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MEDIAN

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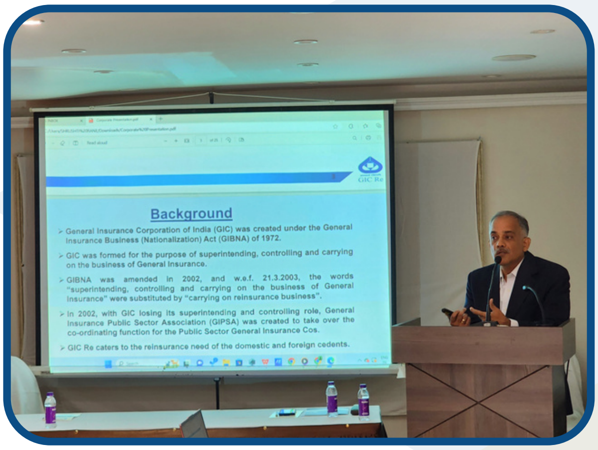
NEWS AT J.B.BODA

The J.B.Boda Group & **GIC Re** hosted a 5-day training program on **"Operational Aspects of Reinsurance"** in Mumbai! This exceptional training was exclusively designed for the esteemed **Ethiopian Reinsurance Company** and **Nepal Re.**

We were honored to have the Group Chairman of J.B.Boda - Mr. Atul Boda grace the event with his presence and deliver an inspiring address to the participants.

In addition, we were privileged to have Mr. N Ramaswamy, General Manager, GIC Re, deliver an insightful presentation about the incredible work and vision of GIC Re. His deep knowledge and experience left the audience captivated and inspired.

Throughout the 5-day program, participants will have the unique opportunity to dive into various operational aspects of reinsurance, gaining valuable knowledge and enhancing their professional skills.



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NEWS AT J.B.BODA

J.B.Boda recently partnered with **PARIMA** for their inaugural conference in India, and it was a resounding success!

The event witnessed Risk Managers from diverse industries, Broker Colleagues, and Insurance Partners coming together to make this event truly remarkable.

Our educational session on "Navigating Turbulent Times: Geopolitical Risks in an Uncertain World" left a lasting impact on the attendees. The panelists, Anisha Udeshi, Mehul Shah, Praveen Gupta, Jayesh Gadekar, and Chaitanya Basrur, shared their profound insights and fostered captivating discussions. We are immensely grateful to them for enlightening the audience with their knowledge and expertise.

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NEWS AT J.B.BODA

Our **Group Managing Director, Mr. Rohit Boda**, recently participated in a panel discussion on **"The Broker in Large Complex Risks"** at the IBAI Annual Summit "Broking 2.0 - Pioneering Future Horizons." held on June 16, 2023.

The panel was moderated by Mr. Shankar Garigiparthy, India Head of Lloyd's.

The IBAI Annual Summit provided a vibrant platform for networking and knowledge exchange, enabling a platform to connect with industry peers, exchange ideas, and build valuable relationships. The collective wisdom and forward-thinking perspectives shared by fellow panelists were truly inspiring.

You may watch the panel discussion by clicking on the link below, the session begins at 2:42:00 of the video: **https://www.youtube.com/watch?v=40jJ9M8EMSQ**

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PRIME STORY

Reinsurers' Earnings Challenged By Declining Asset Values

Costly Nat CAT losses have impacted reinsurer's underwriting performance over the past year. However, most reinsurers have managed to report underwriting profits which were driven by compounding rate increases and diversification away from CAT-exposed classes said a market report covering the financial disclosures of 37 P&C reinsurers.

Asset values of the reinsurers have fallen due to stock market volatility and sharp interest rate hikes which have resulted in weak investment returns. Return on equity averaged 3.3% according to the report but turned negative including all unrealised losses. However, comparison across the market is problematic due to different reporting approaches by the companies. Rising interest rates have also caused market-to-market losses on bonds for reinsurers, leading to declining equity. Capital adequacy under ratings agency models has come under strain and the market has seen a -17% equity change.

Underwriting performance remained resilient with a 96.8% underwriting net combined ratio. Prior year reserves developed less favourably overall mainly due to the impact of loss cost inflation. Reinsurers also experienced strong premium growth due to rate increases with 13% growth in gross premiums written. The broker said reinsurance stocks have also done well with 16% stock outperformance, reflecting increasing optimism from investors around future pricing.

Renewal Season In Asia Pacific

Rates on loss free risk and CAT programmes in Southeast Asia and China varied between an increase of 15% to 20% after risk adjustments according to 1st View report. The report noted larger increases in Taiwan and Korea. However, deductible increases in Asia have been inconsistent as they were primarily imposed on loss impacted placements. Regional retrocession deductibles increased significantly and saw price increases across the board.

Late Renewals

The renewals in Australia concluded late with few reinsurers willing to provide quotations. There was continued pressure on increasing CAT retentions with limited appetite for low of frequency layers. Some reinsurers also sought to rebalance Australian CAT portfolios and reduce exposures but did provide support to clients with broader relationships. Reinsurers continued to push pricing as well. Terms and conditions for treaty in Australia remained mostly stable with no significant changes.

Renewals in China were very late due to more rounds of negotiations with cedants and leaders. Cedants continued to make concessions to reinsurers despite better 2022 treaty results than previous years. However, the reinsurance market in China hardened despite no severe events occurring and most programmes remained free from losses. Reinsurers also gave quotations that far exceeded buyers' expectations leading to very late firm orders and placements.

Impact Of Loss Activity On Renewals

Significant claims over the past year in South Korea have resulted in hardening prices and reinsurers exiting the market entirely. Reinsurers were only willing to offer quota share support going forward with most surplus structures disappearing. Renewals in the country have seen the introduction of broad sliding scales of commission, loss participation clauses and loss ratio caps. There was an introduction of new co-insurance limitation clause which limits the treaty capacity in case of co-insuring and underlying risk with one of more primary insurers. The excess of loss pricing hikes varied depending on individual contract loss position.

Malaysia experienced similar market reactions as previous renewals in April and July with 1/1 buyers renewing for the first time since the Malaysian flood. Loss participation clauses have been introduced in the country, most of which are triggered at 100% loss ratio with cedant participation between 30% to 50%. The excess of loss pricing also increased depended on loss record. However, deductibles remained unchanged despite some cedants choosing to increase to manage costs.

Shifting Capacity Overseas

Indonesia's reinsurance market is seeing some insurers moving capacity overseas due to financial issues with domestic reinsurers. Local major reinsurers pushed through an overall increase in pricing and tightening of proportional terms and reduced reinsurance commission at the same time.

Pricing increases for excess of loss varied considerably depending on clients and results – some of which increased insignificantly.

Divergence In Risk Appetites

Probable maximum loss (PML) for reinsurers globally have also moved higher due to equity drops on unrealised investment losses according to a Moody's reinsurance report. PML exposures have increased significantly above previous year figures due to reductions in equity capital as well as increased capital deployment by some firms said the agency.

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In the past few years, some reinsurers show an upward trend in PMLs since property CAT pricing bottomed out in 2017 to benefit from higher pricing. In contrast, Moody's said both Everest Re and AXIS Capital have significantly reduced their catastrophe exposures as a percentage of equity capital over the years to reduce earnings volatility.

Large incurred catastrophe losses increase liquidity risk at firms with outsized unrealised losses on investments. Reinsurers have sustained large unrealised losses on fixed income investments because of the sharp rise in interest rates. In general, P&C (re)insurers have good liquidity relative to their extended liability pay-out structures.

Reinsurance Outlook

The ratings agency said a very large, severe catastrophe event (or series of large events) over the next year could result in higher liquidity risk for firms that have outsized unrealised investment losses.

It expects the upcoming renewal periods to be strong as several factors support continued upward pricing pressure. Further details on pricing trends in 2023 and reinsurers' CAT risk exposure profiles are likely to be shown at the upcoming renewals in Japan and in Florida.

"We think property catastrophe reinsurance pricing could rise further. Weak sector profitability in recent years from above average catastrophe losses, inflationary pressures, a focus on the impact of climate change on catastrophe event frequency, strong demand from ceding companies and tight supply conditions in the collateralised retrocessional market all point to higher pricing in the months ahead," said Moody's.

Source: Asia Insurance Review

NATIONAL UPDATE

Regulator To Reform Insurance Intermediary Sector For Ease Of Business

The IRDAI is planning the next set of reforms in the intermediary market, in its drive to boost the ease of doing business.

To this end, the Insurance Brokers Association of India (IBAI) will be filing their draft proposal for amendments with the regulator, the association's president Mr Sumit Bohra said.

"The expected reforms will move the regulations from the current rule-based regime to a principle-based regime."

Among various changes, multiple circulars, guidelines, and rules, now scattered in various documents, will be consolidated in a single set of regulations," he said.

At the Annual Brokers' Meet held on 16 June 2023, Mr Debashish Panda, IRDAI chairman, emphasised the "digital plus insurance brokers" approach. He acknowledged the importance of intermediaries in improving penetration and achieving the IRDAI's "Insurance for All by 2047' goal.

Insurance brokers have doubled their share of premiums to over 35% from 17% over the last 10 years. Their target is to have a market share of 45% by 2030.

Recognising the importance of insurance literacy and awareness among the general public to expanding insurance coverage, the IBAI announced the launch of a nationwide campaign during the Annual Broker’s Meet. The campaign aims to reach 500,000 students in schools and colleges across the country.

Source: Asia Insurance Review

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GLOBAL UPDATE

JP Morgan Analysts Highlight Significant Improvements In Reinsurers' Earnings Potential During 2023

JP Morgan analysts assert that substantial progress has been witnessed in the underlying earnings potential of reinsurers during 2023, indicating a notable improvement.

Substantial evidence supports their belief in the considerable improvement within the industry's underlying profitability.

"…we believe that there is now relatively clear evidence that the underlying earnings power of the reinsurers has significantly improved in 2023."

Surpassing market expectations, the reported results of reinsurers for the quarter demonstrated remarkable strength, with net income exceeding consensus estimates by a significant margin ranging from 6% to 93%.

"Q1 showed reinsurance cycle might be better than expected."

Reinsurers exercise prudence in earnings recognition, despite positive outcomes, according to JP Morgan analysts. Indications of caution observed amidst stronger market conditions prompt analysts to question the accuracy of 2023 guidance.

Furthermore, the reinsurers expressed positive sentiments regarding the April renewals, where prices witnessed additional hikes and overall volumes displayed stronger trends compared to those observed in January.

With the onset of 2023, there were elevated anticipations surrounding the reinsurance pricing cycle, notably in lines of business prone to catastrophes, where prices reached levels not witnessed in decades.

During the FY22 reporting season, European reinsurers failed to meet market expectations, leading to disappointment.

Guidance provided by some companies remained relatively unchanged or, in certain cases like Hannover Re, was considered disappointing by market participants.

Source: Reinsurance News

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GLOBAL UPDATE

California Wildfires Reshape Re/insurance Industry Strategies & Dynamics

The devastating wildfires that have plagued California in recent years have become a focal point for insurers and reinsurers, forcing them to reassess their approaches to underwriting and pricing, according to 2023 US Wildfire State of the Market report.

The size and frequency of these destructive events, coupled with the looming threat of a major earthquake, have positioned California as one of the most critical geographies for the insurance and reinsurance industries

The impact of historic wildfire activity in 2017 and 2018 has reshaped how companies perceive California from both an underwriting and pricing standpoint.

Recent wildfire losses have elevated the state to one of the top four in terms of total catastrophe loss over the past five years. This, combined with the growing concern over the increasing frequency of damaging wildfires, has prompted insurance companies to implement changes to their non-renewal, rate, and underwriting strategies to ensure a sustainable expected loss ratio and effectively manage the rising costs of reinsurance.

One significant development in the market is the expansion of the public insurance sector. The California FAIR Plan, which provides coverage for those unable to obtain insurance through traditional means, has experienced a surge in policies since 2019, with over 100,000 policies being issued.

This growth reflects a shift in appetite from the traditional insurance market, directly correlated to the escalating risk of wildfires.

Meanwhile, the reinsurance industry has undergone significant changes since 2017. Historic levels of losses from wildfires, hurricanes, and other natural catastrophes have led to a substantial increase in reinsurance rates, higher retentions, and more stringent contractual terms.

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Following the January 1, 2023 renewals, property reinsurance rates have risen by over 60% since 2017, directly impacting insurers' overall profitability and potentially leading to higher rates for policyholders.

The current market environment is characterized by limited capacity and high prices, combined with a heightened wariness among reinsurers regarding wildfire exposure. Consequently, insurance carriers must adopt robust underwriting and portfolio management approaches to wildfires.

Those with well-developed wildfire pricing, underwriting, and portfolio management strategies are better positioned to secure additional capacity and lower prices compared to those with less refined approaches.

The 2022 US wildfire season witnessed the burning of 7.5 million acres, with Alaska accounting for 3.1 million acres alone, while a total of 68,988 wildfires were reported, resulting in the destruction of 2,717 structures and causing an estimated economic loss of $3.0 billion and insured loss of $500 million, both below the 20-year averages.

While the number of acres burned in the 2022 wildfire season was consistent with the long-term average, concerns about potential damaging wildfires remain at an all-time high, the report noted.

California reported 772 destroyed structures in 2022, while in 2023 so far there have been no destruction in structures reported and no fatalities, according to data from Cal Fire. There were 1,392 wildfires reported and 2,670 acres burned. The Ramona Fire caused the most damage with 348 acres burned but contained, while Johnson Fire and Nob Fire are still active wildfires.

Source : Reinsurance News

TRAINING & DEVELOPMENT

Enhance Your Expertise with International ERM Level -1 certification (Enterprise Risk Management – level 1 -UK) in Insurance

We are pleased to inform you that **The J.B.Boda Group & Institute of Risk Management (IRM)** London have partnered to offer an **Enterprise Risk Management (ERM) Level 1 certification program**.

As a part of our partnership, J B Boda with IRM, we can offer this 8-10 hour of online course to our friends and clients at a discounted Rate than the Actual fees charged by IRM India chapter directly and one additional attempt for exam other than the 3 offered by them .

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Developing risk professionals

This program is an excellent opportunity for professionals like you who want to enhance their skills and knowledge in risk management. The program covers all aspects of ERM, including risk assessment, risk identification, risk monitoring, and risk reporting.

The program is available to all professionals, regardless of their industry or experience level. We believe that this program is especially beneficial for our existing clients, as it will enable you to better understand the risks associated with your business and develop strategies to manage them effectively.

Invest in Your Professional Growth International Certification Course. ERM Level -1

As a stakeholder in the insurance industry, you know how important it is to stay up to date with the latest trends and developments. There are 200 plus identified risks which are there and , that's why we are excited to offer an International Certification Course in Enterprise Risk Management Level -1 . This course is designed to provide you with the skills and knowledge you need to excel in your career by IRM – London.

Benefits of our certification course:

- **International Recognition:** Our certification is recognized globally, giving you a competitive edge in the insurance industry.
- **In-Depth Coverage:** Our course covers a wide range of topics, including risk management, underwriting, claims management, and more. You'll gain a comprehensive understanding of the insurance industry and its workings.
- **Expert Faculty:** Our course is taught by industry experts with years of experience in the insurance domain. They bring a wealth of knowledge and practical insights to the classroom.
- **Convenient Schedule:** Our course is Online and designed to fit into your busy schedule as per your convenience . You can attend classes online or in-person and choose from a variety of flexible scheduling options.
- **Career Advancement:** Our certification is a valuable addition to your resume and can open new opportunities for career advancement.

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GROUP COMPANIES

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- Training & Seminar

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- Asset Valuation

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Protection & Indemnity Insurance Services Correspondents in India for:

- Steamship Insurance Management Services Ltd, London – SMUA
- Ship-Owners Mutual Protection & Indemnity Association, Luxembourg - SOP

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