J.B.BODA

MEDIAN

Apr-2021

Issue No: 166

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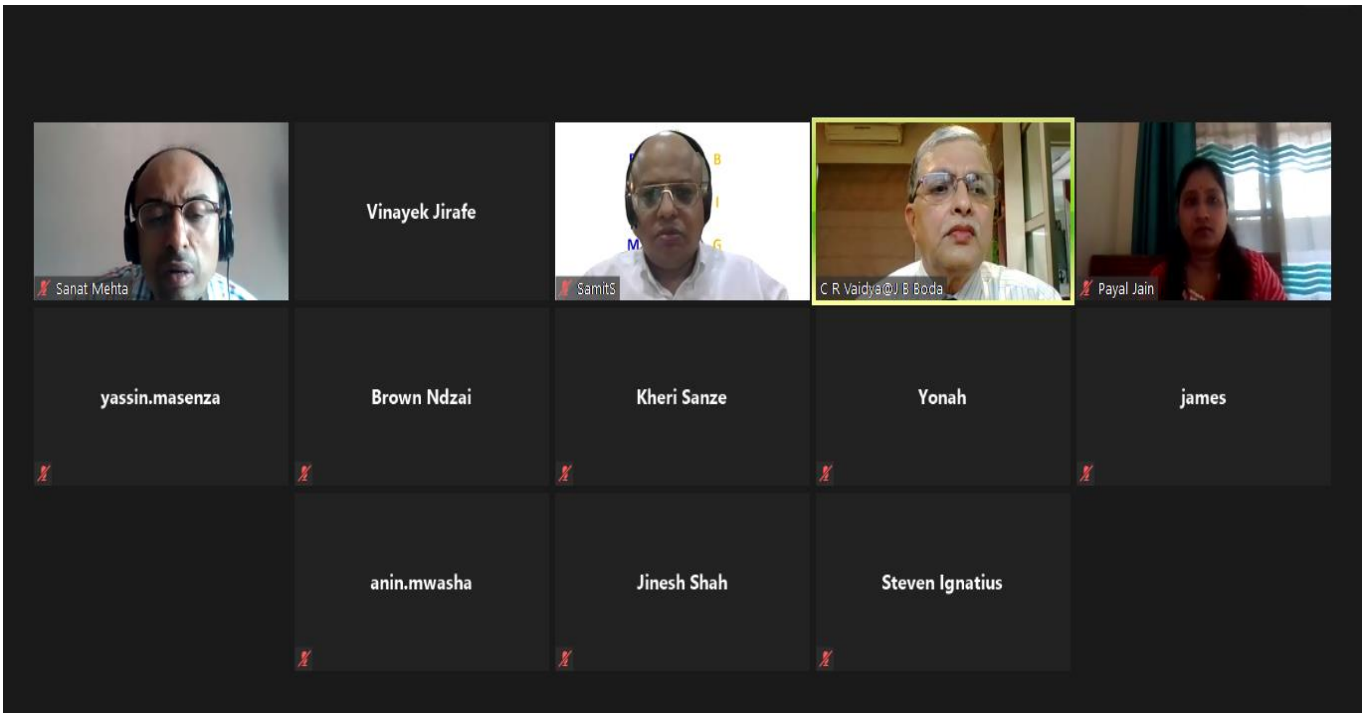
NEWS AT J.B.BODA



Training on Casualty & Financial Lines conducted for **Jubilee Insurance, Tanzania** on 11th Mar. 2021

PRIME STORY

Covid-19 experience - re/insurance

The Covid-19 health crisis has plunged the world economy into uncertainty. Like several business sectors, re/insurance has not been spared.

Projections show a decline in the global re/insurance market of 1.4% in 2020 after the increases of 2.3% reported in 2019 and 4.8% in 2018.

Moreover, this crisis comes at a time when the market is heavily strained by the resurgence of severe and devastating natural disasters. The persistence of low interest rates, the volatility of the capital markets and the low outlook for premium growth are all factors that show very little hope for a return to normal for several years to come.

Cost of the Covid-19 to the re/insurance market

According to Standard & Poor's estimates by the end of June 2020, the cost of this health crisis for the global insurance and reinsurance market would be between 35 and 50 billion USD. The top 20 reinsurers alone will bear 14% of the bill, that is approximately 12 billion USD.

In addition to this heavy bill, market stakeholders expect a drop in profitability and a decline in operational performance. The annual accounts for the year 2020 should be adversely impacted at the level of assets, liabilities, results, revenues.

Impact of the Covid-19 on profitability

The decline in the results of the leading insurers and reinsurers for the third quarter 2020 has forced some stakeholders to revise downwards their growth prospects for the financial year 2020. Projections for 2021 and the following years are, for their part, put on stand-by or revised downwards.

Impact of the Covid-19 on claim experience

As a result of the interruption of economic activities, the loss ratio has evolved either downwards or upwards depending on the class of business.

Downward trend of the loss experience

In general, all property and casualty classes of business reported a decline in claims, a trend mainly observed in motor and homeowner’s insurance.

This improvement has led some companies, especially the mutual ones, to grant discounts to policyholders and to pay out dividends even before the 2020 financial statements are closed.

Increase in claims experience for some classes of business

The lines of business hit the hardest by the effects of the crisis are event cancellation and business interruption covers. Other directly exposed lines such as credit insurance, assistance, travel insurance, health insurance and provident insurance also saw an increase in claims.

Authorities up against the risk of a pandemic

The exceptional magnitude of the crisis forced the authorities to react. Indeed, to avoid a total collapse of the economy, governments had to take urgent measures to support the various market stakeholders, calling on insurers to participate in this surge of solidarity.

Consequently, some regulators asked and sometimes imposed on private insurers to examine, with understanding the claims related to Covid-19. Others have insisted on the respect of the guarantees as stipulated in the contracts, while requesting financial support from the insurance companies for the benefit of individuals and sectors affected by the crisis.

South Africa: Insurers are not required to cover business interruption caused by the pandemic when coverage is not purchased.

Kenya: The Kenyan regulatory authority IRA has ordered insurers to pay all pandemic-related claims.

Cima Zone: The Inter-African Insurance Market Conference, which includes 14 African countries, recommends fair treatment and protection of policyholders' interests.

Morocco: The Supervisory Authority of Insurance and Social Welfare (ACAPS) has temporarily loosened certain prudential rules. It has also taken mitigation measures to enable the insurance sector to cope with the consequences of the pandemic. Thus, the losses avoided to the market by these measures are estimated at 700 million MAD (76 million USD).

France: The authorities have opted to establish a public-private partnership to find "new insurance solutions to this unprecedented crisis". The French Federation of Insurers has thus submitted proposals to the government to build a system of protection against "exceptional disasters".

Faced with exceptional economic costs related to Covid-19, estimated at 86 billion EUR (100.57 b USD) at the end of 2020, insurers have taken several support measures including:

1. contribution of 3.2 billion USD to support and indemnify the most affected individuals and companies,
2. a 2.5 billion USD grant to participate in the country’s economic recovery.

United States: In order to alleviate the burden of the pandemic, the United States, the country most affected by Covid-19, adopted a series of emergency measures, including the CARES Act.

The new provisions allowed the federal government to allocate approximately 3 000 billion USD in financial aid to businesses and individuals.

The insurance companies have provided 8.1 billion USD in assistance in the form of refunds, discounts, dividends and credits to motor insurance policyholders.

In most states, companies provide this support on a voluntary basis, although government authorities encourage insurers to take such initiatives. Cigna and New York Life, for example, have created a fund called the Brave Heart Fund. Its purpose is to provide financial support to the families of medical employees who have died from coronavirus.

Source: Atlas Mag

NATIONAL

Irdai sees demand for new covers in wake of pandemic

The Insurance Regulatory and Development Authority of India (Irdai) is expecting demand for new covers like those for business interruption and cyber risks to rise in the wake of the pandemic and the corresponding shift to work-from-home arrangements. The regulator is also considering the proposals of its panel which has recommended a business interruption cover. This will provide small businesses with up to 10 employees a minimum salary of Rs 6,500 for up to three months of a lockdown.

Speaking at a CII virtual seminar on learnings from the pandemic, Irdai executive director Mr. Suresh Mathur said that the regulator is considering the formation of an Indian pandemic risk pool with contributions from the country's insurers and reinsurers. A pandemic pool is required to cover such risks because international reinsurers do not provide pandemic cover.

As remote working becomes a norm, insurers can expect changes in the workmen and employee compensation products to include features like workspaces ergonomics and work-life balance for employees. The effect of Covid on general liability will vary industry-wise, said Mr. Mathur. He added that this would also increase the demand for cyber insurance and further the evolution of cyber insurance products.

Mr. Mathur pointed out that the lockdown had resulted in business interruption covers taking centre stage. He added that while there will be pressure on insurers to settle claims arising out of business interruption, the impact on companies will depend on policy wordings.

Irdai had last year constituted a working group to explore the formation of an Indian pandemic risk pool. This was supposed to focus on risk to business continuity, reduction of stress on individuals and address the issue of migrant laborers. The working group had suggested that the pandemic pool should be through public-private partnership and the capacity (capital) would be through premium collections from insurers, Indian reinsurers and foreign reinsurance branches.

The product is projected to initially cater to the micro and small to medium enterprises, where the salary protection would be covered up to three months or an actual lockdown period, whichever is less. It is envisaged that Rs 6,500 per month for a maximum of three months can be covered for a maximum of 10 employees per MSME.

In the second phase, it could provide health insurance and enhancement of employees' salary, and the third phase would include life insurance cover.

Source: Economic Times

GLOBAL

The pandemic greatly impacted the reinsurers in 2020

The health crisis has heavily impacted the reinsurance market in 2020. For the market leaders Munich Re, Swiss Re and SCOR, the losses caused by the pandemic reached 4.1 billion USD, 3.9 billion USD and 786 million USD respectively.

For Munich Re and Swiss Re, the amount mainly deals with the cancellation or postponement of major events. On the other hand, almost half of SCOR's losses come from the life and health reinsurance activities (Covid-19 related deaths).

Consequently, the net results of the three companies have dropped in 2020, in fact decreasing by 55.2% for the German reinsurer and 44.5% for the French group.

The Swiss giant has recorded a net loss of 878 million USD against a net profit of 727 million USD by late 2019.

Despite sustaining tremendous losses, the three companies have managed to maintain a solid solvency. As of 31 December 2020, their solvency ratios reached more than 200%, exceeding the Solvency 2 regulatory requirements by two times.

Source: Atlas Mag

Bill to sanction reckless drivers in Nigeria

The Nigerian insurance companies are awaiting a new law sanctioning reckless drivers.

The text proposed to the parliament provides for a fine of 5 million NGN (13,060 USD) for the holders of fake motor insurance policies. The owners of uninsured vehicles shall also to be penalized.

The Nigerian insurance industry sustains an annual loss of about 48 billion NGN (125.36 million USD) due to false motor insurance policies and uninsured vehicles.

The Nigerian Insurers Association (NIA), estimates that 9.64 million out of 12 million registered vehicles either hold fake insurance policies or are completely uninsured.

Source: Atlas Mag

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Head Office:

Maker Bhavan No. 1, Sir Vithaldas Thackersey Marg, Mumbai 400 020 (INDIA)

Telephone : + 91 22 6631 4949 / 6631 4917 * Telefax : + 91 22 22623747 / 22625112

E-Mail : jbbmbi@jbbodamail.com * Web : http://www.jbboda.net * Follow us on

For any further enquiry regarding J.B.Boda Group kindly write to jirafe.vinayek@jbbodamail.com