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MEDIAN

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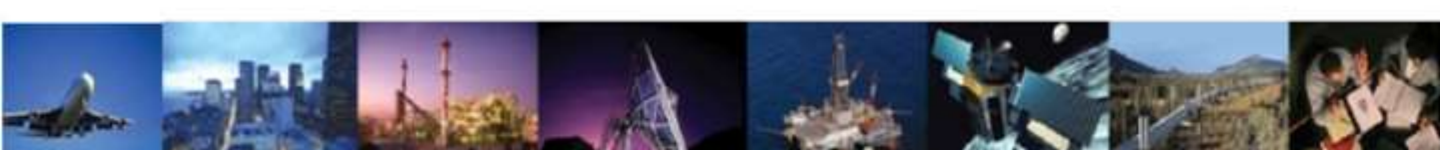
NEWS AT JBB

We feel encouraged by the participation of our Nepal partners in the business for their response to the seminar that JBB had arranged on 17th & 18th April 2017 on various topics related to Reinsurance. We appreciate and are thankful to them for making this seminar a success.

We wish to convey our gratitude to our Indian business partners too who took equal interest, becoming a contributor to lead this seminar to its objective.

It goes without saying that the participants as well made their presence felt and made each session an interactive one. We had rounds of queries that led to understand each one of us, with the current market situation.

Here are some of the glimpses...



PRIME STORY

Reinsurers lose 20% of market share to alternatives: Conning

A new study from Conning found that reinsurance companies are under pressure from all angles alternative, with the capital markets, captives and government-sponsored entities all taking risk that was once their domain.

The study looks at how buying trends have shifted in the soft reinsurance market and discusses the dynamics of the last decade. Much of that period has been characterised by the rise of the capital markets and ILS funds, but other alternative sources of capacity have also pressured reinsurers, as ceding companies hunt for efficiency.

“Few sectors have undergone as much change in the past decade as the reinsurance market,” explained Matt Sternat, Vice President of Insurance Research at Conning. “The lack of catastrophes, inroads from alternative capital, and changing buyer patterns have led to dramatic consolidation and change among reinsurers.”

These trends have led to an adjustment in reinsurance buying patterns, as ceding companies increased the sophistication within which they look at risk transfer and became more discerning about where they source it from.

“Reinsurance buyer behavior has been mixed, with concentration in reinsurer panels among larger cedants, but more diversification beyond the top 25 buyers,” Sternat continued.

Efficient sources of reinsurance and risk transfer capacity has driven this decline in market share of the overall risk cessions Conning’s study analyses, with captive vehicles and government backed programs offering levels of capital efficiency that a traditional reinsurer cannot often compete with.

The Conning study looks at reinsurance buying by ceding companies over the past decade, exploring how reinsurer panels have changed and how the mix of collateral types shifted, as well as the proportion of premium ceded by major re/insurers.

The alternatives have taken a sizeable chunk out of what was the traditional reinsurance market’s domain.

“Even though insurers are ceding a larger portion of their premium, traditional reinsurers lost 20 points of market share in the past ten years, much of it to new captives,” Steve Webersen, Head of Insurance Research at Conning, said.

That’s a quite stunning figure and perhaps goes some way to explain why the steady ingress of capacity from the ILS market has created such a significant wave of change in reinsurance as well, if such a significant percent were already flowing out of the traditional market towards other alternative structures.

“Our analysis indicates 11 of the top 25 assuming entities were non-traditional reinsurers, either captives or government-sponsored entities, accounting for nearly 30 percent of the assumed premiums from that group,” Webersen continued. “Within the traditional reinsurer group, stalwart leaders have defended their market positions, while others have not.”

Interestingly, Conning’s analysis found that the shrinking of reinsurance panels is not as widespread as perhaps thought, identifying that “While we found it is true that reinsurer panels have shrunk among larger buyers, that trend did not hold true beyond the top cedants.”

Captives have been a huge area of opportunity for ceding companies, with their usage increasing dramatically in the last decade. Whether this trend will continue could depend on much more than just a hunt for efficiency though, as global tax rules and also the definition of true risk transfer could play into this in years to come.

The capital markets has played a major role in this period of change, again offering efficient alternatives to the traditional reinsurance model. It will be interesting over the next decade to see how the capital markets and risk shifted into captives might interplay, as investors could stand to benefit from any moves forced by regulation or protectionism here.

Conning expects we will see further evolution of these trends.

“Our research and interviews confirm that the procurement of reinsurance is a global business, increasingly complex and sophisticated and one that is still largely relationship-driven,” the company explains.

“No doubt we have only seen the beginning of the evolution in the buyer-seller relationship, with consolidation, new products, and new sources of capacity reshaping the market.”

NATIONAL

Insurance corner: IRDAI hikes motor third party premium

For private cars exceeding 1,500 CC the increase in TP premiums was 40%

Motor insurance premiums have increased from April 1, after the Insurance Regulatory and Development Authority of India announced the third-party premiums for 2017-18. For private cars not exceeding 1,000 CC there was no change in the premiums. For private cars exceeding 1,000CC but not exceeding 1,500 CC and those exceeding 1,500 CC the increase in TP premiums was 40 per cent. Hence, the premium of a Maruti Wagon-R remains unchanged, while there is an increase in the premiums of a sedan and an SUV. The chart compares the premiums of a Honda City and Mahindra XUV 500 for the Mumbai and Delhi markets. In some cases the only change is on account of TP premium as the own damage premium is even or marginally lower. Both vehicles are 2014 models. The Insured Declared Value for the Honda City is Rs 0.44 million and Rs 0.73 million for the Mahindra XUV. The total premium includes taxes.

MUMBAI

All figures in ₹

	March 31, 2017			April 1, 2017		
Insurance Company	Own damage	Third party	Total premium	Own damage	Third party	Total premium
Honda City						
New India Insurance	7,213	2,237	10,982	7,212	3,132	12,011
Reliance General	5,769	2,237	9,322	5,769	3,132	10,351
Bharti Axa General	7,261	2,237	11,038	7,261	3,132	12,067
HDFC Ergo General	6,164	2,237	9,776	6,164	3,132	10,805
Bajaj Allianz General	7,676	2,237	11,515	7,677	3,132	12,545
Mahindra XUV 500						
New India Insurance	12,479	6,164	21,554	11,961	8,630	23,795
Reliance General	9,982	6,164	18,683	10,035	8,630	21,580
Bharti Axa General	10,034	6,164	18,740	10,035	8,630	21,580
HDFC Ergo General	9,483	6,164	18,109	9,486	8,630	20,948
Bajaj Allianz General	10,712	6,164	19,522	10,713	8,630	22,360

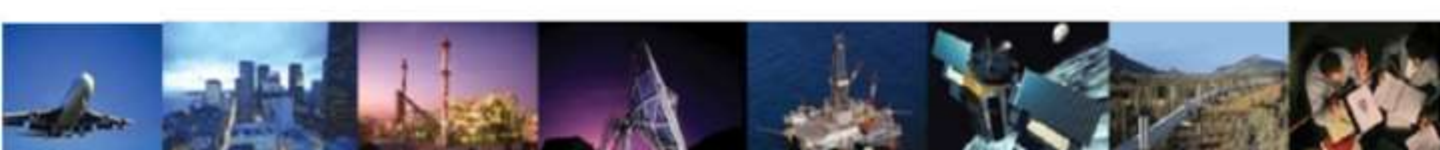
DELHI						
Honda City						All figures in ₹
March 31, 2017				**April 1, 2017**		
Insurance company	Own damage	Third party	Total premium	Own damage	Third party	Total premium
New India Insurance	7,213	2,237	10,982	7,212	3,132	12,011
Reliance General	8,653	2,237	12,639	8,653	3,132	13,668
Bharti Axa General	6,540	2,237	10,209	6,540	3,132	11,238
HDFC Ergo General	7,537	2,237	11,355	7,537	3,132	12,384
Bajaj Allianz General	7,676	2,237	11,515	7,677	3,132	12,545
Mahindra XUV 500						
March 31, 2017				**April 1, 2017**		
New India Insurance	12,479	6,164	21,554	11,961	8,630	23,795
Reliance General	9,982	6,164	18,683	10,035	8,630	21,580
Bharti Axa General	10,032	6,164	18,740	10,035	8,630	21,580
HDFC Ergo General	9,483	6,164	18,109	9,486	8,630	20,948
Bajaj Allianz General	11,959	6,164	20,956	11,961	8,630	23,795

Source: Policybazaar.com

Insurance racket busted, 4 held

A fake insurance agency running a call centre that lured more than 60 people from south Delhi promising to help them invest in a dubious scheme named "Make in India" has been busted. The fraudsters would pose as officials from a fictitious agency called Governing Body of Insurance Council (GBIC) and offer to help with lapsed insurance policies. Police suspect them of duping victims to the tune of Rs 10 million. A case of cheating has been registered. The kingpins of the racket, Naveen Gupta, Sunil Shah, Sumit Kapoor and Sonu Sharma were arrested from the call centre in Tilak Nagar.

Source : The Times of India



What to look out for in FY18

In the last three years, life insurance industry has emerged as one of the most important platforms for people to access capital markets, investments, savings as well as protection. We believe this trend will continue as India continues to grow with a robust GDP. With the absence of social security and increasing per capita income, people will require more protection for their dreams. Towards this end, we believe there will be a clear shift from selling to advice on products. Segmentation will move towards understanding the customer mindset and products will be created to suit their needs. Secondly, there will be emergence of different kinds of marketing strategies fueled by digitization to reach a customer anytime, anywhere.

Source : Hindustan Times

Bring more crops under insurance cover, Centre tells State govts

The Union Agriculture Ministry has written to the States, prodding them to extend insurance cover offered under the Prime Minister’s Fasal Bima Yojana (PMFBY) to a larger number of crops this year. “We have sent letters to all the State agriculture departments proposing that they increase the number of crops notified for insurance and the area covered. We want to create some pressure so that coverage increases and we reach 40 per cent of cultivated area this year from the present 30 per cent,” Ashok Dalwai, Additional Secretary, Agriculture Ministry said. Although the PMFBY provides for insurance coverage for all kharif, rabi and commercial crops, only those crops get covered that are notified by the States. “Many States exclude crops such as sugarcane, tobacco and some other high-value commodities to keep their subsidy burden low, as they have to shell out half of it. We pointed out to the States that increased coverage would ultimately benefit their own farmers. When the Centre is willing to increase its allocation, so should the States,” another official pointed out.

Source : The Hindu Business Line

The fintech disruption in insurance

Insurance in India, as it is the world over, has remained a traditional industry with little innovation. While product innovation is largely governed by regulation, there are other aspects of the business that will dramatically change, or even be disrupted, by technology and 'new marketing'. The two major areas of customer experience (and profitability for the companies) in insurance are underwriting of risks and the sales process. Both areas are inefficient and will improve with progress the fronts of technology and new marketing. In the bygone era, when customers searched for insurance, they mostly relied on the agent. Today 60% of buyers search on the internet before buying any product. In this fact-finding process, the new marketing will play a role. It is already playing a role to inform and educate the customers. Several initiatives have been launched by the Insurance Regulatory and Development Authority of India (Irdai), and various insurance companies, for customer education but they primarily aim at hygiene matters such as: 'Don't fall prey to wrong selling.'

How has fintech improved the buying experience?

Fintech is playing a very important role in ensuring better customer connect, service and insurance distribution. The insurance sector is in early days (of using fintech) and much will happen in the days to come. Customers now buy insurance policies online anytime and use Web aggregators for comparison. The online platform has added to customer convenience in a big way. About 14% of the policies are sold online. Big data and use of health apps can help insurers understand their customers better, which will help underwrite and price health insurance policies better. And fintech could be used to promote wellness programmes and make sure the policyholders keep a healthy lifestyle. Fintech will boost the whole preventive care aspect of health insurance and will see more of wellness programmes being launched.

Source : Mint

Risks in the city and five insurances to mitigate them

We underestimate the risk of living in a city. Consider that every day Delhi has: 2 earthquake tremors, 25 car accidents, 63 fire calls, 180 litigations in the High Court, 200 dengue cases (in season), 275 cancer cases, 500 burglaries and thefts. If unreported cases were considered, the incidence would be even higher. These risks cannot be removed because they are outside our control. But their financial cost can be reduced through five insurances: health, personal accident, home, motor and liability. Health insurance is essential. Disease incidence and healthcare costs are increasing. Often, a higher incidence is the result of more effective screening, and higher costs are driven by better drugs and equipment. There are three things to keep in mind when buying health insurance. First, buy it fast because the older you grow, the more difficult health insurance is to buy—particularly after 50 and especially if you suffer from chronic diseases such as diabetes, hypertension or hypothyroidism. Second, buy for the future. At current inflation rate, treatment costs will double every 5 years. Since you will use your health insurance over the next 30 years or more, pick a sum assured that is at least 4 to 5 times what you think you need today.

Source : Mint

INTERNATIONAL

Lloyd's syndicate Markel to enter India markets soon, to focus on liability products

Lloyd's, world's specialist re/insurance is set to expand its India operations, where another syndicate – Markel- will be joining its Indian platform soon..

Amlin, one of the 97 syndicates of Lloyd's launched its operations in India on Apr 1.

For the time being, there will only two syndicates that will be operating in the country.

Speaking to Asia Insurance Post, Ada Lam, Underwriter, Markel International, Singapore, said that the syndicate is seriously reviewing the opportunity of expanding its footprint in India in particular, by being a part of the newly launched Lloyds platform there and would focus in liability insurance.

``India's growing economy will result in the need to purchase product liability and we are looking to take advantage of our new position on the Lloyds Platform that was recently opened in Mumbai,'' revealed Lam.

``We receive enquiries on a daily basis from India across all the liability lines we write. Cyber has been highlighted by the authorities in India as a product that should be purchased, especially in the financial sector. We are keen to support this as long as we fully understand the risks involved and have the appetite for that particular sector,'' she said.

According to Lam, though the general liability risks scenario for India is viewed as low, this can be deceiving if applied across all of liability exposures as certain exposures at a primary level such as Directors & Officers Liability (D&O)/Employment Practice Liability (EPL) in the United States of America (USA) that can cause a multitude of problems.

China and India have seen growth in the demand for liability insurance. They have both changed their respective regulations so that foreign insurance companies can more than ever, easily transact "in country" as it is anticipated that the knowledge base and products on offer in the liability insurance space by foreign insurers can assist local markets in the demand foreseen,' explained Lam.

``With changes in regulations made recently and further ones to be made, we anticipate focusing on niche classes where our capacity will be appreciated more. Trade Credit along with product liability will eventually offer this we believe. I believe that the more expansive the manufacturing sector becomes in India, the more awareness there is on the insurance products. We see a great opportunity for us to help educate and develop our book of business in India,'' she noted.

China has an established insurance market for liability products, with a consistent demand over the years. Manufacturing has slowed a little but as USA's exposure remains, so does the desire for reinsurance by the state-owned enterprise (SOE) insurers and more local insurers, she added.

On pricing, Ada said,`` We believe we will have to manage expectations with regards to pricing in India as margins on underwriting profit has been hard to establish as past year results bear out. Pricing is competitive when considering pure Indian risks but these we consider acceptable currently. However, we feel that the correct price is not reflected when USA exposures are covered. We do not intend to offer further capacity in classes that are under significant stress due to overcapacity.''

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