

GENERAL INSURANCE – REINSURANCE

9TH INDIA RENDEZVOUS: INDUSTRY NEEDS TO CREATE ECOSYSTEM OF CHANGE



Delegates at the inaugural session

The imminent entry of foreign reinsurers into the Indian market will change the dynamics of its insurance industry. These foreign players will bring the best-in-class underwriting skills and also ideas and products that will impact the market. As such, an ecosystem of change needs to be adopted by Indian companies to stay competent and relevant, said speakers at the 9th India Rendezvous held in Mumbai.

By Jimmy John



When foreign reinsurers open branches in India, there will be a re-alignment that would bring about better pricing in the domestic market, said Mr K Sanath Kumar, General Manager & Director of the country's national reinsurer GIC Re.

"The whole ecosystem is poised to develop and we are preparing ourselves to take advantage of the new realities that will evolve in the reinsurance industry," he said.

Noting that through the insurance law that was amended last year, the Indian Government has put in place a number of restrictions with regard to the placement of business overseas and also allowed foreign reinsurers to set up branches in the country, Mr Kumar said: "We heartily welcome foreign reinsurers to India and we would like to collaborate and cooperate with these international players."



Mr K Sanath Kumar

Reinsurers facing chaotic situation

Mr Victor Peignet, CEO of SCOR Global P&C, said: "The reinsurance industry is facing a world of chaos as unknown risks, particularly geopolitical ones, are increasing."

In the new transitory world of reinsurance, he advised companies to have a balanced view towards solvency, profitability and growth. "Managing the capital of a reinsurance company is all about optimising under constraints," he said.



Mr Victor Peignet

No better time to invest in India

Mrs Alice Vaidyan, recently appointed Chairman-cum-Managing Director (CMD) of GIC Re, said financial inclusion is in fast forward mode in the Indian market today with the government keen to see that the insurance and banking services benefit all citizens across the country.

"The Indian economy has contributed 3% of the world's GDP and is the second largest economy among BRIC nations, so there is no better time to invest in India than now," she said.

She also mentioned measures taken by the government that would benefit the insurance sector. "The government has rolled out US\$60 billion worth of infrastructure projects in the past six months and also eight social security schemes were launched in the past one year, and all of these will have a major impact on the economy," she said.



Mrs Alice Vaidyan

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L-R: Dr C H Asrani, Mr Saifuddin N Zoomkawala, Mr Anil Arora, Mr Kim Singh, Ms Kalpana Sampat, Mr Hitesh Kotak and Mr A K Roy

Key considerations for purchasing insurance assets

Mr Kenneth Wong, Chief Actuary & Chief Risk Officer at Avicennia Capital, spoke about the buyer's perspectives when purchasing insurance assets.



Mr Kenneth Wong

A key component he mentioned in the projected valuation of a company will be the expectations of future new sales. "The final price for the asset may be quite different from the appraisal value and will vary from buyer to buyer," said Mr Wong.

He also highlighted some of the factors that companies will need to consider before purchase. These include expectations of future new sales; potential synergies from existing operations in the market; value of the brand name of the entity for sale; the strength of the management; the duration of the sales distribution agreement; potential tax benefits; economies of scale and the desired rate of return versus the cost of capital.

Need for industry to tackle under penetration

Mr P C James, Chair Professor (Non-life), National Insurance Academy, said the value chain of insurance is not understood by the public in less penetrated countries like India, where natural calamities are happening at greater frequency.



Mr P C James

"Ex-ante contracts of insurance with claim-receiving certainty is virtually the ideal option which should be embraced by citizens, facilitated by employers, governments, and most of all by insurers," he said.

Mr James further highlighted how insurance is fundamentally a solidarity product optimal in times of calamity, but paradoxically was not bought but sold. "Insurance must take a leap forward because the future promises to be an insurance economy and future wealth creation will happen from rapid change and venturing in unknown areas and new knowledge and technology," he said.

Creating a reinsurance hub in India

In a panel discussion on creating a true reinsurance hub in India, panellists spoke of the need to first create within the country a proper regulatory, tax and legal framework along the lines of a global financial centre.

"A whole ecosystem has to be developed to make the ease of doing business more welcoming," said Mr Anil Arora, Director, ACE Insurance Brokers.

Supporting the government's recent initiatives on financial inclusion and the Gujarat International Finance Tec-City (GIFT) city, Mr A K Roy, former Chairman and Managing Director, GIC Re, said a reinsurance hub would come up in India soon.

"Regulations have been put in place, seeds have already been sown and the insurance market will grow in India. We have to wait and see how the government and regulator support this initiative," he said.

Highlighting the critical role of India in supporting insurance markets in the South Asian region, Mr Saifuddin Zoomkawala, Chairman of EFU General Insurance, Pakistan, said that India can become a reinsurance hub only if there is full government support and backing. "It is not only the international players who are required but also local and regional players," he said.

GIFT city – A world class financial hub in the making

Highlighting the government's initiative to set up a world class financial centre in India, Mr Ajay Pandey, Managing Director and Group CEO of GIFT said GIFT was conceptualised as a global Financial and IT Services hub, a first of its kind in India, designed to be at or above par with globally bench-marked financial centres such as those in Singapore, Dubai and Hong Kong.

GIFT with a Special Economic Zone (SEZ) status will have a dedicated International Financial Services Centre (IFSC) and world class infrastructure.

"GIFT will enable India to become a global reinsurance hub and insurers would also be able to offer foreign currency policies from India," said Mr Pandey.



Mr Ajay Pandey

Nat CAT risks here to stay

Highlighting the impending CAT risks and implications to the Indian market, Dr Praveen Sandri, Managing Director & Senior Vice President, AIR Worldwide India, asked companies not to take the ostrich's approach to CAT risks but to be prepared when disaster strikes.

"A multi-billion dollar loss scenario is possible in India and it is important to be prepared when disaster strikes," advised Dr Sandri. He warned companies that assuming such events will not happen or ignoring the possibilities can be disastrous and advised them to take advantage of modelling capabilities available today to assess and manage such losses.



Dr Praveen Sandri

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Mr Amitabha Ray, Head, Property Treaty Underwriting, South East Asia, India, Hong Kong, Korea and Taiwan at Swiss Re, spoke on the relevance of parametric products in Property Nat CAT insurance.



Mr Amitabha Ray

Parametric insurance is a type of insurance that does not indemnify the pure loss, but it will make a payment upon the occurrence of a triggering event. “The triggering event is often a catastrophic natural event which may ordinarily precipitate a loss or a series of losses,” he said.

He mentioned how parametric insurance can lower transaction costs and result in transparency in the industry and also bring about advances in technology. “For this to happen, the industry must design products effectively to address the issue of basis risk”.

Cyber risks and the blockchain model

Mr David Piesse, Advisory Board Member, Guardtime, said new solutions for privacy tend to open more “data integrity holes” and therefore mitigation policies must adapt and evolve with technological innovation to allow a wide cyber cover and that risk management still be in place and ahead of the threat.



Mr David Piesse

“There is a need to provide mathematical certainty, an independent audit trail for all human and machine activity in digital society in order to mitigate the risks and create opportunity from threats,” he said. He highlighted how the blockchain consensus model would benefit the insurance industry – by registering the electronic transactions in a global insurance, blockchain makes transaction fraud impossible.

Blockchain is a distributed database that maintains a continuously growing list of data records that are hardened against tampering and revision, even by operators of the data store’s nodes.


Alternative reinsurance solutions for the Indian market

Speaking on Alternative Reinsurance Solutions for the Indian Market, Mr Anant Srivastava, GIC Re, spoke on how in today’s world, companies faced an increased array of risks and therefore there needs to be greater urgency to promote alternative reinsurance solutions in the country.



Mr Anant Srivastava

“For this to happen, there needs to be an effective regulatory environment with limited government involvement in regulating well capitalised companies,” said Mr Srivastava. He also mentioned that companies need to develop innovative new policies to build a brand and client base in economies that have largely been untapped.

The 9th India Rendezvous with the theme of “The New Realities in Reinsurance” and the subtext of “Creating a Reinsurance Hub in India” was jointly organised by Asia Insurance Review and GIC Re in January and was attended by 620 delegates from 35 countries. The event sponsors were Avicennia Capital, Fairfax, India Insure, SCOR, Swiss Re, JB Boda, Oriental Insurance and ACE Insurance Brokers. 

Cocktails and bilateral meetings

