MEDIAN

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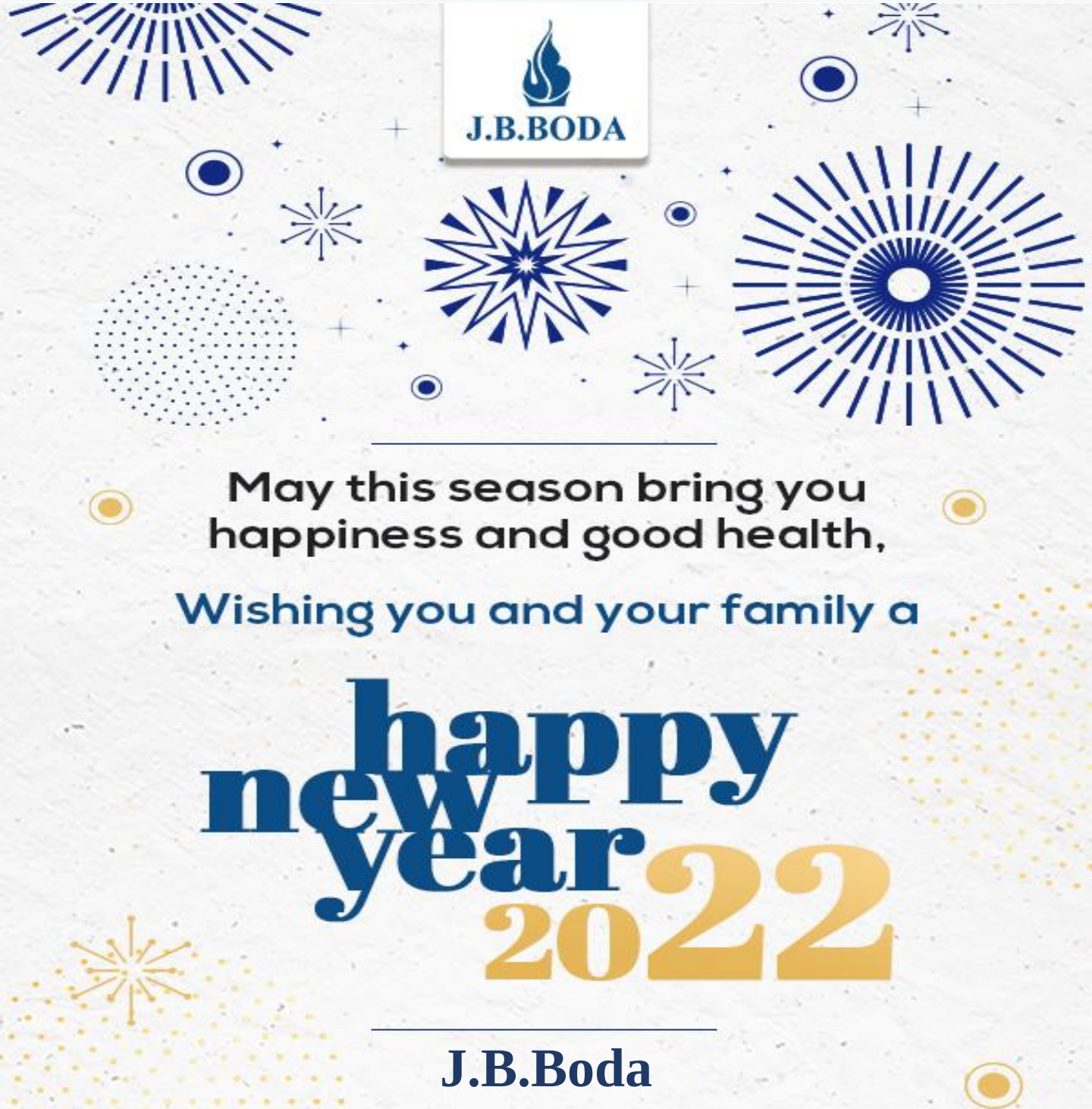

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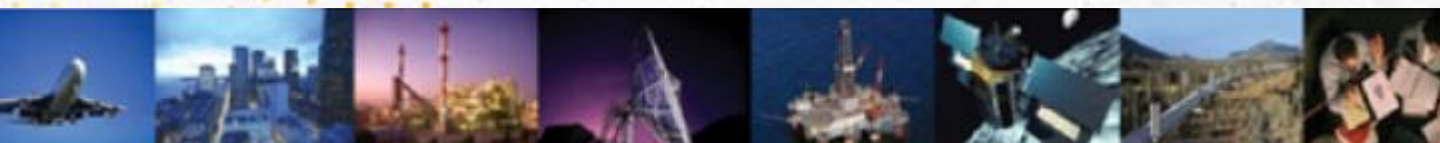

NEWS AT J.B.BODA

In the month of November 2021, J.B.Boda Agriculture team took part in several Crop Cutting Experiments (commonly called as CCEs) in Maharashtra-India and in Nepal. Such experiments are a part of standardized process in Agriculture Insurance, that helps to determine the crop yield losses of insured farmers.

In one such event conducted at Latur (Maharashtra-India), J.B.Boda Agri team, representative Mr. Nikhil Jadhav along with representatives from Reinsurance companies, Government Agriculture department & one PSU Insurance company; co-witnessed these experiments.

J.B.Boda Nepal team represented by Mr. Sanjib Subedi along with officials of Agritech Company 'PULA' and local Insurance Company conducted experiments at another such event.

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PRIME STORY

Global reinsurance market: 2022 special renewal

In a challenging economic and social environment, the reinsurance market has, at the end of 2021, faced major challenges.

In addition to the persistence of low interest rates, the increase in natural catastrophe claims and the impact of the pandemic, the sector is exposed to a climate of uncertainty linked to the rise in unpredictable, complex and interdependent major risks.

Global reinsurance market: evolution of premiums 2010-2020

The world insurance market has reported 6,287 billion USD in premiums in 2020, divided between the life (46%) and the non-life (54%) classes of business. A little more than 5% of the total premiums, that is about 320 billion USD, are ceded in reinsurance.

The non-life reinsurance activity accounts for 69% of this amount while less than a third of the supply, that is, 31%, pertains to the life business.

In billions USD

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Insurance premiums	4336	4566	4599	4594	4755	4554	4703	4957	6149	6284	6287
Reinsurance premiums	200	220	230	240	245	240	230	245	265	300	320
Cession rate (%)	4.61	4.81	5	5.22	5.15	5.27	4.89	4.94	4.31	4.77	5.09

Sources: Swiss Re and Apref (Association of Reinsurance Professionals in France)

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Reinsurers' operating performance in the first half of 2021

Most major reinsurers have come through the first half of 2021 without difficulty. Having provisioned for Covid-19 claims in 2020, they are posting good half-year results.

The top five players in the market, namely Munich Re, Swiss Re, Hannover Re, Scor and Lloyd's, have reported an increase in written premiums of between 7% and 21% at the end of June 2021 compared to the same period of the previous year. Fitch Ratings estimates that the non-life reinsurance market will grow by 18.5% in the first half of 2021 while also noting an improvement in underwriting results.

The major non-life reinsurers have an overall combined ratio of 94.5% in the first half of 2021, down 11 points from 105.5% in the first half of 2020. The latter ratio includes 6.1 billion USD of losses related to the Covid-19 pandemic.

The good underwriting performance achieved by the reinsurance leaders should continue in 2022 due to the rate increases planned in the next renewals.

Global reinsurance market: January 2022 renewal

After several years on a downward cycle, the reinsurance market is picking up, tapping into improved renewal conditions and rate adjustment, a trend that has been observed since the spring of 2020.

Despite the pressure on rates from abundant reinsurance capacity, favorable winds should continue to blow in the next renewal.

Faced with a resurgence of natural catastrophe losses, a revaluation of secondary perils, a Covid-19 loss experience and low investment returns, reinsurers have no choice but to increase their rates. As a result, the rate discipline imposed at the January 2021 renewal, with rates increasing by 5 to 8%, is expected to continue in 2022.

During the previous renewal (January 2021), the main reinsurers imposed improvements in premiums and conditions for all classes of business and geographical areas. For example, Scor reported an average rate increase of 7.8%, Swiss Re 6.5% and Hannover Re 5.5%.

Also in 2021, treaties in the P&C and third party liability insurance, affected by a high level of natural disaster or industrial claims, saw their rates increase by two figures. On the other hand, the growth ranged between 3% and 5% for treaties that did not incur any losses.

For market players, concerned about the worsening loss experience and the increasing impact of climate change, the January 2021 pricing level remains insufficient.

Source: Atlas Magazine

NATIONAL

‘Hospitals need regulator, IRDAI can take up the mantle’

Insurance regulator IRDAI wants hospitals to be regulated and is not averse to even doing it by itself if allowed by law, a top official said.

This stance comes on the heels of captains of the general insurance industry pitching for a separate regulator for hospitals. Recently Tapen Singhel, who is MD&CEO of Bajaj Allianz General Insurance Company and Chairman of CII National Committee on Insurance and Pensions, had said that concerns over rising health insurance premiums during the pandemic could only be addressed by setting up a regulator for hospitals and a revision in GST rate from 18 per cent to 5 per cent.

Krishnan Ramachandran, Co-Chair, CII National Committee on Insurance and Pensions, said at the summit that "even with increasing penetration, etc. we will need to factor for general and medical inflation and given that medical inflation operates significantly higher than CPI, there will need to be a correction cycle from a pricing standpoint”.

Meanwhile, even as the insurance industry favours another round of premium increases, the regulator does not see merit in such an approach. Alamelu noted that IRDAI is keeping a close watch on how insurers handle the premium increase aspect.

Source: The Hindu Business Line

Nearly 30% of Indian population don't have any health insurance: Survey

Close to 30% or 420 million citizens do not have health insurance suggesting a need for a low cost health insurance product to support this segment if India aims to achieve Universal health coverage.

Due to low govt. expenditure on health it has further aggravated the capacity and quality of the healthcare services in the Public sector resulting in over two third of the individual seeking healthcare services in private sector, this was highlighted in the recent report Health Insurance for India’s Missing Middle published by Niti Aayog.

There are various suggestions made in the report for consideration and improving the existing framework on addressing this issue and provide adequate health insurance plans for the individuals.

Source: Economic Times

GLOBAL

Fixing reinsurers big data problem

January's reinsurance renewal is expected to bring a fifth year of rate increases, but there is still plenty of opportunity to improve long-term margins by modernising the industry.

A growing cadre of tech evangelists are trying to drag the industry into the big data era, persuading decision-makers that better systems could make renewal season a lot less painful — and a lot less reliant on trust, best guesses and luck. In particular, improvements would help insure Asia's markets — which have so many variables.

"Your constraint as a reinsurer is your capacity. If you have no way to analyse the data in detail to understand your exposure, you will make a very cautious decision that won't use your capacity fully," Laurent de la Porte, chief executive of Allphins, a data specialist firm, said in a white paper published by reinsurtech Supercede that includes viewpoints from across the industry.

While data-savvy players can exploit the industry's anachronistic practices to some extent, meaningful solutions require a coordinated effort to improve the way data is shared between brokers, reinsurers and insurers.

The obstacles to doing so are significant. Most organisations in the industry aren't digitally mature enough to ingest data through application programme interfaces (APIs), which allow computer systems to share standardised data with each other and are commonly used across the internet, from weather forecasts to stock prices.

The reinsurance industry has long preferred Excel files to APIs, which can create problems.

Underlying data can lose some of its value as it passes from one party to another and is manipulated to conform to internal models and processes, and each step often causes delays as everyone else down the chain waits to get their hands on the resulting output. Part of the problem is that the senior industry participants who need to sign off on the necessary investment have very little incentive to do so.

"A lot of people give lip service to change programs but don't actually care enough because they've been making a gazillion quid a year for the last 25 years," said Amechi Peirce-Howe, head of r10 Consulting.

Ecosystem approach

But a bigger problem is the preference for closed systems. Across the industry, huge sums (and countless hours) have been invested in developing in-house analytics and processes, whereas an open ecosystem would allow underwriters to focus on making decisions instead of chasing and reconciling data.

It may also help to close insurance gaps by expanding the universe of insurable risks, including under-served communities in emerging Asia.

“Chief executives tell the industry that many of their most concerning risks cannot be covered by insurance,” said Silvi Wompa Sinclair, group head of portfolio underwriting at Swiss Re. “I think much of that comes down to a lack of data and lack of ability to understand things better, as well as designing new ways of covering certain risks.”

And, rather than competing with investors over original risks, a more transparent and open approach to reinsurance could allow investors to participate much more actively through secondary markets.

“It’s the ability to use real-time data and to analyse risk which is going to be super, super important, and our industry needs to move quickly here, because we need to have that ability. When you have the ability to bring in data and information and work it in real-time, it’s going to be a game-changer,” said Monica Cramér Manhem, president – international reinsurance at SiriusPoint, in an Aon virtual discussion on renewals last week.

Making a shift away from the status quo and into the unknown will be a challenge, but as the flow of data continues to grow it becomes similarly difficult to resist the need to change. Asia’s insurers and reinsurance brokers would welcome bold action.

Source: Insurance Asia News

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