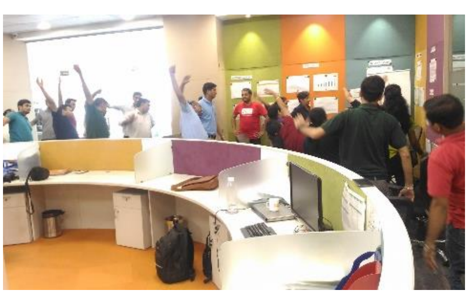
The event started with the lighting up of the lamps and a welcome address

Training

Session conducted by our Senior Executive at client's site - Ahmedabad

Development of our talent pool – Mumbai

Exchange of knowledge – senior talent – Mumbai



YOGA DAY – training at client's site – Gurgaon

PRIME STORY

Korea targets reinsurance liberalisation

South Korea's efforts to achieve peace with its neighbour to the north, assisted by Donald Trump's unique contributions, have gained new impetus under the current administration. But diplomacy is not the only thing on the agenda for the new government.

Liberalisation is also coming to the insurance industry. As part of an effort to promote price competition in the non-life sector, the Financial Services Commission (FSC) said last week that it would lower barriers to entry for international reinsurance companies in a move seen as challenging the dominance of Korean Re, which has a 60% market share.

The FSC will prepare an amendment to the law on the insurance business in the first half of this year and push for its enactment in the second half of the year as stated in a statement translated by Business Korea.

In addition to the rules on overseas reinsurers, the FSC is revising supervisory and enforcement regulations for reinsurers, upgrading internal control criteria to meet international standards and introducing compulsory qualifications for reinsurers and reinsurance brokers.

One of the observations made in the FSC announcement is that Korea's non-life insurers all tend to use the same methodology to set premiums - determined either by reinsurers or the Korea Insurance Development Institute. With more reinsurance capacity and a greater diversity of providers, the domestic industry should have the opportunity to write more complex risks and access differential pricing.

Insurers having accumulated statistics and experience in risk assessment and contract acquisition will be given an incentive to lower their premiums, said an FSC official.

The failure to offer more competitive premiums is also a result of the lack of actuarial experience, which the FSC is also aiming to address as part of a wide-ranging insurance innovation and development plan that includes initiatives to promote cyber insurance, strengthen risk assessment capabilities and overhaul the regulatory framework for the whole industry. More actuaries are also expected to be needed as part of the adoption of IFRS17.

The regulator has said that it will draft the amendments to the Insurance Business Law during the next couple of months, with a view to finalising and implementing them in the second half of the year.

It remains to be seen if foreign reinsurers will have the appetite to expand capacity in their businesses in Korea. Most of the major international reinsurers already have a presence in the country, but the dominance of Korean Re has persisted.

Meanwhile, the threat of increased competition has encouraged Korean Re to expand its own business beyond the domestic market. During the past few years it has increased its foreign premium volumes to around 20%. It has already established an office in London and in January 2018 announced plans to open a new office in Zurich in 2019. It has also applied to open a branch in Shanghai, though it has been waiting for approval since 2014.

The Swiss entity will play a huge role in boosting the premium volume in Europe from the current US$200 million to more than US$300 million by 2025, said a Korean Re official.

While it is not yet clear what the FSC's liberalisations will entail, the move to encourage greater foreign reinsurance participation in its domestic market is a welcome one, particularly in light of recent protectionist moves in markets such as China and Indonesia.

NATIONAL

India’s general insurers post 12% growth

Gross direct premium underwritten by general insurers in India rose 12% year-on-year in the first two months of the current financial year, to Rs 242.1 billion (US$3.56 billion).

According to latest data, the gross direct premium underwritten in the April-May period was higher than the Rs 216.1 billion posted in the last financial year, with most of the growth coming from health and motor segments.

The data released by the Insurance Regulatory and Development Authority of India (irdai) also showed that insurance for engineering and fire segments has yet to pick up.

Senior industry officials expect a surge in premium even in segments like fire, marine, and engineering, with overall expectations for positive growth in the country.

Apart from general insurance, stand-alone health insurers also saw a surge in their premiums at 36.34% in the months of April and May.

India’s life firms post 9% premium growth

Life companies in India have collected premiums of Rs 128.4 billion ($1.89 billion) in May 2018, up 9% from a month earlier, according to data released by the Insurance Regulatory Development Authority of India (IRDAI).

The data was based on figures from the 24 life insurers, which had written new gross premiums of Rs 118 billion in May a year earlier.

Life Insurance Corporation of India (LIC), the largest and only state-owned life insurer, posted new business premium income of Rs 92 billion in May from Rs 84 billion a year earlier. LIC accounts for the highest market share at 67.4%, in the country’s life insurance business.

New business premium of ICICI Prudential Life, however, dropped 24.51% month on month. Other insurers that experienced a decline were Kotak Mahindra Old Mutual, Canara HSBC OBC, India First and Sahara.

Indian government defends LIC acquisition of IDBI

The government of India maintained on Monday that insurance giant LIC's move to bail out the troubled IDBI Bank is an acquisition, not an investment.

Government sources explained that LIC is interested in setting up a bank of its own or acquiring a public sector lender.

They also said that a strategic sale of IDBI Bank would not have realised the real asset value.

Analysts and market observers have expressed shock and displeasure over the move by the board of the Life Insurance Corporate of India to approve the proposal for a controlling stake in IDBI Bank.

The government has announced that the boards of the respective entities will take a call on the matter.

The creation of an LIC-IDBI Bank will result in an expanded network with more branches and improved geographical coverage.

Cyclone Ockhi causes a loss of Rs 8.21 billions

The Cyclone Ockhi which hit the Kerala-Tamil Nadu coasts during the end of 2017 had a devastating effect on marine fisheries sectors of the two states, according the Central Marine Fisheries Research Institute (CMFRI). Kerala suffered an estimated drop of around 35,000 tones of fish due to Ockhi disaster in December 2017 with an estimated economic loss of Rs 8.21 billions based on the retail price estimates. As per the wholesale price estimate the loss is Rs 57.85 billions.

As compared to previous year, 57 percent fishing efforts were reduced owing to the cyclone which caused the loss in December 2017, said CMFRI report. Although Ockhi has dealt a severe blow to marine fishing in the month of December overall fish landing went up by 12 percent in the state in 2017 to 0.585 million tones as against 0.523 million tones in the previous year. The increase was mainly due to the uptrend in the availability of oil sardine.

INTERNATIONAL

Insurable value of World Cup teams estimated at £ 13.1 billions

According to research by Lloyd's and UK consultancy the Centre for Economics and Business Research the total collective insurable value of all teams in the 2018 Fifa World Cup is estimated at £ 13.1 billions.

The French team has the largest insurable value (£ 1.4 billion), followed by England (£ 1.17 billion), Brazil (£ 1.1 billion), Germany (£ 1.05 billion) and Belgium (£ 1.03 billion). The most valuable teams from Asia-Pacific are Japan (£ 153.1 millions), South Korea (£ 127 millions), Australia (£ 101 billions) and Iran (£ 62.8 millions).

The hosts Russia has a team valued at £ 280.5 millions, while Panama's team has the lowest insurable value at £ 17.7 millions.

Victoria De'Ath, an executive in Lloyd's class of business team, commented: "The contrast between the teams at the top and bottom in terms of insurable value is staggering, with the top six national teams worth more than the other 26 combined."

Cebr used a variety of factors including players' wages and endorsement incomes to construct an economic model which estimates the players' incomes until retirement.

Cyber insurance market to hit US$ 29.2 billions in 2025

A new report showed that the global cyber insurance market could reach US$ 29.2 billion by 2025 from just US$ 2.2 billion in 2014, a 27.5% annual growth rate.

The Progressive Markets report identified the drivers of the cyber insurance market, which include an increase in demand for cyber insurance policies, the growing number of cyber-attacks that have caused great losses for organisations worldwide, the rise in awareness of different cyber risks, and an implementation of legislation regarding data security in developing countries.

Based on distribution channels, the industry is segmented into enterprises that are very small, small, medium and large.

The small enterprise segment is likely to grow at a yearly rate of 27.2% while the large enterprise segment is likely to grow at a rate of 27.7% during the forecast period, 2018-2025.

The healthcare segment brought in US$ 1.27 billion in 2017 and is likely to grow at a rate of 27.9% during the forecast period.

British insurers target Belt-and-Road role

British insurance companies are lobbying for a major role in underwriting the risks associated with China’s ambitious Belt-and-Road Initiative (BRI).

According to speakers at a high-profile Sino-UK BRI insurance cooperation forum held in London, British insurers are a natural partner for the initiative and, as such, the city has a lot to offer in terms of cooperation with China, especially in assessing project risks and providing risk transfer.

Catherine McGuinness, chairman of the policy and resources committee for the City of London, said that the London market is a leader in innovative product development and has historically embraced insuring new risks.

She cited some of the innovations, including The Joint Code of Practice for Risk Management of Tunnel Works.

Global insurance industry to see more partnerships

Against the backdrop of slow industry growth and fierce competition, the global insurance sector is seeing more acquisitions and partnerships.

Such collaborations, a report noted, will enable insurers to transform and grow their businesses. According to the report, “Accelerated evolution - M&A, transformation and innovation in the insurance industry”, 80% of insurance executives polled expect to seek one to three acquisition targets or partnership opportunities over the next three years.

The survey also revealed that the majority of insurers are planning acquisitions that could transform their organisations for the future, rather than merely enhance their current business and operating models.

More than 60% of the 200 CEOs surveyed globally also agreed that transforming their business or operating model would be the major reasons behind acquisitions.

Just 21% identified enhancing their current model as the key factor.

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  - Employee Benefit Schemes.
  - Life Valuation & Product Development.
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  - Asset Valuation
- Crowe Boda & Company Pvt. Ltd.
  - Protection & Indemnity Insurance Services

  Correspondents in India for:
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  - Shipowners Mutual Protection & Indemnity Association, Luxembourg
- J. B. Boda Insurance Surveyors & Loss Assessors Pvt. Ltd.
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