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Trends in Asia Pacific Markets: Taking stock of current dynamics of APAC's re/insurance industry

APAC home to about 30% of global HNW

Asia Pacific (APAC) is home to about 30% of global high net worth (HNW) financial wealth, second after the Americas, said a Swiss Re report. This is the result of the region's strong economic growth track record over recent decades. Swiss Re defines HNW as individuals/households in possession of USD 1–50 million worth of assets globally. Above USD 50 million is the realm of the ultra-high-net worth (UHNW) wealth. Global financial wealth rebounded in 2023, as did the number of USD-millionaires, driven by a resurgence in equity markets and resilient growth. Of the global HNW population, today around 28% live in APAC.

The HNW market in APAC is a significant growth opportunity for the insurance industry. This was the consistent message from interviews the Swiss Re Institute (SRI) conducted with experts from leading insurers and brokers in Hong Kong, Singapore and globally in April and May 2024. The experts expressed strong conviction in the organic growth of wealth and of the number of HNW individuals in Asia, driven by economic recovery and new entrepreneurial spirit. In terms of HNW market potential, many insurers target double-digit growth over the next 2–5 years.

Asian insurers set up family offices offering customised solution

Insurers in Asia are setting up teams to directly engage with family offices to provide highly customised solutions with a focus on estate planning.

Insurers are increasingly developing strategies to serve family offices, recognising the demand for tailored insurance solutions. They gain traction with bespoke policies underwritten on a case-by-case basis. For instance, an Asia–Pacific insurer recently underwrote a master policy for a family office with several individual beneficiaries, a highly bespoke process involving substantial premiums and large sums assured.

Harpreet Bindra, CEO of HSBC Life Singapore, said, "More work needs to be done to structure products that address specific needs, particularly from the perspective of sum assured across the family. Multijurisdiction and multigeneration nuances offer challenges and opportunities with sophisticated holding structures involved." The fee structure for insurers typically involves high premiums for these highly customised policies.

Insurers, meanwhile, can boost engagement with family offices by collaborating with other service providers to educate them about tailored insurance solutions. By investing resources and improving their distribution strategies—such as training existing teams, creating new channels with direct service teams for family offices, and partnering with banks (beyond brokers)—insurers can serve family offices more effectively.

APAC insurers trim equity risks, increase capital efficiency: Moody's

Insurers in China, Japan, and Taiwan, which together represent over 60% of total premium income in the Asia-Pacific (APAC) region, are adjusting their capital strategies to reduce exposure to equity and credit risks, Moody's Capital Tool (M'CT) analysis revealed.

This shift is seen as a positive move, enhancing their capital resilience and efficiency.

In China, insurers follow the China Risk-Oriented Solvency System (C-ROSS), whilst Taiwan uses a risk-based capital (RBC) regime, and Japan adheres to the economic solvency ratio (ESR) system.

The tool's findings showed that property and casualty (P&C) insurers' M'CT ratios generally align well with reported solvency ratios under these different frameworks.

The analysis also highlighted that APAC P&C insurers face different risks compared to their US counterparts.

For insurers in China, Japan, and Taiwan, equity risks make up around 30% of their total required capital, nearly three times higher than for U.S. insurers.

However, reserving risks are lower in APAC due to the shorter durations of reserves. amongst other factors, Japanese P&C insurers are particularly vulnerable to catastrophe risks, whilst Taiwanese insurers face greater exposure to currency and real estate risks.

The report further showed that APAC insurers are actively reducing asset risks. Japanese P&C insurers are lowering capital requirements for equity risks by divesting from strategic shareholdings and focusing more on business expansion, both domestically and internationally.

Rapid digital transformation in APAC region

The Asia-Pacific region has experienced rapid digital transformation in recent years, particularly since the COVID-19 pandemic. This has driven a corresponding increase in cyber risks, which require robust insurance solutions, says global reinsurance broker Gallagher Re.

In a report, titled "Protecting the Digital Revolution — The State of the Asian Cyber Insurance Market in 2024", Gallagher Re explores the current market conditions, key drivers, challenges, reinsurance options, and prospects for the cyber insurance sector in the APAC region.

Key findings are:

- Demand for cyber insurance in APAC is growing at almost 50% per year, accounting for 7% of the global market as of 1 January 2024
- There is significant potential for further growth, especially in up-and-coming markets like Thailand, Malaysia, Vietnam, Indonesia, and the Philippines, but equally, the emerging giants of China and India still have plenty of room for penetration rates to improve
- Regulatory requirements for data protection are driving the need for cyber insurance coverage
- There are untapped markets for cyber coverage among SMEs and individuals in APAC
- Challenges in the market include policy standardization, risk assessment, and limited claims data in a new and evolving field
- Reinsurance solutions can help insurers address these challenges and provide more comprehensive coverage.

Global

The third quarter of 2024 saw a number of significant disaster events, which drove year-to date economic losses above at least $258 billion and insured losses of $102 billion, according to Aon plc in its Q3 Global Catastrophe Recap – October 2024 report, which aggregates and analyzes global natural catastrophe data.

The report reveals that there were at least 280 notable global natural disaster events in the Q1-Q3 period. Losses from Hurricane Milton and additional events expected in the rest of the calendar year, however, will likely push total annual insured losses above those seen in 2023 ($125 billion), Aon said. Economic losses for the first nine months were significantly lower than losses during the same period in 2023 ($351 billion).

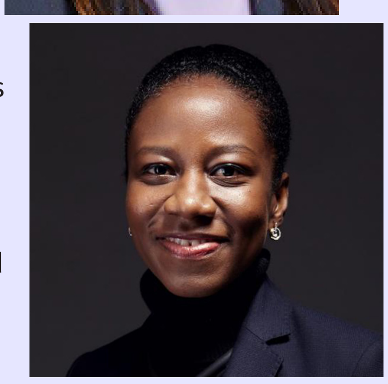
Third-quarter insured losses were driven by three costly Atlantic hurricanes (Helene, Beryl and Debby), severe convective storm (SCS) outbreaks in the United States and Canada, as well as flooding in Central Europe.

These dynamics resulted in a protection gap of 60%, one of the lowest on record, mainly due to the higher contribution of insured losses in the United States, where insurance penetration is relatively high compared to other countries, Aon said.

"Emerging Asia accounts for 70% of the protection gaps in the developing world. The climate financing gap in Asia is enormous. We need about $1.1tn annually, yet we only secure around $300bn, leaving an $800bn gap each year. Despite the scale of this challenge, Asia's need to transition is both absolute and critical. With 60% of the world's population and over half of global emissions, Asia's role in the transition is vital. If Asia doesn't transition, no one does"
Gillian Tan, assistant managing director and chief sustainability officer, Monetary Authority of Singapore

"Asia ranks among the regions with the lowest levels of insurance coverage. While insurance isn't the solution to everything, it should certainly play a larger role here and in other parts of the world. To address this challenge, we need to bring together regulators, industry leaders, policymakers and academics. This is the essence of the tripartite partnership under GAIP, where we regularly collaborate to ensure research is applied in practice and that regulators are actively involved in shaping solutions, as they will be key players in addressing these gaps"
Jonathan Dixon, Secretary General, International Association of Insurance Supervisors

"The theme of addressing protection gaps in Asia is crucial. While the industry has made strides, these gaps continue to widen—a trend backed by statistics. This should concern all stakeholders, from policymakers to private sector actors and civil society. Awareness alone isn't enough; we need urgency in addressing these gaps. It's ultimately about protecting people and communities who face growing exposure to various shocks without the financial means to cope"
Ekhosuehi Iyahen, Insurance Development Forum



"Swiss Re's latest Resilience Index report highlights a $1.8tn insurance protection gap—about 40% in the APAC region. By increasing insurance coverage in key areas like crop, Nat CAT, health and mortality, we can help individuals and families better prepare for stress events. A significant focus is on Nat CATs"
Karen Tan, chief risk officer, life and health, Swiss Re

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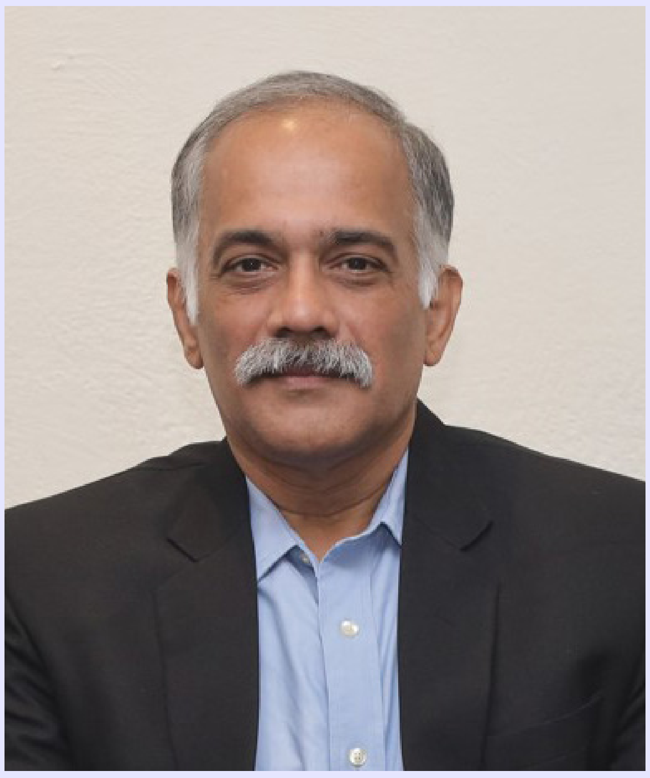
New Media Services Pvt. Ltd., No. 1, 195/201, Laxmi Niwas,
Babasaheb Jayakar Marg, Thakurdwar Road, Charni Road (E), Mumbai 400002
Phone: +91 9867207894 E-mail: asiainsurancepost@gmail.com

"Focussing on the Asia Pacific market is a part of our international strategy. We will actively pursue opportunities across various segments"

With the latest rating upgrades, GIC Re, the 10th largest global reinsurer(in non-IFRS category) is now seeking higher exposures in both international and Indian markets. Chairman & managing director N Ramaswamy unveils his comprehensive strategies about his future moves



GIC Re's upgraded rating will undoubtedly open doors to new opportunities. We intend to seize these opportunities while also reclaiming desirable business that was previously lost due to rating constraints. While we are optimistic about the future, we will maintain a cautious and disciplined approach to a diversified growth

AM Best has upgraded GIC Re's ratings to a positive zone recently. How it will be now translated into business going forward?

AM Best's recent upgrade of GIC Re's ratings validates our commitment to strong underwriting practices, risk management, and financial stability.

During the period of rating downgrade, we prioritized a disciplined approach to underwriting, carefully selecting risks and implementing robust risk management measures. This has positioned us well to capitalize on the opportunities presented by the rating upgrade.

The upgraded rating will undoubtedly open doors to new opportunities. We intend to seize these opportunities while also reclaiming desirable business that was previously lost due to rating constraints. While we are optimistic about the future, we will maintain a cautious and disciplined approach to a diversified growth.

Which are the overseas markets you will increase your exposure and which segments?

Currently, our domestic and international business mix is approximately 70:30. Our goal is to gradually shift this ratio to 60:40 by increasing our international business.

To achieve this, we will continue to review our portfolio, focusing on diversifying our geographic exposure and product offerings. This will enable us to capitalize on growth opportunities in the markets across the globe.

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Reassuring India

Girija Subramanian, Chairman & managing director, New India Assurance

There is a huge potential for growth in insurance industry in India especially on the non-life side. India has been amongst the fastest growing economies in the world and the non-life industry has been growing in mid-teens over the last two decades.The forecasts indicate that the growth will continue at similar rates in the years to come. When direct business grows, correspondingly the demand for reinsurance also will grow as companies look for protection and capital optimisation. With Risk Based Capital(RBC) on the anvil the importance of having a good reinsurance arrangement becomes even more important as lack of protection will require a massive capital charge.

Recurring NATCAT perils are also leading to increased reinsurance requirements. Apart from this,reinsurers will play a major role in deepening penetration in emerging lines like surety insurance, title insurance, cyber liability, parametric covers, specialised health products and so on.

Insurance is highly capital intensive and reinsurance plays a major role in managing the capital requirements of the insurers.

The Indian insurance regulator IRDAI has embarked on a massive plan for ensuring insurance for all by 2047. As a part of this the regulator is coming out with schemes like Bima Vistaar which offers a NATCAT cover for dwellings and contents along with other covers like Life Insurance, Personal Accident insurance and so on.

This is one area where the insurance industry would need reinsurance support. Also universal health schemes like Pradhan Mantri Jan Arogya Yojana (PM-JAY), the world's largest health insurance scheme in India, would require considerable capital outlay from insurers and reinsurance support would be helpful along with value added services like fraud monitoring.

"We are prepared to forgo growth if the business does not come at risk-adequate prices"

With his new position as Chief Executive - Japan, India, Korea and South-East Asia at Munich Re, Hitesh Kotak shares his market insights and strategies to drive growth in the region

As regional CEO of Munich Re's South- East Asian operations, you are responsible for some of the large Asian markets like Japan, India, Korea. How are these markets growing and what can these markets learn from each other?

Munich Re expects the above-average growth of its Asian business to continue.

Asian economies will keep growing faster than other parts of the world and this should also drive (re)insurance demand. And, as the insurance penetration levels in most Asian markets are significantly lower than in the US or in Europe, we see a huge catch-up potential in the region as well.

At Munich Re, our focus continues to be on profitable growth through sustainable risk solutions for our clients and partners. We are also prepared to forgo growth if the business does not come at risk-adequate prices.

There is a lot that the markets can learn from each other. They face similar challenges, e.g. energy transition, electric vehicles, cyber risks and of course increasing NatCat risks. At Munich Re's Asia Pacific Division we have built empowered local offices with an established sophisticated exchange platforms to transfer our knowledge between the markets. In the end this is part of our value propositions: strong local teams in the markets combined with global expertise and knowhow transfer.

"Asian economies will keep growing faster than other parts of the world and this should also drive (re) insurance demand. And, as the insurance penetration levels in most Asian markets are significantly lower than in the US or in Europe,we see a huge catch-up potential in the region as well"

How do you assess the NatCat activities in these markets in 2024? Any trends the industry should be aware of?

Asia Pacific has seen a couple of severe Nat Cat events this year ranging from earthquake in Japan to typhoons in Vietnam, Philippines to heatwave and floods in India.

Unfortunately, climate change is continuously fuelling the severity and frequency of many NatCat events. For the first half of the year 2024, we have seen USD62bn of insured NatCat losses globally. That's 70% above the 10-year average. One trend stands out in particular: The rise of secondary perils. 76% of the insured losses in the first six months of this year are attributable to secondary perils. There are a couple of reasons for this: Increases in population also in high-hazard zones like coastlines, economic and social inflation, inadequate building codes, lack of early warning systems, etc.

On top, climate change is making events like floods, tornados or wildfires in many regions more likely and more severe.

Secondary perils have turned into major risks.

Which are the markets and LoBs Munich Re sees the biggest growth potential in these markets? How much of business do these markets contribute to Munich Re's top line?

The Asian markets have quite different growth expectations. Some of them, like India or South-East Asia, can achieve higher growth rates than others, however, the more mature markets are coming from a much higher base level. In terms of Lines of Business, we see strong growth across all key segments.

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Interview with GIC Re CMD

What is your focus on the Asia Pacific markets? How much of business you get from these markets and in what segments? Do you plan to increase it?

Focussing on the Asia Pacific market is a part of our international strategy. We will actively pursue opportunities across various segments, including property, casualty, and specialty lines.

To enhance our presence in this dynamic market, we will leverage our branch in Malaysia which writes business emanating from ASEAN countries. This strategic location will enable us to better understand local market dynamics, build stronger relationships, and respond promptly to emerging opportunities. Additionally, we aim to regain lost ground in markets like Japan from our head office.

Talking about the Indian market, it is currently facing serious issues of underpricing and indiscipline underwriting in some areas like fire and crop . Will you reduce your capacity from these segments going forward?

We are observing significant rate cuts in the Market especially for medium to larger size risks. This is partly driven by a softening rating environment in the International Market for Industrial risks, but the main contributor is a high Domestic capacity. This is indeed concerning.

At GIC Re, we are committed to promoting sustainable and disciplined underwriting practices. We are continuously engaging with direct insurers to achieve pricing and terms that reflect the underlying risk.

We are closely monitoring the evolving market dynamics and will be taking all steps necessary to protect GIC Re's interests. These measures would include enhanced risk assessment, collaboration with insurers and also prudent capacity allocation.

As a market leader, our goal is to ensure that the Indian market remains robust and resilient, while also safeguarding our financial stability and profitability.

Monsoon is over in India. How is your Nat Cat experience in the Indian market? Will it have positive experience on GIC Re balance sheet and on primary market players and push prices down?

The monsoon season this year so far has been favourable in terms of natural catastrophe loss activity. There have been increased CAT activity, but the severity seems to be lower than earlier years. However, the overall result will depend on monsoon in Southern India which will get most of its rains in November and December.

Currently, the insurance market pricing is primarily driven by competition, rather than natural catastrophe activity.

Do you think with new regulations requiring Cross Boarder Reinsurers (CBRs) either to set up operations in India or keep collaterals for Indian business will be a game changer for Indian reinsurance market?

The new regulations requiring captive reinsurers (CBRs) to either establish operations in India or maintain collateral for Indian business will undoubtedly reshape the Indian reinsurance market. While there may be initial challenges during implementation, we anticipate a positive long-term impact.

GIC Re and other domestic reinsurers are likely to benefit from increased opportunities, while serious international players may consider setting up operations in India. This development aligns with the government's "Make in India" initiative and could further strengthen the Indian reinsurance market.

It seems, hydro power projects, after a few losses in recent times , are now high risk areas and may find difficult to get reinsurance cover in India going ahead. Do you think so? Will the premium go up for the existing projects?

Hydro power projects are indeed high-risk as they are often located in regions prone to natural disasters. Further, the projects are getting complex and costly to repair.

Given the high-risk nature of hydro power projects, it is necessary to ensure that the pricing accurately reflects the risk involved and to maintain the financial viability of the re/insurance cover.

We have already implemented necessary measures for this segment to restrict certain coverages to manage peak loss scenarios. We expect other reinsurers also to follow suit.

Climate change is a global issue and in India, it is now causing more frequent and severe losses across the country. What are your plans and how soon the market will see concrete action plans in these segments?

Climate change is a critical issue that requires coordinated action. We are actively collaborating with direct insurance companies, the Government and various agencies to develop and implement solutions to mitigate the impact of climate change.The market can expect to see concrete action plans being rolled out soon.

GIC Re is in the process of implementing IFRS 17, which will significantly impact our financial reporting. While we are closely monitoring global regulatory developments as also the steps being taken by IRDAI in adoption of a risk-based capital framework, our current focus is on ensuring a smooth transition to IFRS 17.

What are the broad messages from Monte Carlo and Baden Baden as far Jan 1 renewals are concerned? Will the rate soften or go up?

A third possibility is flat rates. Recent events, such as Atlantic hurricanes and European floods, while significant, have not had a significant impact on the reinsurance industry's balance sheets. The market is expected to maintain a steady and operational approach to the upcoming 1/1 renewals.

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Interview with Hitesh Kotak, Munich Re

What are your strategies to tackle underinsurance in your markets with innovation including parametric? Can you give examples?

The natural catastrophe protection gap in Asia cannot be closed by product innovation only. To successfully expand the insurance protection to more people and companies in emerging countries it needs raising awareness about the importance of natural catastrophe insurance, greater investment in risk mitigation and resilience measures to reduce vulnerability and a collaboration between governments, (re) insurers, and international organizations.

Munich Re is actively engaged in all these areas and is also developing innovative insurance solutions aiming to protect vulnerable groups in Asia's emerging countries. This includes protecting micro, small and medium-sized enterprises (MSMEs) in India and Southeast Asia against unforeseen loss events. To take one example, Munich Re has partnered with digital lenders and supply chain platforms in Southeast Asia to offer wholesale insurance protection. This protection covers MSMEs against accidental death and specific credit default scenarios including natural catastrophes. So far over 3,000 MSMEs across Indonesia are being supported by these solutions.

In India, Munich Re offers insurance which helps people who have low incomes and borrow money from Micro Finance Institutes (MFI). The insurance pays them money if they are affected by floods, earthquakes or storms. The main benefit for the policyholder is the quick payout, which helps them recover faster. Munich Re has developed this insurance product and worked with various MFIs to offer it to their customers and adapt it to their needs. So far, Munich Re India has been able to provide protection to over 500,000 borrowers in this way.

Munich Re has also engaged with various central and state government agencies on disaster risk financing solution. In Oct 2023, NDMA also updated the guidelines for "Utilisation of State Disaster Management Funds (SDMF)", and has proposed few hazard specific Structural and Non – Structural mitigation measures. Recently, Nagaland created history by becoming the first Indian state to buy a long term parametric insurance scheme to cover the impact of Excess Rainfall. Munich Re has been actively engaging with Nagaland SDMA team for over 2 years and supported them in developing this solution. Munich Re won the tender to participate as the lead Reinsurer along with SBI General to provide this cover for 3 years. We now are engaging with other stated agencies to share the learnings and encourage them to adopt similar solution for their respective regions.

> "The market environment remains challenging and potential future significant losses could impact its delicate balance. For Munich Re it is of utmost importance that rates and conditions are risk-adequate to ensure the sustainability of the business"

What is your outlook for the upcoming renewals?

Looking at the factors that drive reinsurance rates, I cannot detect anything material that would point to a sudden end of the current market conditions. The reinsurance market has currently achieved a sensible balance. We see ongoing strong demand from cedents which face higher capital requirements from exposure inflation and original business growth. On the supply side, we have not observed major new market entrants, but rather an expansion of existing capacities. General conditions and changing risks require a disciplined approach and precise risk management, and that is broadly being recognised. Especially since considerable uncertainties remain: claims inflation is still high in a number of segments and there are significant downside risks hanging over the overall economic environment. At the same time, global insured NatCat losses continue to be on the rise. So the market environment remains challenging and potential future significant losses could impact its delicate balance. For Munich Re it is of utmost importance that rates and conditions are risk-adequate to ensure the sustainability of the business.

How do you see an expanding Indian economy and its positive impacts on the Indian re/insurance markets?

Indian economy continues to present tremendous growth opportunity for the insurance sector. The insurance penetration level remains close to 1% of the GDP, which is well below the global benchmarks of large economies. The focus of the government to make India a manufacturing hub, creating new opportunities on Infra, defence, new technology, critical products like Semi-conductor will allow insurers to grow organically. However insurers also need to invest on creating solutions that can continue to address the evolving risk landscape. The traditional indemnity products may not be the only method, we will need to work together to leverage other solutions like Parametric insurance products, CAT Bonds (leveraging GIFT city set up), among other possible solutions.

Munich Re continues to expand its product base and reinsurance capacity with its partners that are focusing on risk adequate approach and growth through sustainable means.

What is the key message you will give your clients at SIRC?

Munich Re will help you grow profitably and sustainably over the cycle, we are there to be your long-term partner.

Key imperatives: Indian Insurance Industry's Tech Transformation

While smartphone penetration in India has risen exponentially and cost of data has reduced significantly, the Government initiatives pivoting around the India Stack is of note as this not only democratizes data but also provides the requisite pipes for insurance companies and their channels to innovate and deliver till the last mile.

According to the Reserve Bank of India, 98.0 per cent of the Indian population has been issued Aadhaar card. There are 95.0 crore internet users, 75.0 crore smartphone users, 47.0 crore social media users and 42.0 crores unique UPI users as of June 2024.

The BharatNet project has covered more than 2,13,950-gram panchayats, according to the Ministry of Communications data from September 2024, enabling various providers to launch services such as e-health and e-education in rural and remote areas.

New initiatives such as Bima Vistaar, Bima Sugam and Bima Vahak taken by the insurance regulator IRDAI signify the commitment to its vision of 'Insurance for All' by 2047.

According to the Pradhan Mantri Jan Arogya Yojana (PM-JAY) database, more than 35.0 crore Ayushman cards were created till September 2024, providing health insurance benefits to poor and vulnerable families.

To create a digital health ecosystem, the Government of India has created about 64.9 crore Ayushman Bharat Health Accounts (ABHA) to ensure well-being and promote accessibility in healthcare.

These initiatives collectively will result in increase of digital use cases which are customised to the customer segments and enable delivery of better experience in terms of KYC authentication, underwriting as well as policy and claims servicing.

Technology enablement of distribution

Technology will play a critical role in distribution going forward as the Indian insurers look at penetrating the last mile.

'Technology will play a critical role in distribution going forward as the Indian insurers look at penetrating the last mile.Mobile applications which are convenient to use and can work across varying bandwidths will be critical as the insurance industry moves towards paperless operations'

Mobile applications which are convenient to use and can work across varying bandwidths will be critical as the insurance industry moves towards paperless operations.

An integrated application which provides the channel a one-view of the customer, enables prospecting, issuance, servicing, renewals and claims management will be critical. Availability of such applications in regional languages will be important to drive adoption.

Moreover, these assets needs to have an adequate refresh rate to provide access to adequate set of products, facilitate straight through processing and provide rapid response to varied channel queries.

Enablement of easy on-boarding, training and sales force management will be critical from technology enablement perspective.

Few key considerations are as follows:

- Provide a view of policyholders and their information in one place
- Provide view of all engagements and the follow up items with adequate nudges and call to action
- Using IoT based data and predictive models to assess risk more accurately, allowing for personalised premium calculations
- Using Startup India data that can help provide comprehensive insurance for startups, tailored basis business model, distributors to offer solutions like professional indemnity, liability and risk-mitigation insurance
- Ensure app performance across various high and low network regions for a seamless experience
- Ensure data privacy norms and controls are in-built

Need for data protection

Insurance companies in India collect and process a large amount of personal data from customers to assess risk, issue policies and manage claims. This data includes customer demographics, health data, transaction history and even lifestyle details.

As insurers increasingly rely on data to drive their operations, they must navigate a complex regulatory environment and implement strict data protection measures.

- Data protection during customer onboarding
- Data standardisation and quality of collected data
- Masking the data while processing

Source- KPMG Report

Rising Nat Cat Risks: India looks for solutions

Sandip Dadia, CEO & Country Head, Lockton India

Natural catastrophes (Nat CATs) are significant adverse events resulting from weather or geological phenomena. These events can cause extensive damage to property, infrastructure, and the environment, often leading to loss of life and economic disruption.

They can severely set back economies by up to 30 years.

Economic Impact of Natural Catastrophes

Climate change is increasing the frequency and severity of certain natural catastrophes, such as hurricanes, floods, and wildfires. This trend poses additional challenges for risk management and insurance.

In 2023, global economic losses from natural catastrophes were estimated at $380 billion, which is 22% above the 21st-century average. Insured losses amounted to $118 billion, 31% above the 21st-century average.

India

It is now time to delve into the types of natural catastrophes, their economic impact, and the specific challenges that pose for Indian re/ insurance industry.

India faces significant challenges due to natural catastrophes, with approximately 70% of catastrophic losses being weather-related, including convective storms, droughts, and floods.

These events increase volatility in insurer losses and complicate reinsurance structures.

Munich Re's analysis shows that 91% of India's natural catastrophe losses are due to weather-related perils, resulting in over $158 billion in economic losses, with only $9.1 billion insured in 2023.

The protection gap in this segment exceeds 90%, driven by climate risks, infrastructure development, and urban population migration.

The increased claims due to more frequent natural catastrophes will keep insurer profitability in jeopardy. Recent floods in different parts of India are also making re/insurers to re-evaluate risks and relook property insurance rates.

In April 2023, the Insurance Regulatory and Development Authority of India (IRDAI) abolished the burning cost measure for fire reinsurance premiums, a development that is expected to reduce premium prices, rendering fire insurance more affordable. IRDAI also implemented fire insurance policies based on policyholder claims history for precise pricing. These changes will enhance customer confidence and sustain property insurance growth.

The property insurance industry in India is forecast to grow over the next five years, supported by new product launches and favorable regulatory developments.

Governments need not only budget security through insurance products but also support with regard to the assessment and pricing of risks and exposures, claims management infrastructure for a proper assessment of claims and for the correct distribution of the indemnifications.

Insurers are likely to engage in alternate propositions such as parametric insurance and risk-based premium pricing to offset their exposure

Solutions and Suggestions

Possible solutions for NatCat protection in Indian market is proportional to Indemnity Trigger, Market (Industry) Loss Trigger, excess of loss, Modelled Loss & Parametric Index Trigger

For Commercial Organizations:

- Allocate a percentage of revenue annually towards climate change/disaster risk reduction (DRR) awareness,
- Explore 'CAT bonds' for additional funding capacity.

NatCats cause US $65 billion economic losses in the Asia Pacific region in 2023, Aon

In their 2024 Climate and Catastrophe Report, Aon highlighted how there were 398 natural disaster events that took place globally in 2023, ultimately resulting in a $380 billion (2022 $355 billion) economic loss during the 12-month period under review – 22% above the 21st-century average – driven by significant earthquakes and relentless severe convective storms (SCS) across both the US and Europe.

The report shows that economic losses in the Asia Pacific region, specifically driven primarily by floods in China and drought in India, reached $65 billion, which is 48% lower than the 21st-century average.

Meanwhile, flooding also remains a recurring threat in Asia Pacific with annual losses having exceeded $30 billion every year since 2010.

A key figure to highlight, is that the 'protection gap' – the proportion of total losses that were uninsured – for Asia Pacific stood at 91%, with only 9% of losses, or $6 billion of economic losses covered by insurance.

Flood losses overall proved to be the costliest peril for the fourth consecutive year, accounting for more than 64% of the loss total in 2023. At the same time, around 50% of the Asia Pacific losses were related to flooding in China, which resulted in more than $32 billion economic losses and $1.4 billion of insured losses.

Growth Trajectory: With 7.5 % growth, Indian insurance industry hits $133 billion in FY 2024

Reinsurance premium is expected to cross almost Rs 1 lakh crore (US$ 12.5 billion) by 2025

Debasish Panda, Chairman, IRDAI

Though the details of the Indian insurance industry performance of the in FY 2024 is yet to be released by the regulator IRDAI, giving advance indications of key figures chairman Debasish Panda has said the market grew by 7.5 per cent to Rs 11.17tn ($133bn) in terms of premium.
India's fiscal year starts on April 1 and ends on March 31.
The life insurance segment grew by 6 per cent, while general insurance including health portfolio, the fastest and largest line of business in the industry, grew by 12.78 percent.
The Indian general insurance sector had grown by 12.80 per cent to Rs 2,89.726 crore (almost USD $36 billion) in FY 23-24, is experiencing dynamic advancements, led by the Indian insurance regulator IRDAI's commitment to achieving 'Insurance for All by 2047, said analysts.
With a total premium of Rs 1,09,006 crore (USD$13.5 billion) showing a growth of 20 per cent, Health Insurance continues to be no 1 portfolio in the industry in FY 24.
Product and distribution reforms with emphasis on ease of doing business has formed the core of the Indian insurance regulator IRDAI's new initiatives.
With a huge protection gap, new regulations and initiatives like the State Insurance Awareness Plan(There are 28 states and 8 Union territories in the country), have fostered collaboration among IRDAI, state officials, government authorities and insurers, aiming to enhance insurance penetration for India's underinsured population.
With an 8.2 per cent growth rate, the fastest in the world, in FY 2024, India's economic growth has surpassed earlier estimates and has achieved high GDP growth of 7 % for the third straight year.
The size of India's nominal GDP would nearly double to over US $7 trillion by fiscal 2030–31 from US $3.6 trillion in fiscal 2023–24, according to S&P Global Market Intelligence projections. This would make India the third-largest economy in the world, raising its share in global GDP from 3.6 per cent to 4.5 per cent and lifting its per-capita income to the upper-middle-income group, S&P said in a report.

Fast growing Indian Reinsurance industry

Along with the expanding Indian insurance sector, the country's reinsurance market is also witnessing a faster growth. With the net retention of Indian general insurers falling marginally from 71.9 per cent in 2021-22 to 71.7 per cent in2022-23, the country's reinsurance business has seen an upswing during the year.
Reinsurance premiums in India is expected to cross almost Rs 1 lakh crore (US$ 12.5 billion) by 2025 from almost Rs 90,000 crore (US $11.25 billion) in FY2023-24. say market analysts.
In FY 2023- 24, the reinsurance premium that was placed with state owned GIC Re, the leader in the market, 12

foreign reinsurance branches (FRBs) set up by leading global reinsurers and many cross boarder reinsurers(CBRs) is estimated to be around Rs 90,000 crores(over US$11 billion).
GIC Re, the largest reinsurance player with 69 per cent of market share, had transacted around Rs 37,000 crore ($4.6 billion) of business while FRBs, led by Munich Re, have mobilised a total premium of over Rs 24,200 crores (around US $3 billion) in both non-life and life business.
The cross-border reinsurers (there are 283 CBRs registered with the Indian insurance regulator IRDAI in FY 2022-23) sitting outside India, providing cheaper reinsurance cover, have managed to source around Rs 26,700(US $3.4billion) crore of premium from the country.

India's holistic health plans

India's Prime Minister Narendra Modi has said the country is looking at the health sector as holistic health.
He outlined the five pillars of health policy -- preventive healthcare, early detection of ailments, free and low-cost treatment and medicines, availability of doctors in small towns and lastly expansion of technology in health services.
He also launched the State-specific Action Plan on Climate Change and Human Health for each state and UT which will lay out adaptation strategies towards developing climate-resilient healthcare services among others.
He further said that the world is seeing India as a big centre of medical and wellness tourism.