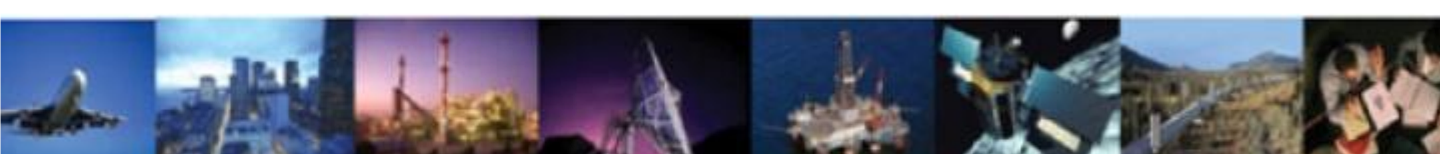
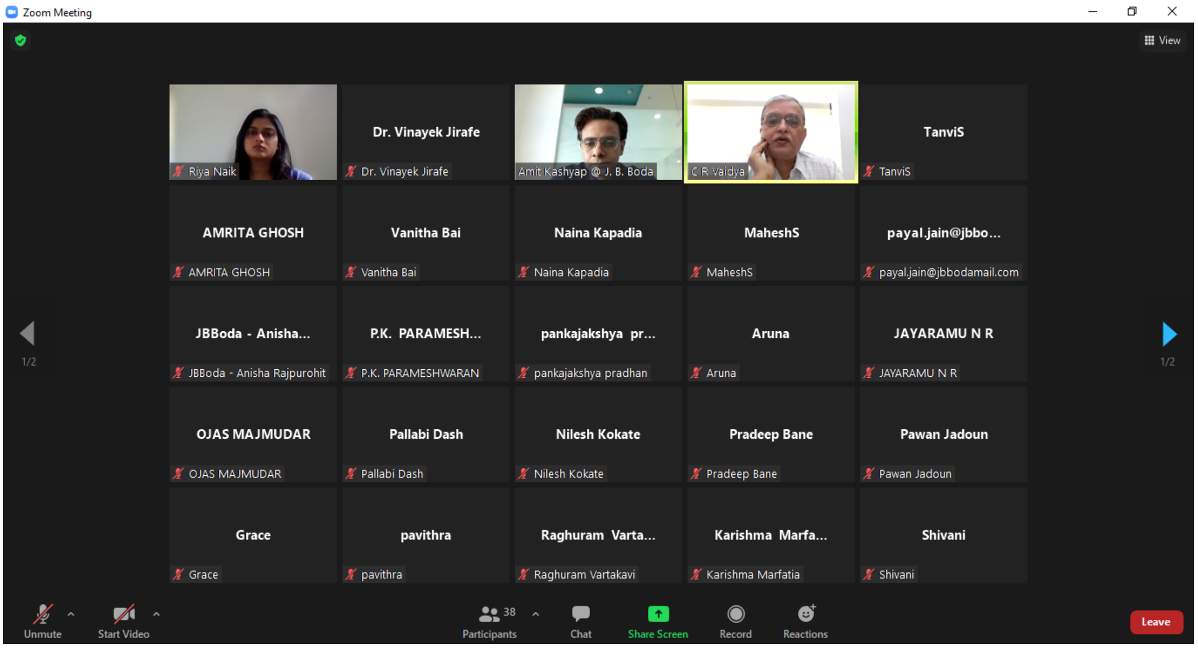
MEDIAN

Mar 2022

J.B.BODA



NEWS AT J.B.BODA



J.B.Boda’s Trade Credit/ Surety & Extended Warranty team virtually presented on the subject of Surety/ Bond Insurance to our clients and business partners on 3rd February, 2022

PRIME STORY

Fitch Ratings: 2022 APAC insurance market gets neutral outlook

The rating agency's outlooks on the life and non-life insurance sectors in China and Japan remain 'neutral', while the outlook on the Korean market has been revised to 'neutral' from 'deteriorating'.

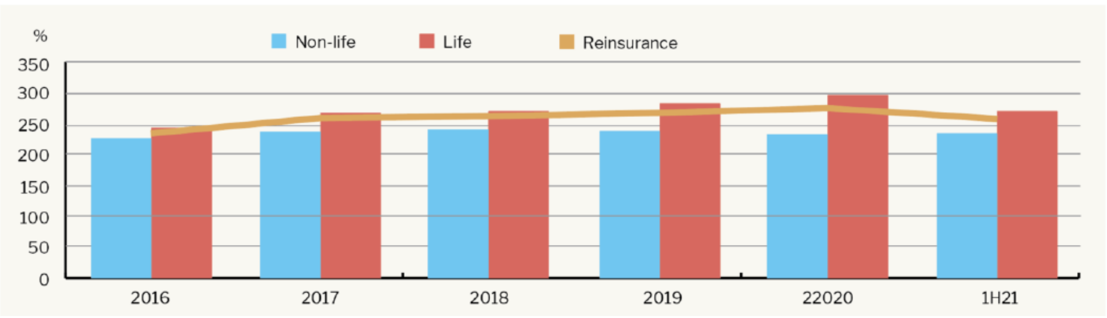
Fitch expects the underwriting fundamentals of the different APAC insurance sectors to remain largely stable in 2022 with the exception of the Korean market, where we expect performance improvements as a result of rising interest rates, a higher investment yield, a lesser burden on reserving and better overall underwriting results.

The agency expects the new business value of China's life insurance sector to improve due to a gradual pick-up in sales momentum and continued long-term business value prioritisation. In addition, improved risk awareness and an aging population in China will likely support demand for protection and long-term savings products.

Premium growth in China's nonlife sector will likely recover in 2022 as we believe the negative pricing effects from the implementation of comprehensive reform of the motor insurance sector will have been fully reflected in insurers' 2021 top-line growth. China's non-life insurers will continue to improve their cost structures by strengthening operating efficiency. Meanwhile, scale disadvantage remains a key constraint for smaller insurers to improve their underwriting margins, although most firms reported a lower expense ratio in 2021.

Fitch believes that China's life and non-life sectors will also continue to maintain solid solvency positions. The life insurance sector's solvency position will be supported by cautious investment risk management and a gradual recovery in premium growth along with improving underlying profitability. However, the implementation of a revised capital regime, China Risk Oriented Solvency System (C-ROSS) Phase 2, will likely reduce the average solvency ratio of the industry in 2022. On the other hand, insurers will be more proactive in managing their long-term equity assets or less transparent non-standard assets, in view of more stringent capital requirements under the C-ROSS Phase 2 framework.

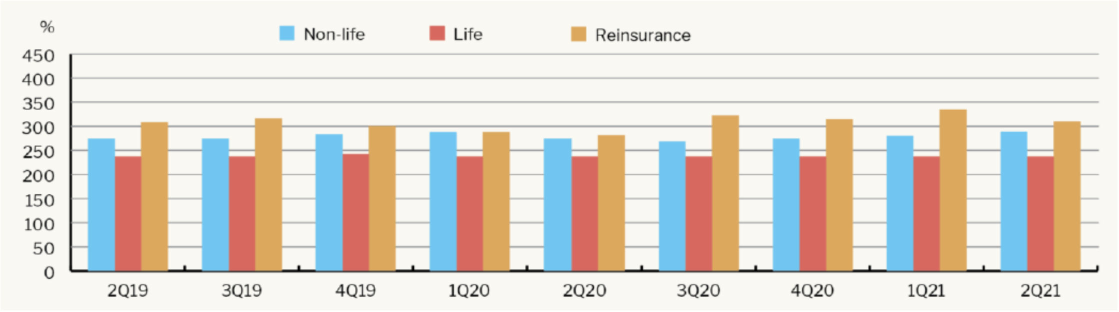
Korean Insurers' Local Risk-Based Capital Ratio



Source: Fitch Ratings, FISIS

Fitch expects a continued focus on steady and profitable protection products and well-seasoned, in-force policies to help Japanese life insurers maintain strong underwriting profiles. In addition, favourable pricing, especially on property insurance to cope with insured losses from catastrophes, will support non-life profitability.

Chinese Insurers' Capital Ratio Under C-ROSS Framework



Source: Fitch Ratings, CBIRC

The capital buffers of Japanese insurers continue to remain strong, although Fitch views insurers' high exposure to domestic equities, foreign currency and foreign credit markets as a key source of risk.

Further, the agency expects rising market yields in Korea to support earnings recovery, in addition to the narrowing of negative spreads and an improvement in guaranteed reserve burdens, especially in the life sector. Nevertheless, regulatory riskbased capital ratios are likely to decline further, mainly due to lower unrealised gains from fixed-income investments, along with the implementation of K-ICS, a more stringent regulatory regime in 2023.

The rating outlooks of over 80% of the insurers in these sectors are 'stable'. There are three insurers – two in China and one in Korea – with 'negative' outlooks. Two insurers in Japan carry 'positive' outlooks and another Japanese insurer is on a 'positive' rating watch.

Source: Insurance Asia News

NATIONAL

Does your health insurance company have the money to pay your claim?

Synopsis

A high solvency ratio indicates that the corporation has sufficient funds to meet its financial responsibilities. A higher solvency ratio is usually regarded as an indication of reliability.

While buying a health insurance policy, one of the factors should be looked into is the solvency ratio of the insurer. This ratio will help determine the insurer's ability to repay the amount when the claim arise. According to Irdai guidelines, all companies are required to maintain a solvency ratio of 150% to minimise bankruptcy risk. Solvency ratio helps identify whether the company has enough financial buffer to settle all claims in extreme situations. Hence, it is a good indicator of an insurance company's financial capacity to meet both its short-term and long-term liabilities.

The solvency margin is calculated by comparing a company's obligations to its current assets. To put it another way, the solvency ratio is computed by dividing a company's after-tax operating income by its debt liabilities.

S. No.	Insurer	June 2020	September 2020	December 2020	March 2021
	Private Sector Insurers				
1	Acko General Insurance Ltd.	3.64	3.55	1.93	1.91
2	Bajaj Allianz General Insurance Co. Ltd.	2.80	3.07	3.30	3.45
3	Bharti AXA General Insurance Co. Ltd.	1.77	1.91	1.55	1.59
4	Cholamandalam MS General Insurance Co. Ltd.	1.78	1.95	2.01	2.08
5	Edelweiss General Insurance Co. Ltd.	1.96	2.02	2.04	2.09
6	Future Generali India Insurance C. Ltd.	1.61	1.65	1.63	1.61
7	Go Digit General Insurance Ltd.	3.27	2.82	2.37	2.01
8	HDFC ERGO General Insurance Co. Ltd.	2.04	2.17	1.98	1.90
9	ICICI Lombard General Insurance Co. Ltd.	2.50	2.74	2.76	2.90
10	IFFCO Tokio General Insurance Co. Ltd.	1.69	1.74	1.75	1.73
11	Kotak Mahindra General Insurance Co. Ltd.	2.20	2.12	2.24	1.95
12	Liberty General Insurance Ltd.	2.65	3.09	2.81	2.92
13	Magma HDI General Insurance Co. Ltd.	1.75	1.78	1.81	1.79
14	Navi General Insurance Ltd.	3.09	2.00	2.22	2.12
15	Raheja QBE General Insurance Co. Ltd.	2.22	3.94	3.50	3.66
16	Reliance General Insurance Co. Ltd.	1.58	1.63	1.65	1.65
17	Royal Sundaram General Insurance Co. Ltd.	2.01	2.31	2.16	1.87
18	SBI General Insurance Co. Ltd.	2.27	2.34	2.21	2.00
19	Shriram General Insurance Co. Ltd.	3.51	3.66	3.61	3.63
20	Tata AIG General Insurance Co. Ltd.	2.13	2.17	2.17	2.22
21	Universal Sompo General Insurance Co. Ltd.	2.21	2.14	1.55	1.90
	Public Sector Insurers				
22	National Insurance Co. Ltd.*	0.01	0.20	0.61	0.62
23	The New India Assurance Co. Ltd	2.11	2.14	2.15	2.13
24	The Oriental Insurance Co. Ltd.*	1.28	1.24	1.53	1.40
25	United India Insurance Co. Ltd.*	0.67	0.89	1.38	1.41
	Specialized Insurers				
26	Agriculture Insurance Co. of India Ltd.	2.92	2.90	2.29	2.09
27	ECGC Ltd.	13.81	12.23	15.97	19.25
	Stand-alone Health Insurers				
28	Aditya Birla Health insurance Co. Ltd.	1.73	2.17	2.09	1.82
29	Care Health Insurance Ltd.	2.59	2.52	2.52	2.45
30	HDFC ERGO Health Insurance Co. Ltd.**	1.57	1.59	-	-
31	ManipalCigna Health Insurance Co. Ltd.	1.97	3.06	2.59	2.12
32	Max Bupa Health Insurance Co. Ltd.	1.74	1.80	1.65	2.09
33	Reliance Health Insurance Ltd.	0.42	0.40	0.32	0.26
34	Star Health and Allied Insurance Co. Ltd.	2.00	1.69	2.49	2.22
	Reinsurer				
35	General Insurance Corporation of India	1.52	1.56	1.53	1.74

**Solvency for the quarter ending on March, 2021 is with for bearnance.*
***Erstwhile HDFC Ergo Health Insurance Co. Ltd. merged with HDFC Ergo General Insurance Co. Ltd. w.e.f. March 01, 2020.*

GLOBAL

London marine insurers add Russian, Ukrainian waters to high risk list

London's marine insurance market on added the Ukrainian and Russian waters around the Black Sea and Sea of Azov to its list of areas deemed high risk as tensions persist in the region.

Guidance from the Joint War Committee, which comprises syndicate members from the Lloyd's Market Association (LMA) and representatives from the London insurance company market, is watched closely and influences underwriters' considerations over insurance premiums.

Following a buildup of Russian troops near Ukraine, Russia had said some were returning to base after exercises close to the border and mocked repeated Western warnings about a looming invasion, but NATO said it had yet to see any evidence of de-escalation.

Neil Roberts, head of marine and aviation with the LMA, which represents the interests of all underwriting businesses in the Lloyd's market, said the addition was "a precautionary notification so that insurers and shipowners will be able to properly negotiate their exposure as it develops. We would be remiss if we did not advise the market now and give it the ability to react. With the increased naval activity, the possibility for a miscalculation is definitely there."

The Committee normally meets every quarter to review areas it considers high risk for merchant vessels and prone to war, strikes, terrorism and related perils. Roberts said it had been scheduled to meet next month but had convened a meeting due to developments.

Apart from the critical sea lanes around Ukraine, ensuring insurance cover for air flights is another factor at play. Two Ukrainian airlines disclosed problems in securing insurance for some of their flights.

Roberts said London's Aviation Hull War Committee had met separately and continued to look at risks as they develop. There has been prediction of potential for significant ground exposure for aircraft and there is the additional possibility that Russia's actions could affect areas beyond Ukraine.

Aviation insurers have told clients they could give just 48 hours notice to exclude Ukraine, but that did not mean cover had been terminated. A spokesperson with Lloyd's of London, the world's leading insurance market, mentioned that, the underwriters will react and adjust their risk appetite to reflect the current changing circumstances.

Airlines and the leasing companies that control billions of dollars' worth of passenger jets are drawing up contingency plans for a freeze in business.

Source: Reuters.com

Five insurers hold 60% of the UAE market in 2021

The Emirati insurance market has closed the year 2021 with a 7% increase in its turnover. The written premiums realized by the 29 listed insurers have gone from 24.4 billion AED (6.6 billion USD) in 2020 to 26.1 billion AED (7.1 billion USD) a year later.

The market is dominated by five insurance companies which account for nearly 60% of the turnover recorded by the industry in 2021. The other 24 companies share the remaining 40%.

The net profit generated by all the listed companies reached 1.93 billion AED (525 million USD) by the end of 2021, representing a 2% increase over one year.

Top 5 Emirati insurers in 2021

Companies	Turnover (in billions)		2021 shares
	(AED)	(USD)	
Orient Insurance	5.008	1.363	19.20%
ADNIC	4.267	1.162	16.30%
Oman Insurance	3.539	0.963	13.60%
Dubai National Insurance and Reinsurance	1.226	0.334	4.70%
Al Ain Ahlia	1.206	0.328	4.60%
Total top 5 insurers	**15.246**	**4.150**	**58.40%**
Other insurers	10.854	2.950	41.60%
Total	**26.100**	**7.100**	**100%**

J.B.Boda Group of Companies

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J.B.Boda Insurance & Reinsurance Brokers Pvt. Ltd.	• Non Life & Life Broking
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