MEDIAN

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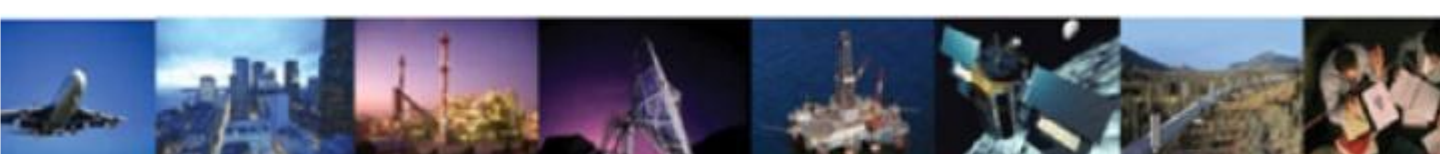

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NEWS AT J.B.BODA

Virtual training conducted for one of our esteem client, Kenya Orient Life Assurance Ltd., Nairobi – Kenya. The training was regarding Marketing and Distribution which included modern strategies in Insurance marketing. The session was organised on 26th August, 2022.

PRIME STORY

Reinsurers move away from property catastrophe risks

Many global reinsurance companies have shifted their business mix into casualty and specialty primary lines where pricing movement is still positive, according to a new AM Best report.

The shift was prompted by increased losses from not only natural catastrophe events, but also by so-called secondary perils, along with the COVID-19 pandemic impact and economic uncertainty.

The Best's Market Segment Report, "Global Reinsurance: More Stable and Improved Results Following Shift from Property Catastrophe Risks", released ahead of the Rendez-Vous de Septembre in Monte Carlo, says that a higher frequency of catastrophe events in the last five years is exerting significant pressure on the level of confidence users put in modelling tools, a key component in the pricing process.

In addition, reinsurers are finding that not only the underwriting environment has become less predictable, but government action also has had a huge impact on market conditions.

"One of the reasons behind the abundance of capital was the low interest-rate environment," said Mr Carlos Wong-Fupuy, senior director, AM Best. "Now that central banks are trying to control inflation, capital is becoming tighter, recession fears loom and asset valuation declines are hurting balance sheets in a way that catastrophe losses thus far have not been able to."

Pricing
Even with rate increases, most reinsurers view current pricing on property catastrophe risks as still not high enough to compensate for the ongoing level of uncertainty, whereas casualty and specialty primary lines are more attractive as comparatively, they have more stable, predictable patterns.

Social and economic inflation remains an issue, but current margins embedded in the pricing reward reinsurers adequately for the risk taken.

Risks

The AM Best report also notes that the long-term nature of casualty lines provides the opportunity to generate investment returns and dramatically reduce liquidity risk.

“Although casualty and specialty lines are not immune from accumulation risk, as seen in major events such as the pandemic or the Ukraine invasion, they are considered to be more manageable and less frequent compared with a natural catastrophe on the property side,” said Mr Wong-Fupuy. “Secondary perils also have become more prominent than ever.”

AM Best still views the global reinsurance segment as very well-capitalised and disciplined. A number of re-alignment initiatives have been taking place for at least the last three years, and although the pandemic slowed the results of those efforts, the global reinsurance segment generated a combined ratio in 2021 that was below 100% for the first time in five years, at 96.4%, with a return on equity of 9.2%, compared with 2.3% in 2020.

Carriers continue to invest significant resources to address the rapidly evolving risks that they face, and most highly rated companies have demonstrated the ability to adapt their business plans to changing market conditions and generate sustained profits. Reinsurers remain innovative due to their level of sophistication in risk selection, pricing, product development and capital management.

Segment Outlook

For these reasons, AM Best is maintaining its 'Stable' market segment outlook for the global reinsurance industry. At the same time, AM Best recognises that the strength and relevance of each driver underpinning the outlook remains in flux, with business profiles shifting to reflect the growing complexity of the risk environment at a global level.

Mr Wong-Fupuy said, “The balance between the volatility of recent experience and perceived margins embedded in current rates is what determines risk appetite. For certain types of risks, such as natural catastrophes, that recent volatility has become either too onerous, or for some reinsurers, unacceptable.”

Source: AIR Team

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NATIONAL

General Insurance Sector Logs 21% Premium Growth In July : IRDAI

All the four public sector companies have logged good premium growth - The National Insurance Company Ltd (31.88 per cent), The New India Assurance Company Ltd (9.2 per cent), Oriental Insurance Company Ltd (52.44 per cent) and United India Insurance Company Ltd (27.82 per cent).

The Indian non-life insurance industry closed last month with 20.82 per cent premium growth as compared to the previous year's corresponding period. According to the Insurance Regulatory and Development Authority of India (IRDAI) the non-life insurance sector had earned a premium of Rs. 233.9246 billion in July 2022 up from Rs 201.5723 billion.

The growth would have been higher but for the negative premium growth posted by Agricultural Insurance Company of India Ltd and ECGC Ltd.

Within the overall industry, the standalone health insurers had earned a premium of Rs 21.4646 billion last month up from Rs 17.3723 billion earned during July 2021.

The composite general insurers earned Rs 196.5945 billion up from Rs 164.6924 billion logged during July 2021.

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On the other hand, private sector major Bajaj Allianz General Insurance Company Ltd closed last month with a premium of Rs 24.9536 billion down from Rs 26.5936 billion earned in July 2021, said IRDAI.

Source: Business Standard

GLOBAL

Reinsurance Capital Re-Deployed To Casualty & Specialty Lines : AM Best

Analysis by AM Best suggests that globally, reinsurers are re-deploying their capital away from property classes and into lines such as casualty and specialty primary lines, in order to seek better returns.

The rating agency notes a consensus that positive price movements are being led by primary markets, and in particular specialty lines. And despite the immediate benefit that reinsurers writing proportional business enjoy, analysts argue that the general feeling is that they are lagging.

Even the retro markets seem to have seen more pronounced price increases, in line with reduced availability. Casualty lines in most reinsurance portfolios have been seeing attractive price increases, and this is for a segment with more stable, predictable patterns than property catastrophe risks.

AM Best acknowledges that social and economic inflation remain issues for casualty lines, but asserts that current margins in pricing reward reinsurers adequately for the risks taken. This is in part because social inflation tends to affect more severely particular types of risk originators, such as large corporates or commercial auto, it says.

Analysts also argue that by being more granular when selecting risks, re/insurers could mitigate the impact of social inflation to a large extent. In addition, the long-term nature of casualty lines provides the opportunity to generate investment returns and dramatically reduces any liquidity risk.

A number of companies have renewed their efforts to expand their casualty and primary specialty business, particularly in the lucrative US market. At the same time, AM Best notes that several of the start-ups that have recently emerged, which had stated their intention to deploy capital in the property catastrophe reinsurance market, have ended up more focused on the primary market, based on the attractive margins and lower volatility, despite higher barriers to entry.

Source: Reinsurance News

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Spiking Food Prices, Fertilizer Shortages - Multinational Businesses At Risk

Rising global food prices, exacerbated by grain and fertilizer shortages produced by the war in Ukraine, are not only hurting households, but posing risks for multinational businesses, alongwith a threat of sparking political unrest.

Food insecurity is one of the main topics and one of the things that really have to look out for. Unlike other shortages, food shortages quickly test a population’s willingness to abide by laws.

Some countries are at greater risk than others. Poor countries, of course, but also autocracies and nations which imports large food. Businesses in more secure nations would still be vulnerable from their operations in higher-risk countries.

A United Nations report cited that 2007 and 2008 food crises caused upheaval in 48 countries, and prices then were not as high as today’s.

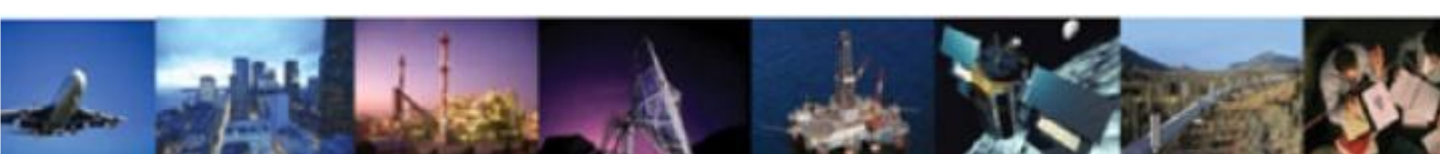
While food prices are below peaks reached just after Russia invaded Ukraine, they still are 44% higher than they were in 2020, according to an index and maintained by the U.N.’s Food and Agricultural Organization.

Jimena Blanco, head Americas research risk-intelligence company Verisk Maplecroft, said, “We’re seeing across the world a much higher potential exposure to civil unrest as people see their purchasing power falling quickly.”

Already rising prices of fertilizer have sparked protests by farmer and truckers in Greece and Peru. In Sri Lanka, protests over anti-chemical fertilizer rules that had the effect of hurting yields led to protests that forced out the country’s leader.

A Marsh report concludes that 50 or more countries get at least 30% of their grain from Russia and Ukraine.

Source: Business Insurance



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