



India Rendezvous Daily

Day
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IRDAI expresses continued support for insurance industry

By Anoop Khanna

In his inaugural address Insurance Regulatory and Development Authority of India (IRDAI) member (non-life) Mr Thomas Devasia said, "IRDAI is supporting the insurance industry to build strategically on the enormous successes of the innovations and successes of India's digital public infrastructure."

He said, "With the launch of the state insurance plan in 2023, the IRDAI has formalised and is working forward on a strategy of insurance inclusion."

Speaking about IRDAI's mission of insurance for all, Mr Devasia said, "It will be achieved via the state plans and the Bima Trinity. He said this is strategically

designed to also position India as a prominent global reinsurance hub.

"The next significant insurance reforms in the Indian insurance industry will be the rolling out of IFRS 17 equivalent of Ind AS117 and our own risk-based model," said Mr Devasia.

He said these are being worked on by dedicated mission mode teams and these will feed into risk-based supervision framework under refinement, by yet another mission mode team.

Mr Devasia said by working in tandem with the International Financial Services Centre Authority (IFSCA) at the GIFT City, "IRDAI aims to foster an environment



Mr Thomas Devasia

conducive to the growth of reinsurance business both within and outside the conventional Indian market."

He said, "The Indian market in the near future will witness newer opportunities for regional, niche, more mono-line, captives, mutuals, micro-insurance to add to the momentum of growth."

Industry must remain prudent and vigilant

By Anoop Khanna

GIC Re Chairman & Managing Director Ramaswamy Narayanan in his welcome address said, "The Indian market, in a way, is on the crossroads. The economy is on a growth trajectory, thus ensuring that the insurance market continues its double digit growth

momentum. The regulator has been very proactive in ensuring that the regulations are simplified to enable ease of doing business.

He said, "There is also enough push to ensure that penetration levels in the market improve substantially. There is a lot of focus on ensuring that insurance is available to the strata of the people who need it the most.

"But challenges too exist. Recent CAT events show that there is a need to take climate change more seriously. As the frequency and severity of the losses increases, there is a fear that some risks may become uninsurable, something unthinkable in a growing economy like ours."

Mr Narayanan said, "Obviously, there is a need for the industry to closely work with the government machinery for the benefit of the country as a whole."

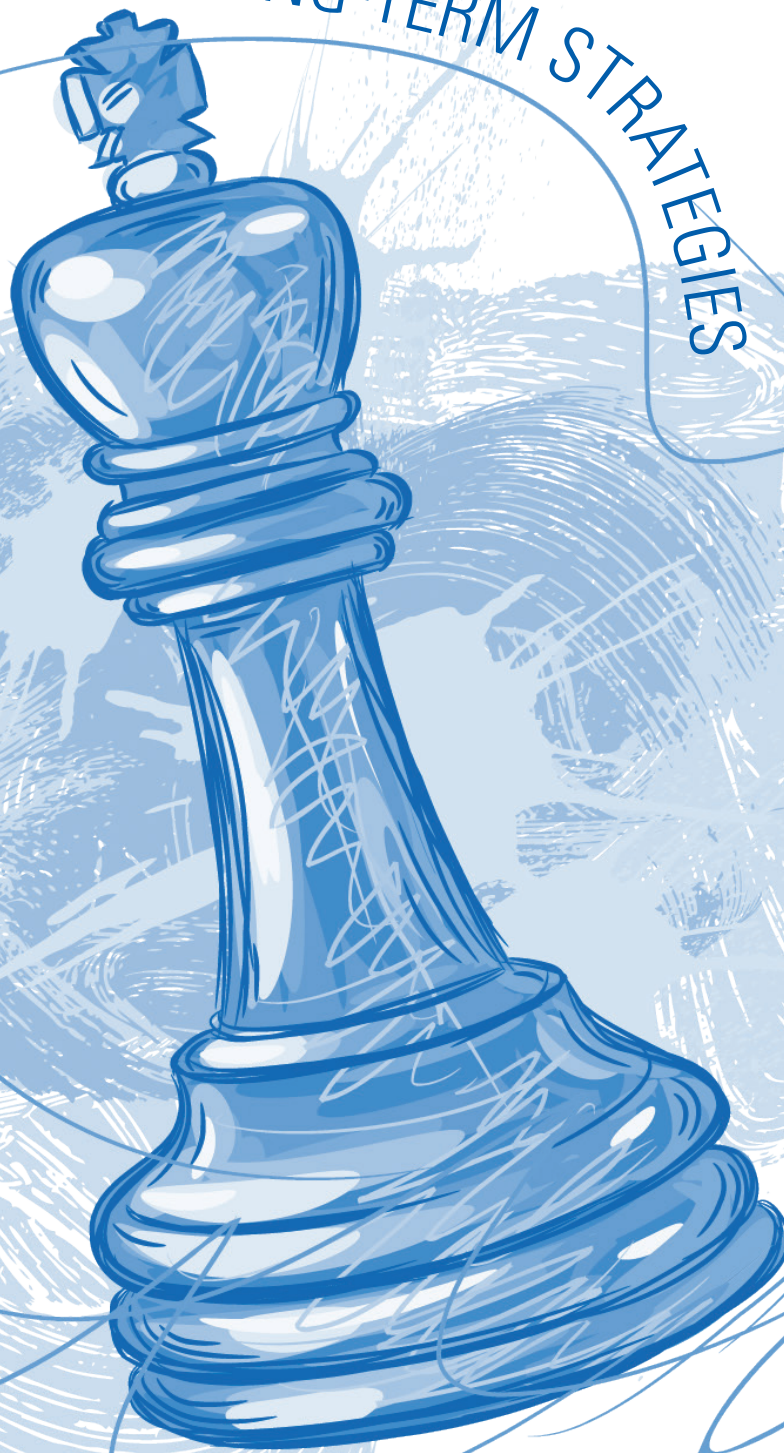
Speaking about the market hardening trends, Mr Narayanan said, "We must bear in mind that these trends are not a flash in the pan but are expected to continue for a few more years. It is up to us to brace for the times ahead.

He said we must educate our clients on the importance of rate adequacy and sustainability for the future of our industry. "We must speak about the fact that underwriting prudence is now paramount. Sense and sensibility will continue to be rewarded. In a sense, it is back to the basics again – finally."



Mr Ramaswamy Narayanan

LONG-TERM STRATEGIES



SHAPED IN THE LIGHT OF PROFOUND EXPERIENCE OF MORE THAN 90 YEARS

India- Truly Asian insurance's growth engine

By Jimmy John

In her special address, New India Assurance Company CMD Neerja Kapur said that the Indian economy stands out as a bright spot in the G20 and is poised for a major take off. India today drives towards \$5tn economy and is expected to overtake Japan and Germany to become the third largest economy by 2028.

Ms Kapur talked about some of the major factors driving insurance growth in the country; growing awareness about insurance products and their benefits; rising middle class and increasing disposable income; favourable demographic profile with a large young population; technological advancements and digitalisation and government initiatives to promote insurance penetration.

She highlighted that the India's

insurance market is one of the fastest growing in the world. "Although, non-life insurance penetration stands at only 1%, the country ranks as fourth largest general insurance market in Asia and 14th largest globally," she said.

She spoke of the numerous transformations in terms of new developments, modified regulations, proposals for amendments, opening new avenues of growth and IRDAI roadmap to achieve 'Insurance for all by 2047', with aggressive plans to address the industry's challenges.

She also spoke on how the major infra push across the country will drive property insurance. "India's eight key infrastructure sectors exhibited a growth of 12.1% on an annual basis in October 2023 and the country is likely to spend nearly \$1.7 tn on infrastructure in seven fiscal years through



2030," she said.

Speaking on some of the insurance growth facilitators in the country, Ms Kapur mentioned a favourable regulatory landscape; new licenses being issued; ease of doing business; expenses of management made more flexible and product filing made easier.

Mutual co-operation needed to address climate risk challenges

By Jimmy John

There is greater need for mutual co-operation between insurers and reinsurers to address the growing challenge from climate risk, said panellists at the reinsurance roundtable on Day 2 of the India Rendezvous.

GIC Re former general manager and moderator of the session, Deepak Godbole said that extreme protection gap drains national budgets and during any Nat CAT event governments will have to divert funds from other infra projects to provide immediate relief to those impacted. "It was imperative in their part to look at insurance as an alternative risk transfer mechanism," he said

Swiss Reinsurance Company India Branch CEO Hadi Riachi said that over the past ten years, on an annual average, economic losses from Nat CATs in India were in the tune of \$8bn and only a very small portion of it is insured. "We as an industry must play an important role in closing this protection gap and there needs to be a lot of investments that



L-R: Messrs Deepak Godbole, Hadi Riachi, Hitesh Joshi, Joseph Augustine and Ankur Gupta

needs to be made in adaptation, and in mitigation," he said.

GIC Re general manager Hitesh Joshi said that climate risk management and catastrophe risk management are babies of the reinsurance industry and that they have been assisting insurers and will continue to assist insurers in the future, though the frequency of Nat CAT events has increased in the recent years.

XL Insurance Company SE, India Reinsurance Branch CEO, Joseph Augustine said that climate risks have a peculiar nature considering that in today's interconnected world any catastrophic event in any corner of the world can impact

others in other regions. "It is our duty as reinsurers to help and support our clients to manage their climate risks," he said

Munich Re India Branch head of client management, P&C, Ankur Gupta said that we are living in a highly exposed environment to Nat CAT events. India over the past ten years had numerous Nat CAT events and as an industry we need to be prepared and cannot leave it to others to take certain measures. Munich Re is working on three major pillars - understanding as to how fast climate change is happening, making climate change measurable through risk models and how do we manage climate change as a topic for the industry.



India's growing developmental strides and surging real estate ventures mark a rapidly increasing infrastructure landscape, unlocking vast prospects in manufacturing and technological advancements. Within this outlook, the broking industry emerges not just as a provider of insurance and reinsurance services but as a pivotal risk advisor.

Mr Renjith R
Deputy manager, Mahindra Insurance Brokers

M&A activity in India expected to increase in 2024

By Ahmad Zaki

The global macroeconomic landscape is facing significant challenges, from the Russia-Ukraine war and the Israel-Palestine conflict, disruptions in food pricing and supply chain, shortages of natural resources and high profile failures of banks.

During his presentation yesterday, Huntington Partners partner Jonathan Tow pointed out that these challenges have negatively affected global M&A activity. 2022 saw activity decline to the 10-year average levels, while 2023 saw an even further downturn. Global deal value in 2022 was at \$3.79tn, while 2023 only saw \$2.77tn.



Mr Jonathan Tow

The same applies to India. While India did see a big uptick in activity and deal value in 2022, last year did not fare so well, with only 19 deals occurring in the first three quarters of the year (in comparison to 2022's record-breaking 111 deals). He attributed this to the rising interest rates, which have cooled off interest in M&A significantly.

Much of this is aided by the real GDP growth of the nation, he said. After a disastrous 2021, where GDP grew negatively, 2022 and 2023 saw India rebound, with experts projecting a 6.2% growth in GDP for 2024.

More M&A activity expected

Mr Tow also said that with the growing GDP, M&A activity will likely see an uptick this year. Deals will most likely follow global trends from over the past decade, with most deals focusing on consolidation, supply



chain diversification, renewable energy investments and acquisitions of start-ups.

The revisions proposed by IRDAI will also likely promote more activity, as the regulatory changes are expected to improve business ease, insurance penetration and distribution, alongside the InsurTech sandbox to enhance opportunities. Further, new capital requirements are expected to trigger a new wave of M&A deals this year, as smaller firms consolidate and larger firms divesting their non-core assets.

He also said that additional factors that would drive M&A include the revised FDI limits – which will increase from 49% to 74% - and the RBI's new banking guidelines. With this new guidance, which will cap insurance holdings by banks to 30%, the market will see continued divestiture of holdings.

The world is keen on India

The rates at which foreign investors are flocking to India has also increased over

the years, with many global and regional investors seeing the opportunity within the market. Since 2020, about half of M&A activity was from foreign investors; besides India, the top countries that have been making deals are US, Singapore, UK and Japan.

He added that the majority of M&A deal value is driven by life and health insurance deals, while the P&C sector is maintaining a steady deal volume.

Mr Tow also said that historically, downturns in the market have been great opportunities for organisations to make bold moves in the M&A space. During the 2008-2009 global financial crisis, companies in India that took portfolio actions outgrew their peers two to one in nominal earnings before interest and taxes over the subsequent five years.

Further, across all economic cycles, companies that engage in frequent and material M&A achieve almost twice the total shareholder growth of nonacquirers, he said.



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