SIRC DAILY

Asia Insurance Review
Member: Beacon International Group, Ltd.

The official media partner of the SIRC

Day 3 • 1 November 2023

Munich Re member
of the board of management
Achim Kassow

"The (re)insurance industry is currently tasked by society with two big problems to solve. First, taking care of the risks connected to the transformation of economies needed to stop the climate crisis. The second is the risk surrounding digital transformation. Interconnectedness and AI open up a whole of new world of risks. We have to acknowledge that, so far, only a fraction of those emerging risks are covered by insurance. We have to become even more expertise-driven to fulfil the role that was given to us."

AXA XL CEO
reinsurance
Renaud Guidée

"Asia's (re)insurance industry leads from a diversity standpoint, and is really a role model that we need to replicate. But there is still a barrier to entry in terms of awareness. This is why you need to communicate. We need to evaluate. We need to be transparent because once people have overcome it, they do realise that there is no other place where you can get so much well-rounded experience, which is truly global, really impactful for the world and exposes you to change."

Swiss Re CEO
P&C reinsurance
Urs Baertschi

"The big conundrum in our industry right now is that we have a shared purpose about protecting more people around the world. And yet affordability is a clear issue in our industry; it's actually affordability, accessibility and availability all together. And in our industry, we're clear that when we take on a risk, we have to charge an appropriate rate for that risk. But when that is compared to disposable income, it becomes a challenge."

Total Vote: 100%

What do you think is the biggest threat to reinsurers in 2024?

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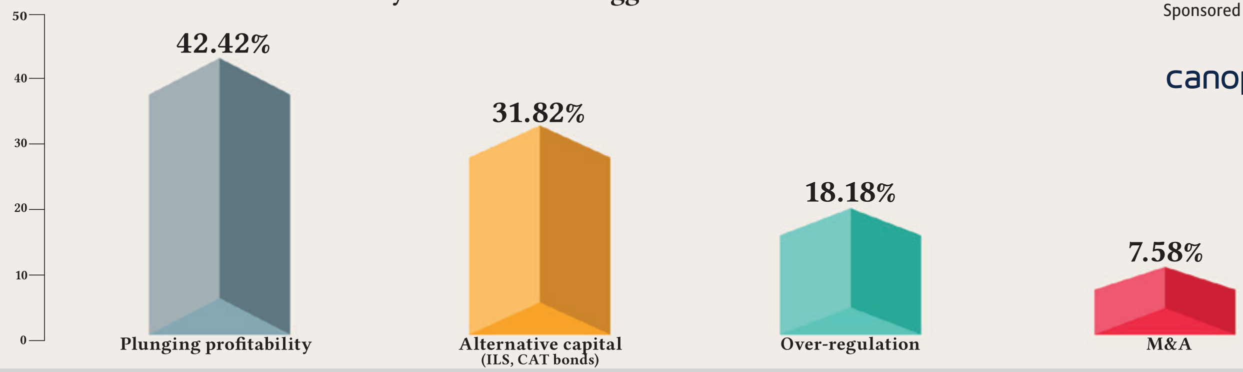

This infographic was produced by surveying *Asia Insurance Review*'s website users.

Profits of reinsurers don’t match their perceived contribution to society

Panellists at the CEO roundtable on the second day of SIRC explored the different ways reinsurers across Asia can find appropriate ways to strengthen the regional market.

By Ahmad Zaki

The last 12 to 18 months saw a significant shift in the risk rebalancing between reinsurers and insurers, the panellists at the CEO roundtable agreed. This came after a six-year period where the reinsurance industry did not earn its cost of capital.

“Is there is enough capacity out there to cover the core programmes? But the reinsurance risk appetite has been redefined. It’s fairly disciplined. There’s clear attention that’s being paid to appropriate terms and conditions and rate for the risks that are being taken on. Demand is up, volatility is up, uncertainty is up and the supply side remains disciplined,” said Swiss Re CEO P&C reinsurance Urs Baertschi.

It is also important for there to be sufficient pricing in the primary market, or else it becomes difficult to agree on a sustainable rate between a primary insurer and their reinsurer, said Munich Re member of the board of management Achim Kassow.

“If we want to have sustainable solutions, we cannot only focus on the risk sharing between ourselves that we could do if there is enough knowledge available. If we feel that the underwriting profitability of the core risk that we are taking as both industries together is not sufficient, it is then also up to us to educate markets, to educate public opinion, also to educate policy makers what we need to change to have sustainable solutions,” said Dr Kassow.

Supporting Asian clients

AXA XL chief executive officer, reinsurance Renaud Guidée also brought up the fact that Asia is the home to the most megacities in the world, from Mumbai to Shanghai to Tokyo, all of which represents an concentration of risk. “There are a lot of topics we need to tackle together as an industry around risk awareness and prevention, especially with the public sector,” said Mr Guidée.

While a lot of policymakers are very cognizant of the potential risks and have put in place various schemes or risk pools as a form of risk transfer, Mr Baerstchi said that it will not actually reduce the cost of losses.

“There’s probably a little bit of a notion out there that maybe government schemes or government pools are a way to lower the cost overall. But actually we have to dispel that notion because ultimately, someone needs to pay for the losses that occur. As long as the losses are the same, the costs are going to be the same, too. In the insurance industry, we call our revenue stream premiums. In the public sector, you call it taxes. At the end of the day, it’s not a zero-sum game,” he said.

L-R: Messrs James Vickers and Renaud Guidée, Dr Achim Kassow and Mr Urs Baertschi

Reinsurers must also be critical about the institutional role of reinsurers, when in discussions with policymakers, said Mr Kassow. He also noted that reinsurers’ balance sheets are incredibly complex, when compared to insurers and banks. “At the end of the day, the art of producing our annual or quarterly profit results hardly matches with what people see as our value contribution to society. We need to do more and better about understanding the analytics behind our industry and communicate more transparently how we assess and price risk.”

Designing proper parametric products

There is also the idea that parametric products are a silver bullet to solve the affordability issue, especially in developing markets. However, Mr Guidée pointed out that COVID-19 did not trigger the parametric bond that had been issued by the World Bank.

“It should be an addition or overlay to traditional indemnity. There’s a basis risk and also evidence of a limitation of the parametric curve. We cannot rely on it as being the core of your protection structure. I think one of the advantages of parametric curves is the very swift payout to impacted communities and policyholders, because the money can be available very quickly. But sometimes you can miss out just because the trigger was not met. Ultimately we need to strike the right balance between the indemnity which is really tailored and the parametric payout, which is swift,” he said.

Hardening market is an historical anomaly

AM Best's leading analysts broke down the current issues that contribute to the hardening of the (re) insurance market at a briefing on the second day of SIRC.

By Reva Ganesan

The hard market environment today is different than the hard markets that we've seen in the past.

"Prior hard markets were started by a significant single major catastrophic event, regardless of a natural or a manmade one. And that event led to material capital erosion, that resulted in a sharp rise in premium rates over a short period of time," said AM Best chief ratings officer Stefan Holzberger.

"The amount of alternative capital in the market has remained constant over the last several years. This time around, we don't have a single major catastrophic event that has dislocated the market.

"This does not mean there has been no catastrophic activity, but more of an accumulation across the globe of small and medium sized events, rather than that single mega event dislocated the market," Mr Holzberger said.

Capital remains resilient

There is excess capital in the market and that could continue to grow in 2024.

"We have a stable outlook on the reinsurance segment and there's a combination of headwinds, tailwinds, opportunities and challenges. One of the challenges is the excess capital in the market today," he said.

"Reinsurers are being very judicious about the way they deploy that capital. They're requiring a reasonable return on deployed capital, but that excess capital as we know can lead to overheated competition which drives rates down," he said.

A notable tailwind Mr Holzberger noted is that the demand has remained strong. There is a huge amount of demand for reinsurance based on the volatility inherent within the insurance marketplace.

No capacity shortage

There's discipline in the market and reinsurers have woken up to 'demand appropriate return' on risk.

L-R: Messrs Rob Curtis and Stefan Holzberger, Ms Christie Lee, Messrs Chris Lim and Greg Carter

"Results are improving, but the investors are taking a wait-and-see approach," he said.

"Business models are evolving. Many reinsures are moving towards that diversified book of business, both on a geographical as well as the line of business standpoint," he said.

An upward trend is expected to be seen towards increasing diversification across the reinsurance segment.

Market to continue to harden in North Asia

"We expect the hard market to continue to harden in North Asia. It might take longer than people anticipated until the rate will get adequate and supply and demand to agree fully," said AM Best senior director Christie Lee.

"In addition, the investment environment in 2022 was very challenging, especially for Hong Kong and China base rate shares," she said.

No capital shortage, just market allocation

"I think the message here is the time it will take to rebalance the whole supply and demand chain and it would require time for communications to travel down from retro to reinsurers to cedants to policyholder," she said.

"Ultimately, the industry must develop affordable and reasonable structures for supporting policyholders and all these communications perhaps will take a little bit of time to reach the people," she said.

Reinsurance in Singapore

"Overall, we have seen that there is a good outline curve for the reinsurers that are based in Singapore. Some of the supportive factors for this favourable growth include inflationary pressures as well as more favourable pricing conditions," said AM Best associate director Chris Lim.

Nat CAT appetite in SEA

Reinsurance appetite for Nat CAT exposed property business in Southeast Asia has diminished and that is generally driven by the increased connectivity that has been observed in the region in recent years.

"The Nat CAT claims are generally far more benign across the year," he said.

"We have seen some improvements in terms of the results of the underwriting performance for reinsurance and in some cases, these are attributable to extremely favourable pricing conditions.

"There are good improvements of combined ratios for Asian reinsurers. However, there are some discrepancies when we look across to the performance for the regional reinsurers, whereby there were impacts arising from a few other factors that are more specific to the markets," Mr Lim said.

Heatwave could damage buildings, cause disruptions and fires

The Asia-Pacific region is being impacted by prolonged high temperatures. However, it is one of the least insured regions of the world.

By Nadhir Mokhtar

Countries in Asia have been impacted by sweltering temperatures since April this year. Temperatures of up to 45 degrees Celsius were recorded in parts of Bangladesh, India, Laos and Thailand. While soaring temperatures could cause droughts in some regions, other areas may experience extreme rainfall.

"Changes in global temperature redistributes how water is being sent across to different parts of the world," said FM Global Asia Pacific vice president division engineering manager Yong Seek Ying speaking to *Asia Insurance Review*.

Ms Yong Seek Ying

"That's why in certain parts of the world, you're seeing extended drought conditions and wildfires. The extreme heat is also causing a lot of extreme rainfall in other parts of the world. We have seen a lot of heavy typhoons and rainfall across the region.

"Countries in Asia Pacific are likely to get impacted the most by changes in temperature because we do have extensive low-lying territories and many small islands. The potential of them being susceptible to rising sea levels becomes even more prominent," she said.

Impact on infrastructure

Increasing temperatures could also lead to extended use of air conditioning to cool buildings. This exacerbates the impact of climate change and causes more pollution and energy use. Risk managers need to understand the importance of renewable and sustainable sources of energy.

"This heat is also due to pollution but because of that (heat) we are using more power. A lot of countries are recognising this. There have been a lot of discussions about going into renewables. Thus, going into the renewable energy is a hot button topic appearing in a lot of different countries," she said.

FM Global Asia operations manager and operations senior vice president Tan Hian Hong shared some risks that the heatwave could have on infrastructure:

Mr Tan Hian Hong

- Structural damage, where extreme heat can cause materials, particularly concrete and asphalt, to expand and contract, resulting in cracks and weakening the integrity of buildings.
- Power outages in power infrastructure, here high temperatures can strain electrical infrastructure, leading to increased power demand for air conditioning and cooling systems. Overloaded power grids can result in power outages and disruptions.
- Fire risk, where a drastic rise in temperature can cause an increase in fire risk to combustible infrastructure and construction in properties.

Unprepared to manage risks

Ms Yong said some countries in Asia are less prepared to handle the risks that come with increasing temperatures. This includes countries that are less equipped to handle sudden floods and protect itself from damage.

"Frankly, no country will be 100% prepared because it (the climate) is always changing. We just need to give ourselves as much information as we can and anticipate what's going to happen," she said.

Droughts and typhoons

The increased temperatures are also accompanied with other extreme weather events and Nat CAT including windstorms and typhoons. Ms Yong said there has been flooding and frequent windstorms in Asia Pacific.

"We do not publicly comment on client losses. However, we can confirm that, as seen from the La Niña or El Niño phenomenon, heat waves or drought in a region are also accompanied by increased precipitation or flood in other parts of the world. Such a phenomenon is exacerbated by climate change," said Mr Tan.

"The insurance industry is reporting increased losses suffered by the insured and uninsured from natural events, whether it is flood, hurricane or bush fires," he said.

War products gain interest but underwriting challenges remain

Demand for coverage against war has increased amid ongoing wars and concerns of geopolitical tensions developing into conflict. Rates for some lines of business have been hardening and reinsurers have increased exclusions on cedants offering such cover.

By Nadhir Mokhtar

Conflict deaths are at their highest level this century with over 238,000 people killed in 2022 according to research by the Global Peace Index. Insurers and brokers we spoke to have seen increasing demand for coverage against war risks amid high-profile events such as Russia president Vladimir Putin's invasion of Ukraine, civil war in Sudan and political instability in Myanmar.

Types of war products

Mr Dan Riordan

Vantage Risk political risk and credit global head Dan Riordan shared some types of cover that exist in the market for war insurance.

"Political risk investment insurance (PRI) is a source of coverage for exposures resulting from war coverage as well as other covers. Typically, PRI covers also include protection for expropriation/nationalization, currency inconvertibility and political violence (war, revolution, insurrection) and civil strife," he said.

He said his company usually receives requests from clients like international banks, global corporations and export credit agencies or multilaterals to purchase war insurance products. Demand for such products is high and rates have been rising according to Mr Riordan.

"While the product has changed very little over the years, the demand has been peaking since the onslaught of the Russian/Ukraine conflict in early 2022, as well as growing concerns about a potential China intervention in Taiwan," he said.

He said some of the underwriting challenges they face includes the potential catastrophic nature of losses associated with war and the lack of recoveries.

"Given current loss development in the industry as a result of damage in Ukraine and Russia, most underwriters will not accept new risks at this time. That is expected to change after cessation of hostilities and when the rebuilding efforts begin," he said.

How policies have changed

While demand for war products have increased, some reinsurers have imposed restrictions on certain risks.

"One thing that we have seen particularly within the context of accident and health are some restrictions on coverages for nuclear, chemical, biological and radioactive (NCBR) covers. The reason for that is a result of (Russia president Vladimir Putin's invasion of Ukraine). Some of the treaty reinsurance, that sits behind accident and health has started to exclude NCBR coverage. It doesn't apply to all markets because some may be on longer term agreements with their reinsurers but typically, we're seeing that NCBR cover is increasingly written on a net basis by underwriters. Therefore, there's a decreasing appetite to provide that cover," said WTW Asia Pacific crisis management head William Miller.

Mr William Miller

Underwriting challenges

According to Mr Miller treaty renewals are having an impact on insurers in terms of what they can write on a net basis. There is also a hardening of rate and restrictions in political violence or strikes, riots and civil commotion products.

"One of the difficulties underwriters have is being able to distinguish whether the cover that they're offering is for passive war exposure or active war. In the context of accident and health insurance, if you're looking at providing cover for a group of local nationals who may be 100 kilometres from the front-line conflict in Ukraine, with significant rocket fire going back and forth between the two sides, that is a sufficient barrier to be classed as a passive war risk rather than an active of war risk. The logistics of modern warfare make that distinction very difficult for an underwriter to be able to distinguish exactly the exposure that they might be writing.

"One of the challenges that underwriters have is responding to the context of modern warfare as it stands but also having to balance the tightening of their reinsurance rates. In addition, some of the restrictions that they're seeing through that chain around the coverages that they can and cannot provide with reinsurance support," he said.

Understanding evolving risk amid green efforts

Allianz Re's Mr Kenrick Law foresees a push to gather data on climate sustainability and risk in the (re)insurance industry.

By Sarah Si

According to Allianz Reinsurance regional CEO Kenrick Law, leveraging opportunities in evolving risk exposure and energy transition will become topics of great importance.

"The renewable energy sector is growing. There are solar power plants, offshore wind farms and geothermal plants and these green risks need to be insured. However, covering a coal-fired power plant is not the same thing as covering an offshore wind farm. The operational and construction risks are different," he said.

While the growth of the renewable energy sector could be translated into opportunity for (re)insurers, it would also change the risk landscape, and more work would be needed to improve knowledge in more recent risk exposures as the energy transition to renewable energy continued, he said.

He said, "For instance, the MV Fremantle Highway was transporting electric vehicles (EVs) from Europe to Asia when it caught fire. The difference in risk exposure between transporting lithium-ion batteries and petrol-driven cars was something not well understood yet," he said.

Changing climate risk

Addressing climate-related non-Asian risk exposure in Asia was a growing issue, Mr Law said. "When a treaty is written in Asia, the intention is to accept exposure within Asia. However, from time to time, losses are picked up from outside of Asia," he said.

According to him, this would happen when companies fronted overseas investments but ultimately ceded it back to the country of origin. "For instance, the insurer in a host country may end up paying for flood losses in another continent. Such incidents have caught the industry off-guard," he said.

Opportunities, he said, could be found in taking CAT models one step further. He said that CAT models typically relied on historical data and additional climate risk factors due to climate change such as changes in wind speed, rainfall or storm surge factors would need to be taken into account.

"Identifying locations of accumulations and exposures can help companies further apply the CAT model to incorporate climate risk and its impact into portfolios. The risks on such comprehensive portfolios could then be transferred to the financial market in non-conventional ways such as ILS and CAT bonds," he said.

Alternatively, domestic and overseas portfolios could be segregated, he said. "In this case, both portfolios would have to be underwritten and priced separately," he said.

Market risk

According to Mr Law, the changing risk landscape coincided with retro markets that hardened substantially during the last renewal. He said, "In recent years, reinsurers have not been able to consistently churn out profit which is above the cost of capital. With the interest rate hike, reinsurers would need to make drastic changes to business approaches in order to maintain profitability and be sustainable."

Rather than trying to bear the cost and remaining unprofitable, he said that it was an opportunity for reinsurers to make structural changes to ensure future sustainability of the inward business, by imposing rate and retention increase.

Regarding the adoption of IFRS17 – SFRS17 in Singapore – and introduction of risk-based capital in the region, he said, "The capital market will continue to be tight in the foreseeable future as the interest rate will continue to stay high until 2024 at least before it starts coming down, and reinsurance can be used as a capital substitute to shape up balance sheets."

The impact would be bigger on the life and health side of the insurance business and would change the business appetite and strategy for companies writing long- and short-term business, he said.

Sustainability

"Sustainability reporting is becoming a growing topic for the (re)insurance industry with mounting pressure from consumer groups, NGOs and government bodies, especially in relation to climate-related initiatives," Mr Law said.

He said that Allianz has been publishing a Sustainability Report annually since 2001. The report brings together the ambition, strategy, commitments and contributions to shape a more sustainable future.

He also said that ESG scrutiny and more transparency were demanded by more stakeholders. He said, "Questions raised include whether the company covers nuclear power plants and weapons, engages child labour and how much is written in terms of fossil-fuel exposure compared to renewable energy."

Greater Bay Area: China's rising hub for insurance

The Greater Bay Area is one of the most open and economically active regions in China. The opportunities within this region are many.

By Vincent Liu Liang

The Greater Bay Area (GBA), which encompasses nine cities and two special administrative regions in southern China, aims to become a leading global economic zone by 2035. As of 2022, its GDP surpassed CNY13tn ($1.82tn), marking it as one of China's most economically vibrant areas.

With the resumption of exchanges between the China mainland, Hong Kong, and Macau, GBA's development has surged. Its insurance market, already worth hundreds of billions of yuan, indicates vast growth potential. Recent financial aid policies by Chinese ministries emphasise boosting the insurance sector, signifying GBA's rise as an insurance innovation hub.

Following border relaxations between Hong Kong and mainland China, Hong Kong's insurance market is witnessing rejuvenation. The pandemic-induced restrictions had previously led to significant business reductions due to the inability of mainland customers to access Hong Kong for insurance needs. Data indicates a positive recovery trend in 2022, and the insurance market anticipates a return to pre-pandemic levels soon.

Mainland Chinese have shown a growing interest in Hong Kong's insurance, with a study by the Hong Kong Federation of Insurers (HKFI) revealing that 72% of respondents intend to visit Hong Kong in the next two years. Of these, around half aim to purchase life insurance, especially those from the GBA. This enthusiasm stems from Hong Kong's favourable insurance regulations, advanced financial market, high capital returns, and the flexibility of its insurance products.

Given the increasing attractiveness of Hong Kong insurance, experts anticipate significant growth in life insurance policy premiums from mainland visitors. Predictions suggest a potential 14.5 times increase from last year, nearing the 2019 levels.

Residents of Hong Kong and Macau, meanwhile, show a rising interest in mainland insurance products due to their expanding presence in GBA cities. Growing numbers purchase insurance in the mainland to cater to medical and home safety needs.

The integration of the insurance industry within the GBA continues to advance, with initiatives like Stock Connect, Bond Connect and Cross-border Wealth Management Connect in place. The aim is to bridge the gap between Hong Kong and the mainland, optimising opportunities in the insurance sector.

The mainland and Hong Kong are working on their regulatory differences to use the strengths of each area. The

Guangdong Banking and Insurance Regulatory Bureau is pushing for better connection between the two regions.

A notable development is the recent launch of the Northbound Travel for Hong Kong Vehicles Scheme, enabling seamless insurance coverage for Hong Kong vehicles in Guangdong. This move, effective from July 2023, simplifies cross-border travel and is viewed as a significant step forward for the insurance sector in Hong Kong.

In conclusion, the GBA is rapidly emerging as a key hub for the insurance industry in China, driven by favourable policies, increasing interconnectivity, and a harmonising regulatory landscape. The future of insurance in this region looks promising, with continued integration and innovation on the horizon.

Seven years of growth

SIRC has become one of the most important and influential events for the reinsurance industry, extending even beyond Asia. We spoke to SRA's Messrs Marc Haushofer and Jeffrey Yeo about the growth of SIRC and what the future holds for the event.

By Sarah Si

Over the past few years, Singapore Reinsurers' Association (SRA) president Marc Haushofer and executive director Jeffrey Yeo have been slowly transforming the format of SIRC to become more dynamic, interactive and engaging.

"This year we have gone a little further down the road of open debate. We want more of that and less of straightforward presentations," said Mr Haushofer. "We want senior industry representatives to present their views not only in an affirmative manner, but also in dissent."

"For me the most unique part of the SIRC is clearly how passionate Jeffrey and I are in putting it together and then run it with the help of our magnificent SRA team and board. Even after numerous years at the helm of the association, I very much enjoy the high dynamics of this conference and that we are creating an important meeting platform for our industry," he said.

There are other significant changes to happen at this year's conference. Most visibly is the change of venue for the Lloyd's Coffee House. According to Mr Yeo, instead of being housed within a closed ballroom, the meeting tables will this year be set in a brighter, more open space.

"However, implementing changes usually requires more effort, in getting buy-in from all the stakeholders, and working on the layout and design concepts. Apart from this, there are a few other new things that we're trying out this year, but I'll leave delegates to spot the differences when they arrive onsite," he said. "As for the programme, this is probably the first time we'll be having senior leaders from three of the world's largest reinsurers on the same CEO roundtable panel."

Growing over the years

Even during the COVID years, SIRC managed to stand out in terms of its presentation and approach. This constant drive to evolve and improve has steadily increased the attendance of the event, with over 2,500 delegates attending this year.

Mr Yeo said, "The SIRC has been one of the constants in my 41-year career, whether as a delegate, session chair, or organiser for the most part. Since 2015 when I was appointed as SRA executive director to establish a full-time secretariat and ostensibly to transition a biennial SIRC into an annual event, it was always an ambition to break the 1,000 'barrier' and to grow the number of countries that delegates came from."

"Over the past seven years the conference has grown in almost every direction. It got more people to attend it, from more countries and it has gone from regional to global," said Mr Haushofer.

"It's very interactive in the meantime. Significant improvements in terms of gender diversity and age composition. It's so multifaceted, complex... and yet it feels informal and plain sailing in other ways. We have made significant progress with the conference and I'm happy about each part where we moved north."

With this brand recognition, the SIRC is now able to attract the participation of very senior industry leaders, whether as speakers and panellists on the main stage, or who use the forum to issue major corporate statements.

Mr Haushofer also said that SIRC has been modernised since the SRA turned it into an annual event. "We took the organisation of the SIRC into our own hands as SRA. We realised that we need to upgrade our database and accordingly invested heavily into this. We looked for new and excellent external partners to manage the event logistics. And we made various SIRC features fresher and boosted interactive presentations. Last but not least we promoted an 'agree to disagree' ambience as we feel that honest debate is a good sign of progress. This is where we are right now," he said.

"The SIRC should become the prime forum for our industry in terms of courageous debate on the most pressing issues of our time. We welcome uncomfortable questions on stage and elsewhere, of minds swimming against the current. And we explicitly wish to build even more diversity in terms of knowledge, background and gender. The complexity of our business will go up exponentially and it needs the best global brains to deal with it. We want them to get together here in Singapore at the SIRC to tackle the future."

Nepal: New reinsurance regulations promote penetration and retention

The Nepal Insurance Authority recently announced new reinsurance regulations. These are being hailed as progressive and beneficial for the industry in the long run.

By Anoop Khanna

In May 2023 the Nepal Insurance Authority (NIA) announced the new reinsurance regulations, Reinsurance Directives for Insurers 2080. These, apart from a lot of other aspects, will lower the direct reinsurance cession rate annually by 2% from the financial year 2022-23 to 2026-27 and bring it to nil in the next five years.

Prior to the new regulations, all insurers in the country were required to cede 10% of the sum insured on each insurance policy to a Nepalese reinsurer. The new regulations, however, exclude aviation insurance, riots and terrorism insurance, general health insurance and trekking insurance under miscellaneous insurance from the mandatory direct cession.

Comprehensive regulations

Himalayan Re CEO Chandrasekaran Ramamurthy said, "The reinsurance regulations of Nepal have been evolving over the last few years. Reinsurance directive 2080 is a comprehensive regulation with the main objective to optimise retention of insurance premium within the country and simultaneously develop domestic reinsurance capacity and expertise.

Mr Chandrasekaran Ramamurthy

"Reinsurance Directive 2080 has consolidated various instructions and advisories issued by the Authority during 2022-23. The provisions of the new directive have to be viewed in the backdrop of financially stronger insurance companies and the need to utilise the growing insurance capital to increase insurance penetration."

Nepal presently has two domestic reinsurers, state-owned reinsurer Nepal Reinsurance Company (Nepal Re) and the private sector Himalayan Re. Nepal Re was set up in 2015 and Himalayan Re was granted license of operation in July 2021.

Mr Ramamurthy said, "The underlying theme of the new reinsurance directive is to encourage premium retention within the country to aid its economic development and to limit the outflow of foreign exchange reserves."

The specific provisions on stipulating maximum risk (policy) retention for insurance companies, capping the catastrophe risk retentions, stipulating international financial security rating levels and limits of acceptances for international reinsurers exempting domestic reinsurers from ratings and maximum reinsurance acceptance limits are some of the other salient features of the new directive.

Phases out mandatory cessions

Mr Ramamurthy said, "The gradual phasing out of mandatory policy cessions over the next five years is yet another landmark provision introduced in 2022 and reinforced in the 2023 reinsurance directives.

"The gradual withdrawal of policy cessions should be considered from the aspect of enhanced capital (and the resultant mergers) as well as the road map for risk based capital and own risk solvency assessment regimes within the next two years. Both, risk based capital assessment and risk based pricing would ensure that the insurance companies have adequate financial strength at all times to meet their policyholder obligations."

"Once policy cession is withdrawn, net retention of insurance companies would be the first in the order of reinsurance structure of insurance companies. Risk based pricing would incentivise and encourage higher net retention by the insurers. Mandatory treaty cessions to domestic reinsurers (15% to each of the two domestic reinsurers) would enhance the premium retention within the country," said Mr Ramamurthy.

Reinsurance intermediaries will develop

The new reinsurance regulations also speak about licensing of domestic reinsurance intermediaries. Mr Ramamurthy said it is another step to develop reinsurance expertise of the domestic market. He said, "Reinsurance intermediaries are expected to bring international reinsurance business to the domestic reinsurers. Inward reinsurance business is expected to add to the foreign exchange inflow in to the country."

The provisions of Nepal Reinsurance directives 2080 dovetail the government's efforts to increase insurance penetration, utilise the insurance premium for economic development and enhance foreign exchange reserves and strengthen the domestic reinsurance companies.

Morocco earthquake and local re(insurers)

The Morocco earthquakes in September 2023 could result in losses equivalent to 8% of Morocco's GDP. Ratings agencies have stated that while the event is a major disaster for humanity, it is unlikely to become an impactful one for the re(insurance) industry.

By Reva Ganesan

The amount of compensation that insurance companies would pay in Morocco due to the large losses caused by the 6.8-magnitude quake that struck in the High Atlas Mountains on 8 September is expected to reach $300m, according to Insurance Federation of Egypt chairman Alaa El-Zoheiry.

Mr El-Zoheiry said, s. "It has become very necessary for all countries, economic institutions and people to have what protects them or enables them to confront natural dangers. Insurance companies have products and policies that cover natural risks, whether for projects under construction or for home.,"

Mr Alaa El-Zoheiry

According to estimates from the US Geological Survey (USGS), the earthquake could result in losses equivalent to as much as 8% of Morocco's GDP.

With the country's GDP expecting to reach $138.6bn by the end of 2023, an 8% reduction would amount to approximately $11bn.

The global reinsurance market was said to have covered roughly two-thirds of the liability associated with these government supported disaster insurance arrangements.

Morocco has a government-backed natural catastrophe pool, known as EV CAT, which provides excess-of-loss reinsurance protection for local insurers. This means that the reinsurance market will only be involved if claims exceed a certain threshold.

In addition, Morocco has a solidarity fund for catastrophic events that is designed to provide coverage to the uninsured and most vulnerable households. This fund is also expected to contribute towards the cost of rebuilding.

Fitch Ratings believes that the disaster is unlikely to become a major event for the insurance and reinsurance sector.

In addition to the heavy human toll, the loss of property could be significant, according to SCOR.

Many homes were uninsured as the houses were not designed to withstand an earthquake and therefore difficult to insure against the risk.

FMA contribute to quake relief

Members of the Moroccan Federation of Insurance (FMA) donated $15m to aid in recovery following the aftermath of quake.

The donation is for a special fund dedicated to assistance and rebuilding in the wake of the earthquake and is expected to contribute significantly to the rebuilding or restoration of infrastructure, the provision of essential services and the overall recovery process for those affected by the natural disaster.

Parametric insurance

The earthquake is reported to have struck an area with low insurance penetration.

However, a new commentary from AM Best noted that a parametric insurance arrangement covering part of Morocco's National Catastrophic Event Coverage Scheme is expected to result in a maximum payout of approximately $270m.

The Solidarity Fund for Catastrophic Events, which is the part of the scheme covered by the parametric arrangement, provides coverage to the uninsured and most vulnerable part of the population, said AM Best.

Additionally, since 2020, Morocco has had a $275m deferred drawdown option for catastrophe risk provided by the World Bank, which is expected to provide the country with immediate liquidity to address the natural disaster it faces.

An opportunity to connect

SIRC presents a unique and unparalleled opportunity to connect with the market, say attendees.

“I think the SIRC is doing very well. I heard that the number of participants has increased. It is a good sign for the Asian market, that participants come from Asia, Europe and the US to hear about what is going on in Asia. It is a positive sign.”

– Asuransi Wahana Tata president director Christian Wanandi

“The SIRC is one of the most important events in the calendar year of reinsurance. It sets the tone exactly for the 1/1 renewals which are coming up, and it is a time for us to network with our reinsurance partners, our clients and various other partners who are a part of our industry. That makes the SIRC a must-attend event for me and for the rest of the community as well.”

– Guy Carpenter senior vice president Ankur Mehta

“I think that the beauty of this event is that you have got people coming from all across Asia Pacific and there are reinsurers coming from Bermuda, London, Australia and the like, and it is so efficient. You have all the reinsurers and all the clients coming through the SIRC for three days in a very positive event.”

– Berkeley Insurance Company CEO Glen Riddell

“The SIRC is the default event in our calendar and this year is going well. It is a very good professional platform for us to engage partners and to have meaningful exchanges. On the personal side, it is also a good platform for me to catch up with my old friends, especially post-COVID-19. Although we do see each other now and then, it is a different platform and we get to see both professional and social sides. That is the part I really enjoy.”

– Helvetica Swiss Insurance head of engineering Asia Tan Siew Choo

“Since there are a lot of manmade, as well as catastrophic events, in the last year, I definitely see a rise in rates, but not at the same pace as last year. There would also be a fine-tuning of the terms and conditions to the favour of reinsurers. As such, the SIRC allows me to meet friends and colleagues, as well as exchange ideas on what is happening worldwide.”

– Alliance Insurance Brokers head of reinsurance Chiradeep Singha Roy

“I have been attending the SIRC since 2015 and the event has gotten bigger over the years, with participants from around the globe. This is the right place for my company to share global issues and find solutions that benefit all of us.”

– Asuransi Candi Utama head of division underwriting and reinsurance Achmad Hilmy

“The SIRC is the largest event in the region for reinsurance. It is a great place to catch up with all of our clients and brokers from across the region. So many people come over and it is a great place to catch up with everybody. The SIRC is also one of the first places to get good intel from the region and get a good understanding of what the industry is going to be expecting. It is also a good place for announcements, as there always seems to be one every day.”

– Descartes Underwriting head of Southeast Asia Robert Drysdale

“The SIRC has been great. It’s nice to meet up with old friends as it’s been a while since I’ve come down to Singapore. Meeting up and having proper physical meetings is nicer than having a virtual meeting. The event has been growing and now there are 2,800 people. It’s a must-attend event because of the number of people that come from all over the world that can provide input in terms of how we are going to see the business moving forward.”

– Malaysian Re president and CEO Ahmad Noor Azhari Abdul Manaf

“The SIRC is known for speed dating. We meet people for no more than 10 to 15 minutes and represent our companies. You can’t meet 30 people in a day, but the SIRC makes it possible. SIRC is must-go for every company and reinsurer.”

– India International Insurance head hull, energy and aviation Ajay Sadana

“The SIRC seems to have a lot more people this year – I read this morning that there’s over 2,800 attendees. The first time I came, there was nowhere near that. I think that this shows the growing importance of the Asian market, and coupled with that, perhaps the importance of emerging markets. Coming from South Africa, also an emerging market, I can see how we’re becoming more and more relevant as people look for growth outside of traditional markets.”

– Emerald Risk Transfer CEO Carla Jordan

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Asia Insurance Review

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