

# 46th India Fellowship Seminar

Date: 11th & 12th June 2026

## Climate-driven risk pressure in industrial fire portfolio

**Presented By :**




1. Lakshay Mody
2. Harshita Kedia
3. Deep Agarwal
4. Chandrika Mohta



# Case explained

Climate-driven risk pressure in industrial fire portfolio





### PORTFOLIO CONTEXT

-  Mid-sized Indian general insurer with significant **commercial property** exposure
-  Focus on large industrial fire risks across western India
-  High portfolio concentration → elevated aggregation risk


### ADVERSE EXPERIENCE & MARKET PRESSURES

-  **Increased attritional fire claims**
-  **Higher catastrophe aggregation**
-  **Reinsurance hardening & rising reinstatement costs**



### EMERGING RISK LANDSCAPE

-  Rising **climate-linked** industrial fire losses (heatwaves, flooding, erratic weather)
-  Shift from stable attritional business to **systemic & correlated** loss profile
-  De-tariffed pricing environment driving **intense competition**
-  Broker pressure for **discounted pricing**

### FY 2025-26 STRESS EVENT

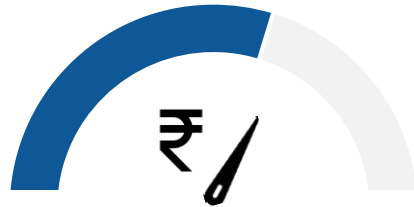
 Severe heatwave followed by unseasonal flooding

**Total Gross Incurred Losses**  
**₹590 crore**

 Cat XL attachment at ₹250 crore	 One reinstatement
<b>TRIGGERED</b>	<b>EXHAUSTED</b>

# Case requirements

Appointed actuary's opinion required in the following areas



**PRICING  
SUFFICIENCY**



**CATASTROPHE  
LOADING**



**SOLVENCY  
IMPACT**



**CONCENTRATION  
MANAGEMENT**

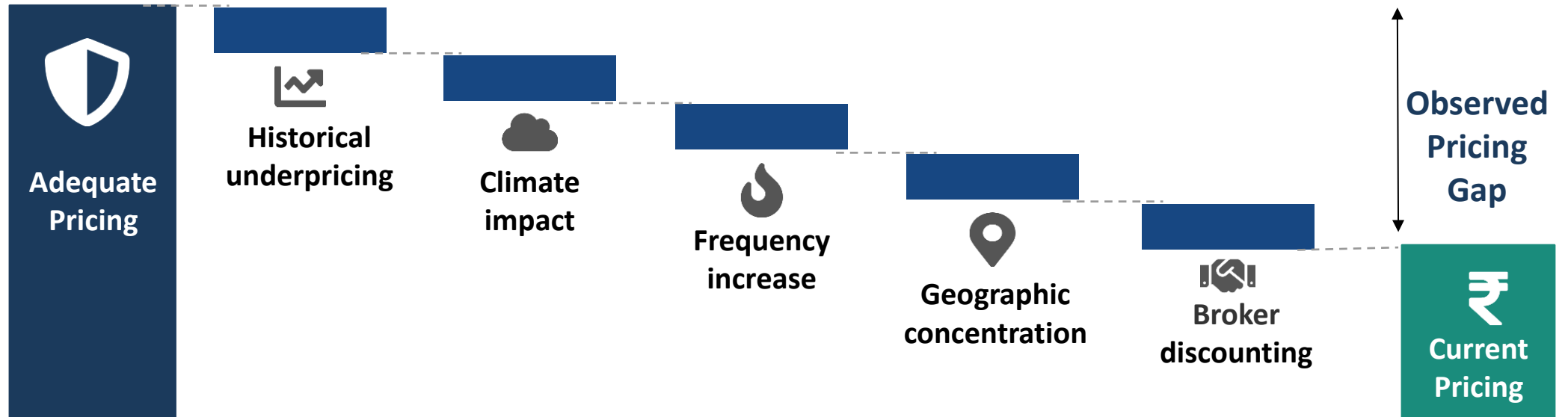


**REINSURANCE  
ADEQUACY**

# Pricing Sufficiency

$$\text{Premium} \geq \text{Expected Claims} + \text{Expenses} + \text{Reinsurance Cost} + \text{Risk Margin} + \text{Profit Margin}$$

## PRICING GAP BRIDGE



## RISK ASSESSMENT



Rates  
analysis



Trend  
Analysis



Inflation  
Impact



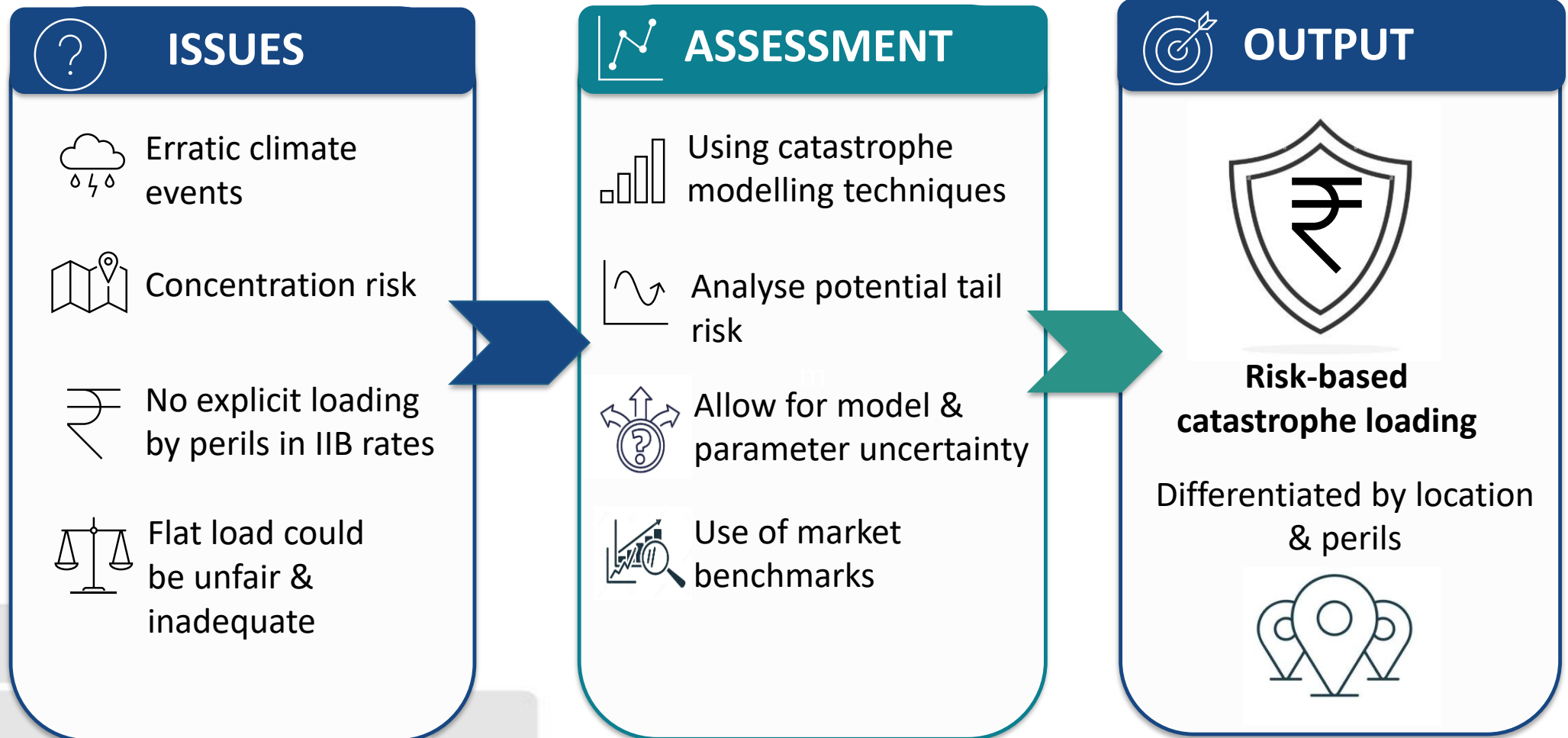
Portfolio profitability  
analysis



Climate change  
Impact

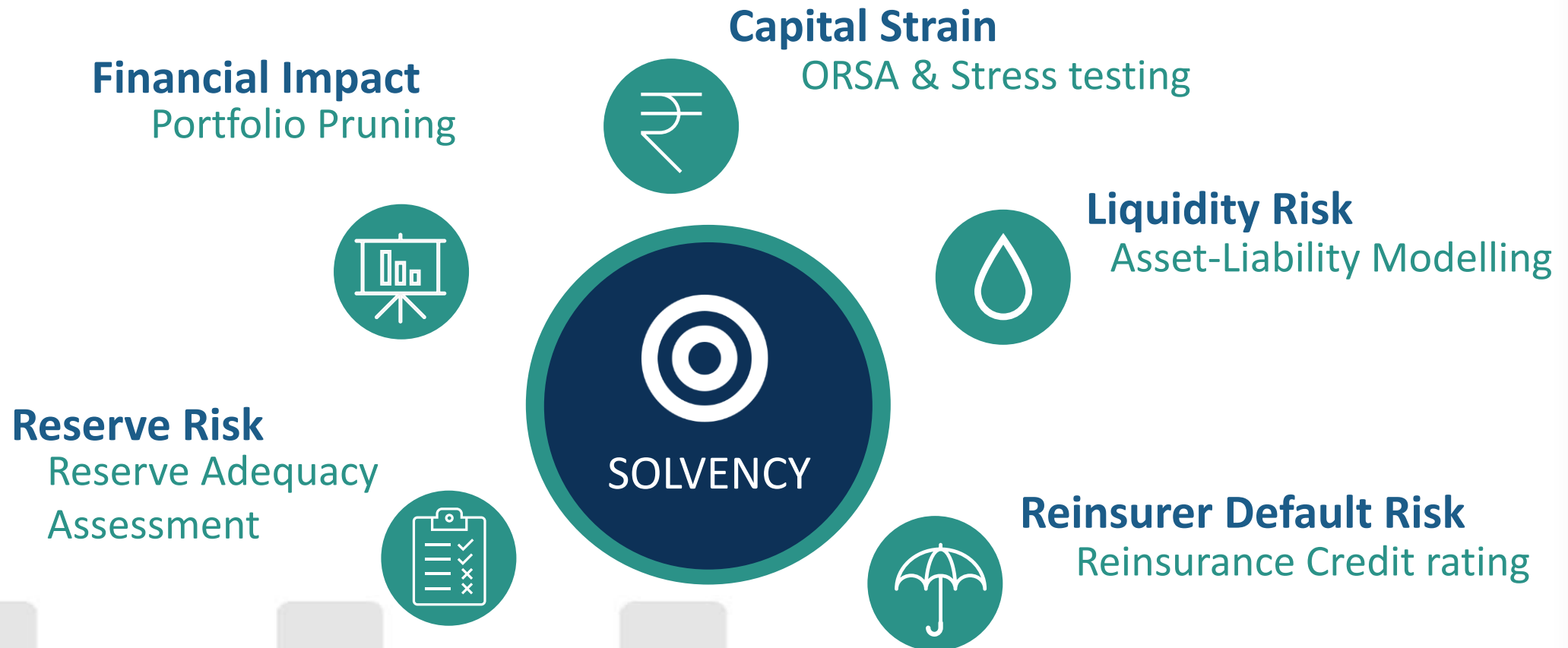
# Catastrophe Loadings

Robust risk assessment will enable transparent, fair and adequate catastrophe loadings on technical premium calculate



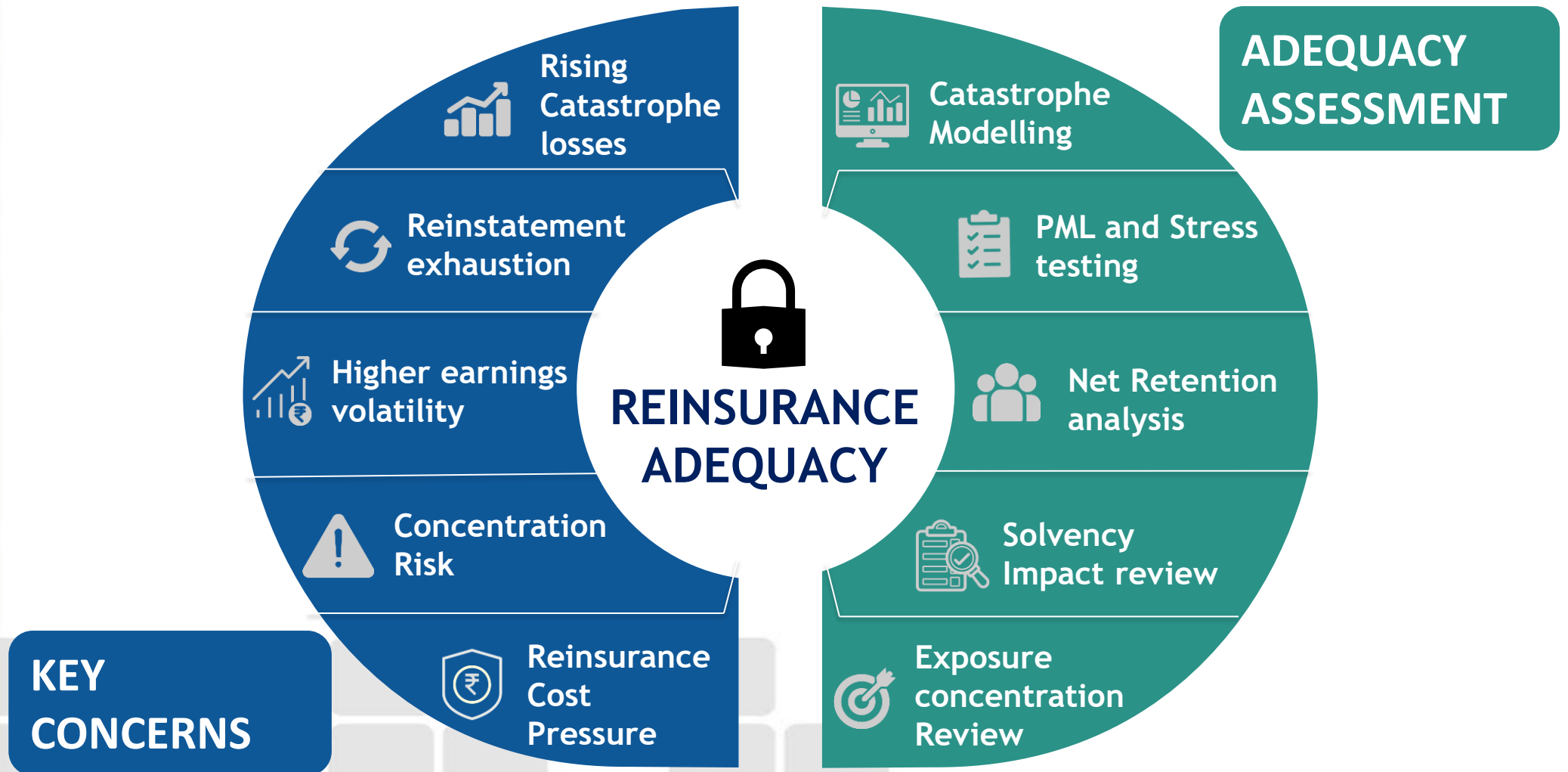
# Solvency: Current position

Capital resilience amidst evolving risk landscape



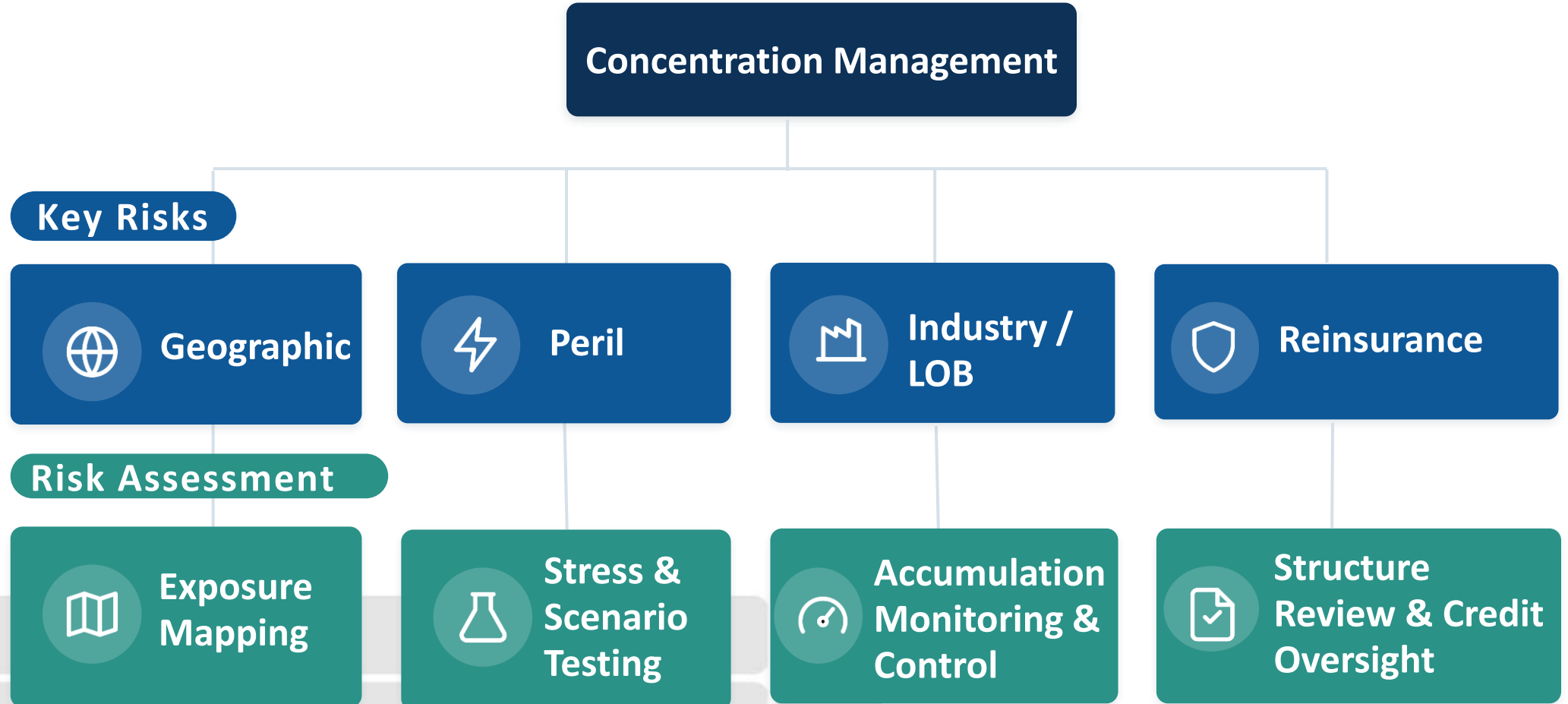
# Reinsurance adequacy

Alignment of reinsurance structure with risk profile



# Concentration management

A structured approach to identifying and managing concentration risk is central to portfolio stability.



# Appointed Actuary's Opinion (1/3)

Action Plan for margin recovery and portfolio improvement



## RENEWAL STRATEGY

Focus pricing on largest renewal accounts.

### *Impact*

Faster Premium Recovery



## TECHNICAL RATE FLOORING

Apply rate flooring and cap discretionary discounts.

### *Impact*

Protects margins immediately



## KPIs & DASHBOARD

Monthly/Quarterly KPI/dashboard with escalation triggers.

### *Impact*

Enables early management action



## RISK BASED RATING FACTORS

Repricing the portfolio using granular risk-based rating factors



### *Impact*

Reflects premium gaps & limit adverse selection

 Immediate actions

# Appointed Actuary's Opinion (2/3)

Action Plan for margin recovery and portfolio improvement



## RISK SENSITIVE CAT LOADING

Apply per-policy loading and concentration surcharge.

---

**Impact**  
Shift from flat to risk-reflective pricing.




## IN-HOUSE CAT MODELLING

License vendor cat model while building in-house capability.

---

**Impact**  
Robust performance, leaner cost base.



## CAPITAL BUFFER

To absorb increasing climate-driven volatility

---

**Impact**  
Improve external stakeholder's confidence



## RESERVE STRENGTHENING

Introduce reserve risk margins reflecting heightened uncertainty

---

**Impact**  
Avoid reserve shocks

 Immediate actions

# Appointed Actuary's Opinion (3/3)

Action Plan for margin recovery and portfolio improvement



## LOWER CAT XOL RETENTION

Gradual reduction of attachment point/  
reduced net retention

### *Impact*

Reduce net loss  
volatility



## ADDITIONAL COVERS

Additional paid reinstatements &  
stop-loss protection

### *Impact*

Improve earnings  
stability

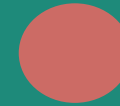


## UNDERWRITING LIMITS

Stricter selection of risk  
basis location, risk  
zone, occupancy, etc.

### *Impact*

Targeted portfolio  
steering



## ACCUMULATION CONTROL

Diversify exposure  
across regions and  
industries.

### *Impact*

Avoid excessive  
concentration of risk.

 Immediate actions

# Thank You!

# Q & A