

Current Issues in General Insurance

Mumbai

30th August 2019



आपत्काले रक्षिष्यामि

GIC Re's perspective on way forward in Property Insurance

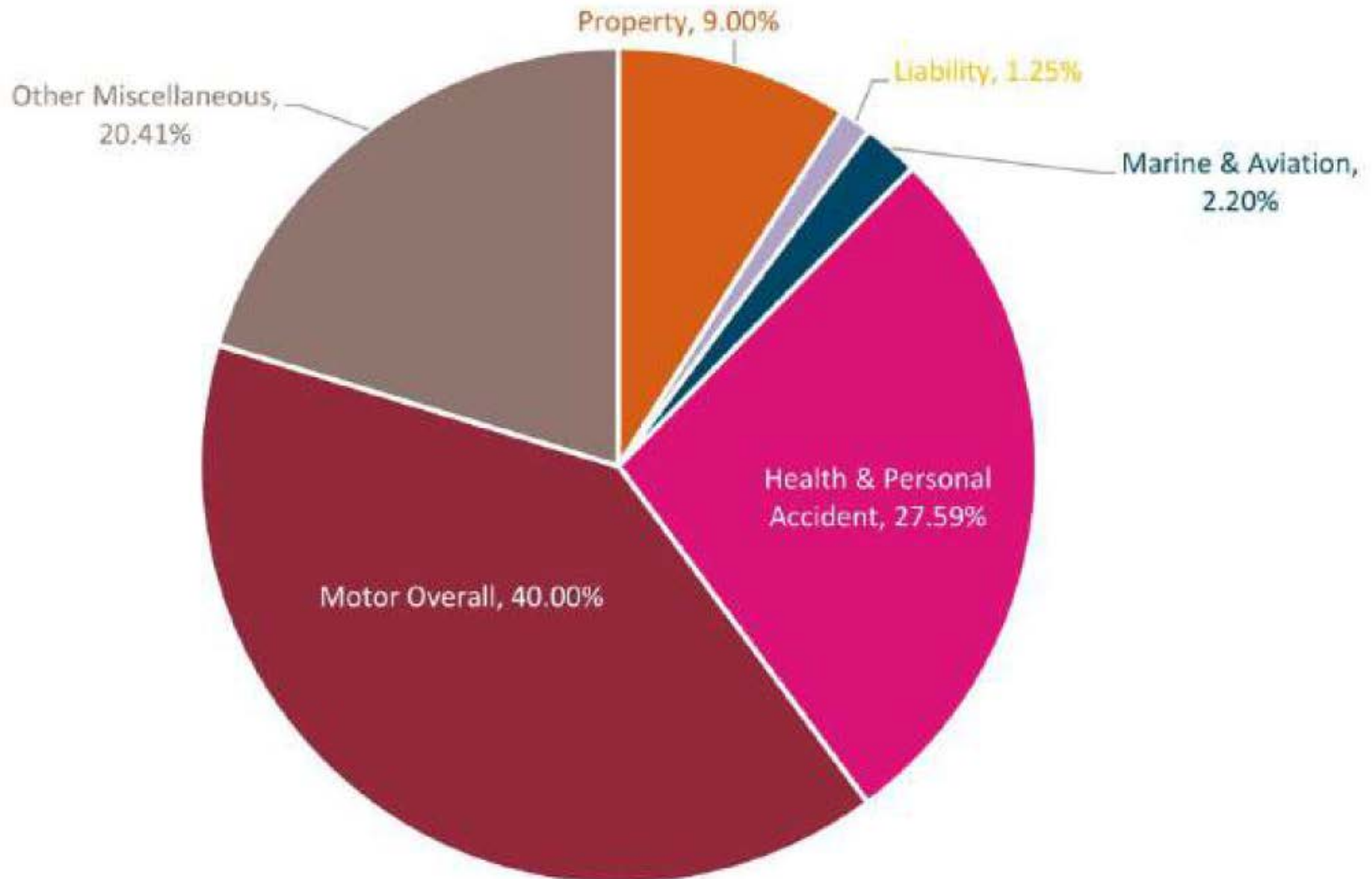
Hitesh Joshi, Deputy General Manager, GIC Re



Institute of Actuaries of India

Indian Context – Composition

Source: GI Council Yearbook



The Context – Capital Base

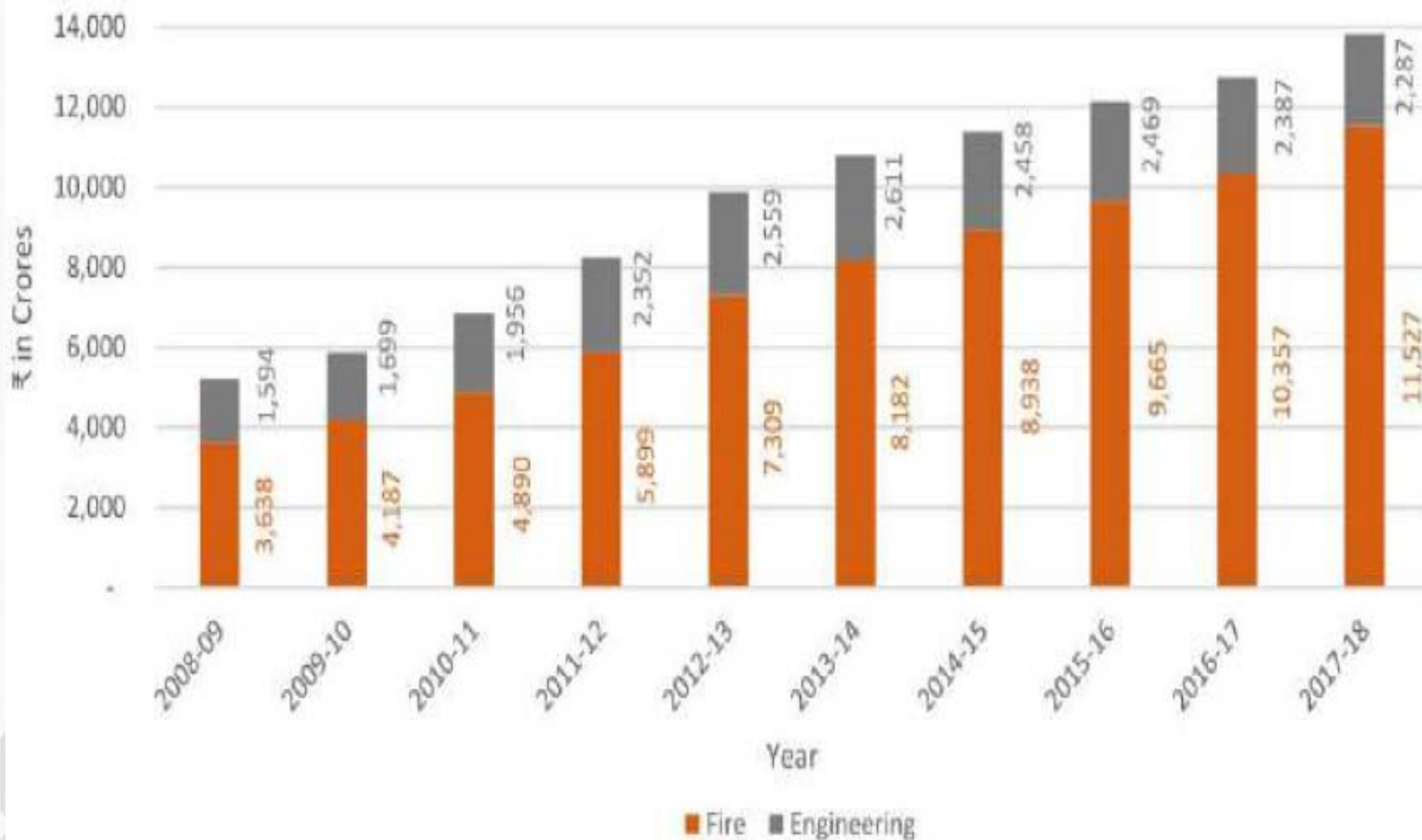
Source: GI Council Yearbook



Source: Council Compilation

The Context – Premium Base

Source: GI Council Yearbook



Source: Council Compilation

The Context – Market Retention

Source: GI Council Yearbook



	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Fire	53.3%	56.5%	52.7%	54.2%	52.9%	53.9%	52.2%	48.5%	49.3%	44.9%	38.5%

The Context



- Stability of the Sector
- Volatility of the Class
- Capital base of the Industry
- Surplus Capacity in the Market
- Dependence on Reinsurance

GIC Re move – March 2019

-Repricing for certain segments

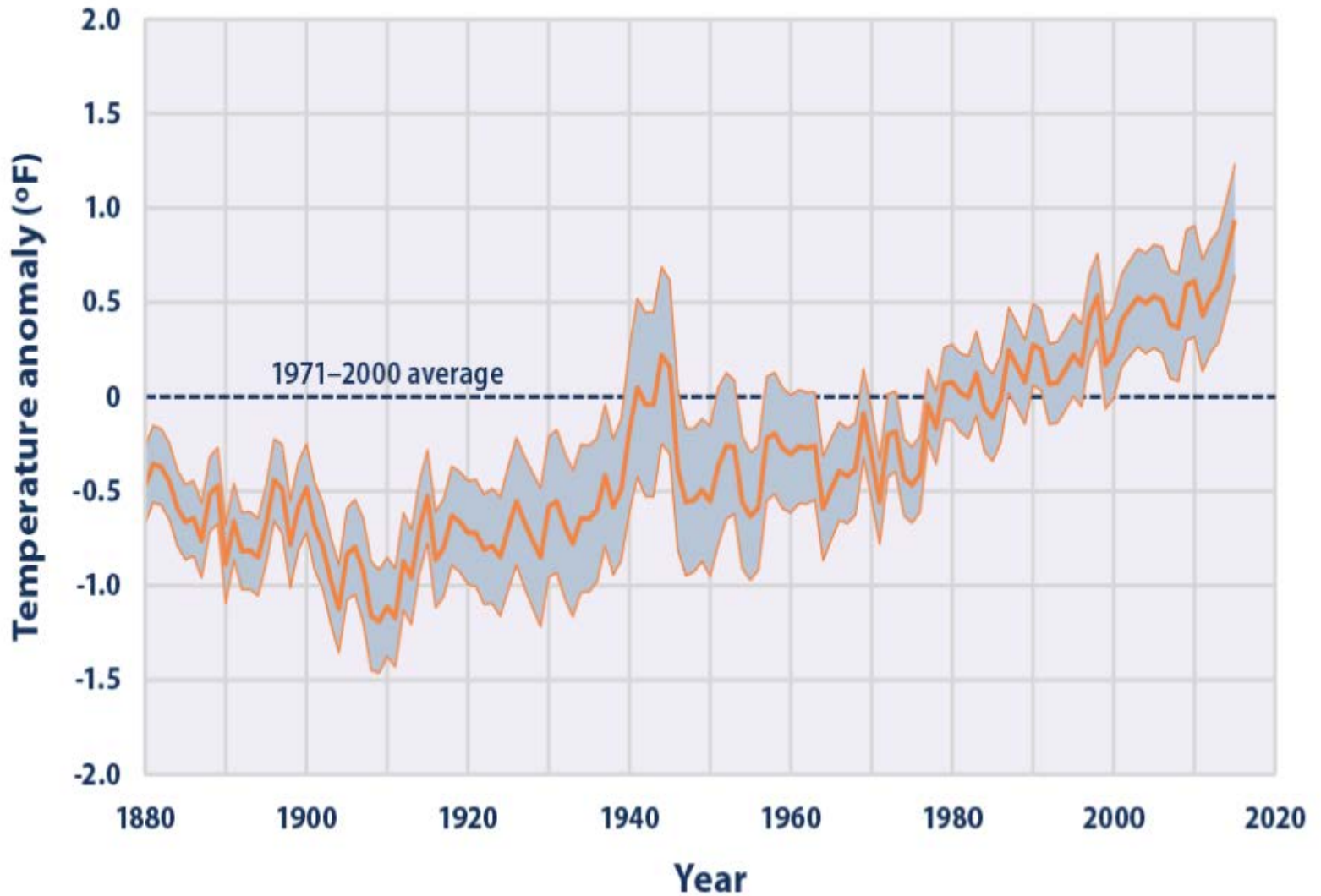
- IIB Loss Cost – 24.03.2017
- IRDAI circular dt 05.05.2017
 - Guiding Principles for Pricing of Risks
- Burning cost methodology
- Attritional loss cost pricing
- Need for price adequacy
- Need for adequacy of PML bases

The Global Context – Supply Side

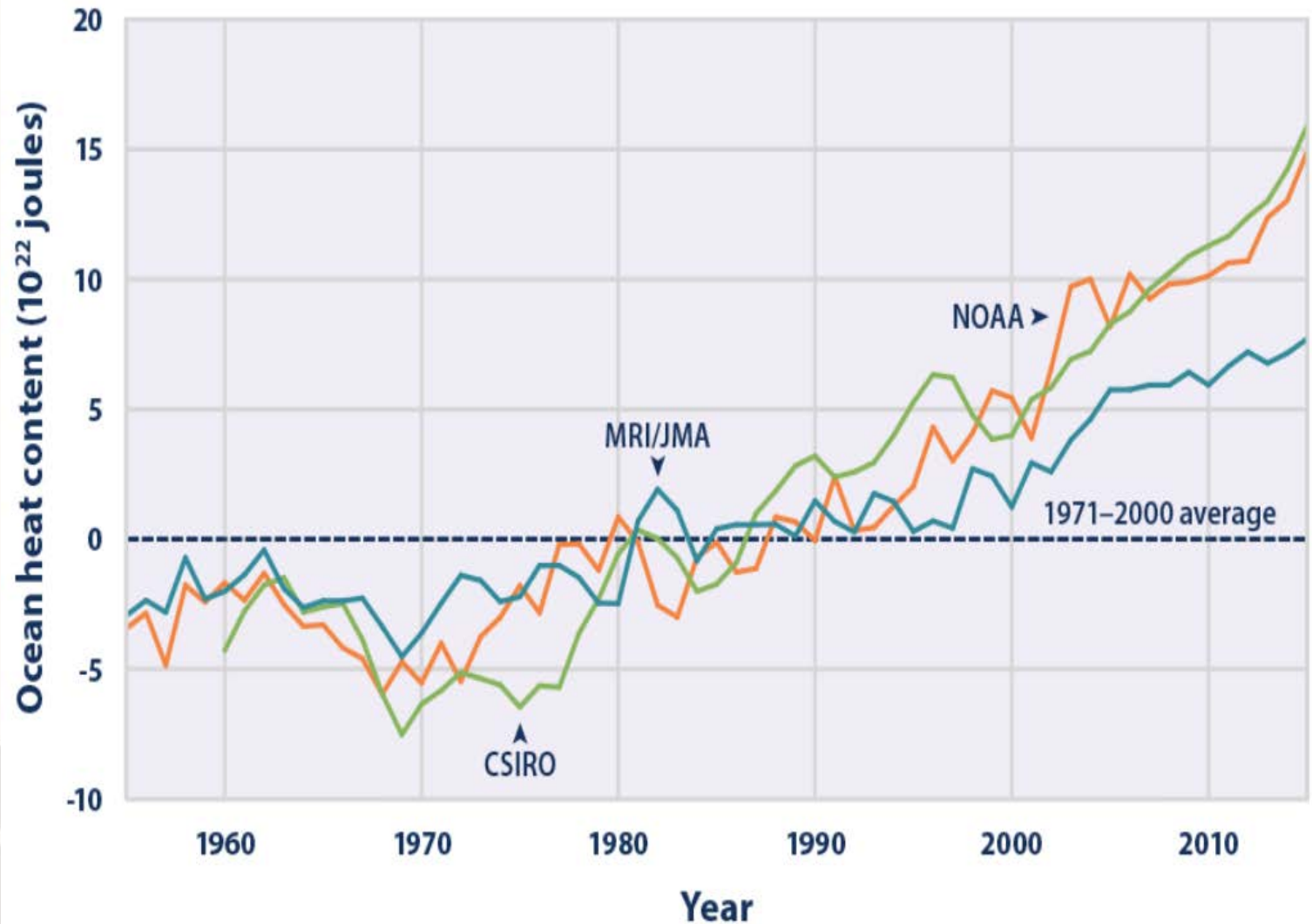


- Commoditisation
- Alternative capital
- Apparently Perennial Soft Cycle
- Surplus Capital with the Industry
- Abundant Capacity in the Market
- Influx of Opportunistic Capital

Global Sea Surface Temperature

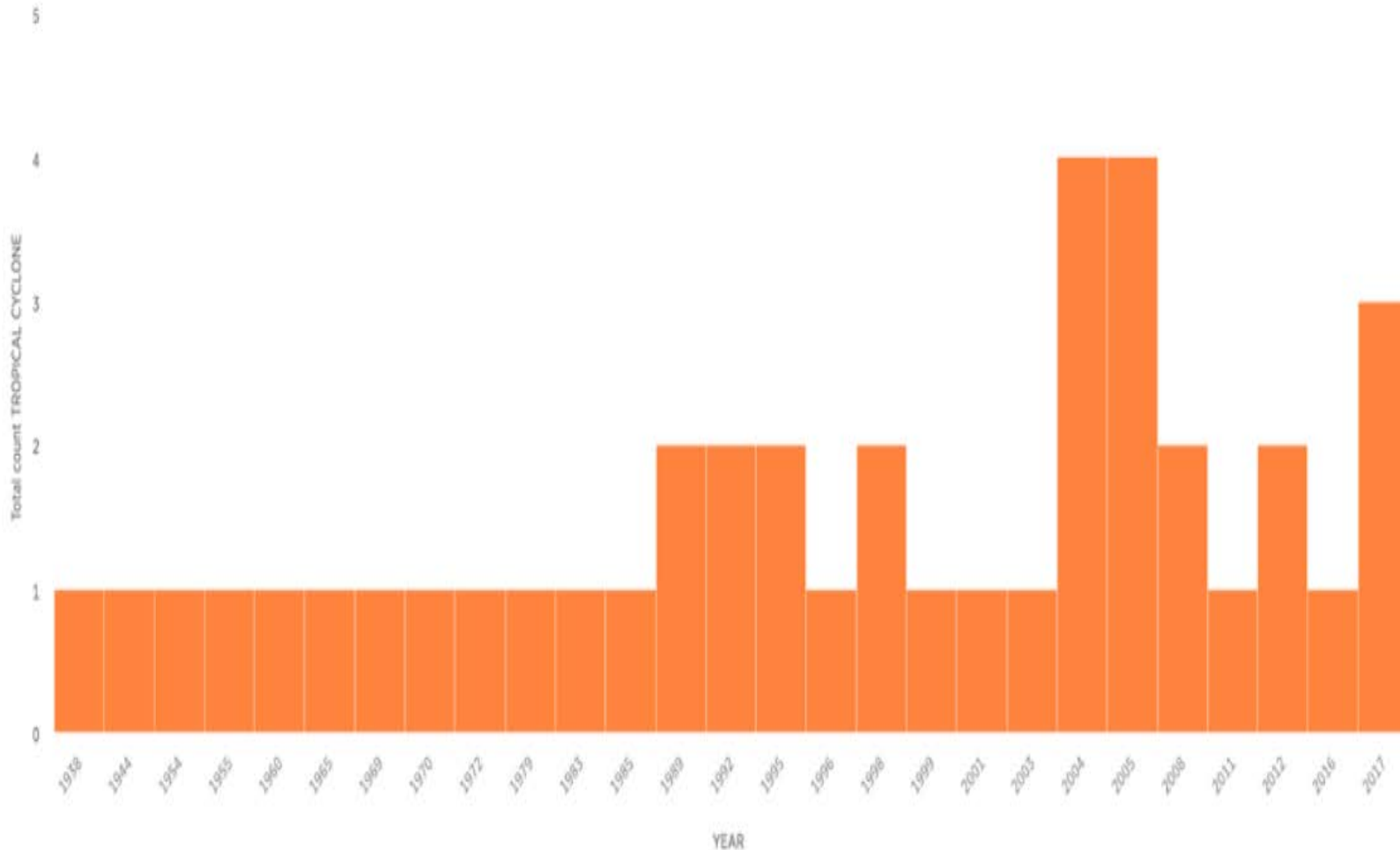


Ocean Heat Levels

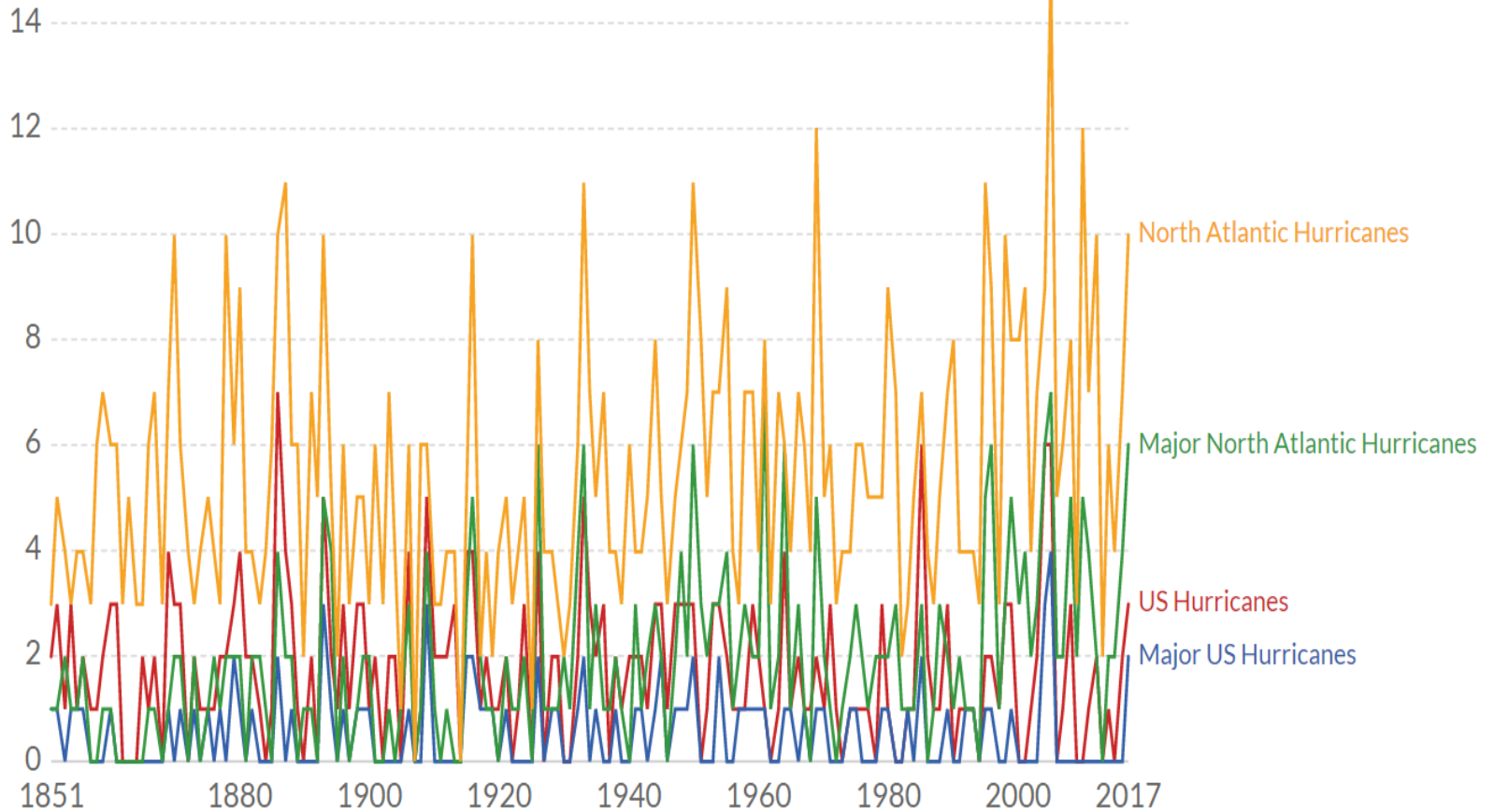


High intensity Hurricanes

Source; NOAA - <https://www.nhc.noaa.gov/news/UpdatedCostliest.pdf>



Trends in Disasters

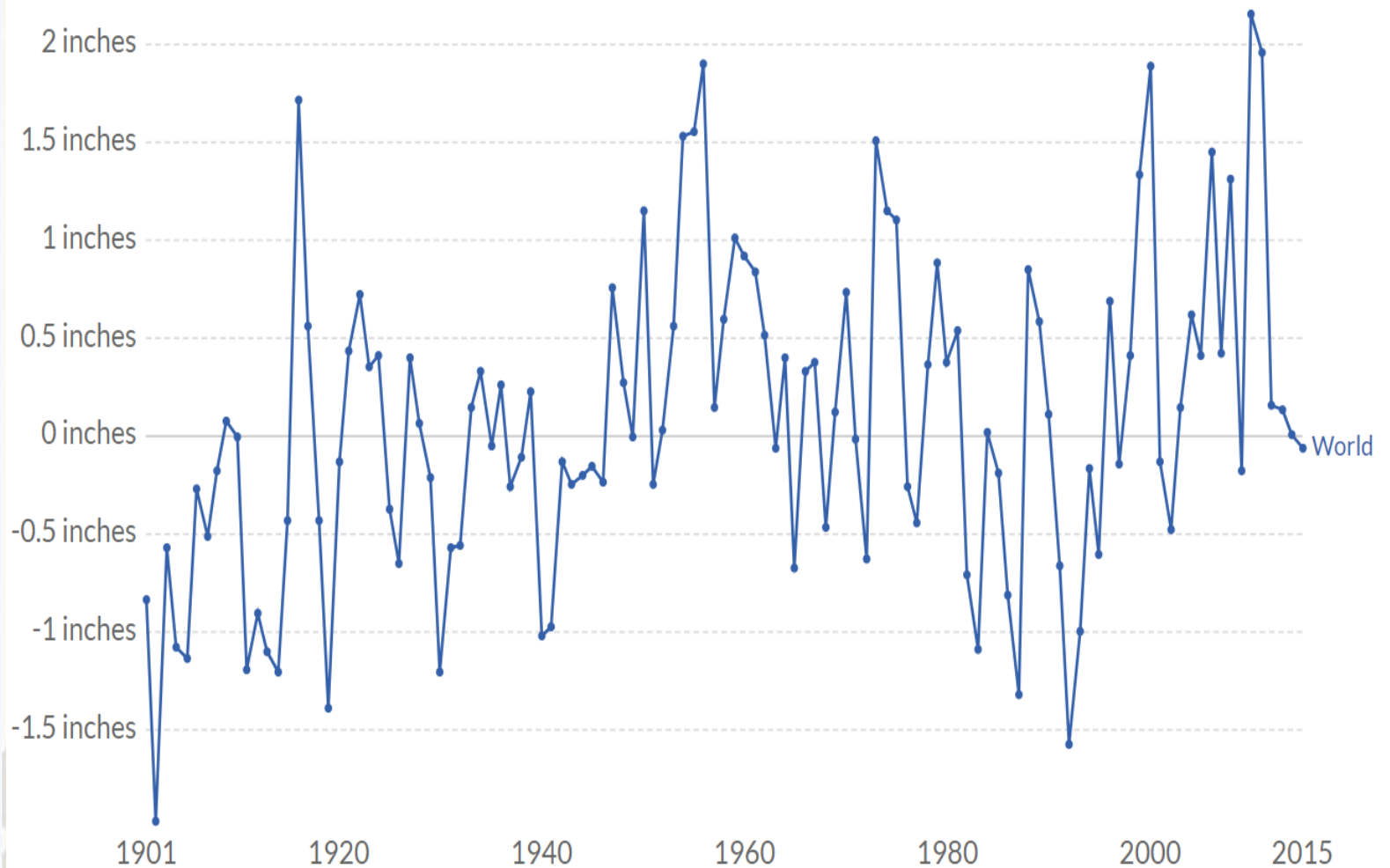


Source: Hurricane Database; HUDRAT (NOAA)

Note: NOAA notes that because of the sparseness of towns and cities before 1900 in some coastal locations along the United States, the data prior to 1900 may not be complete for all US states.

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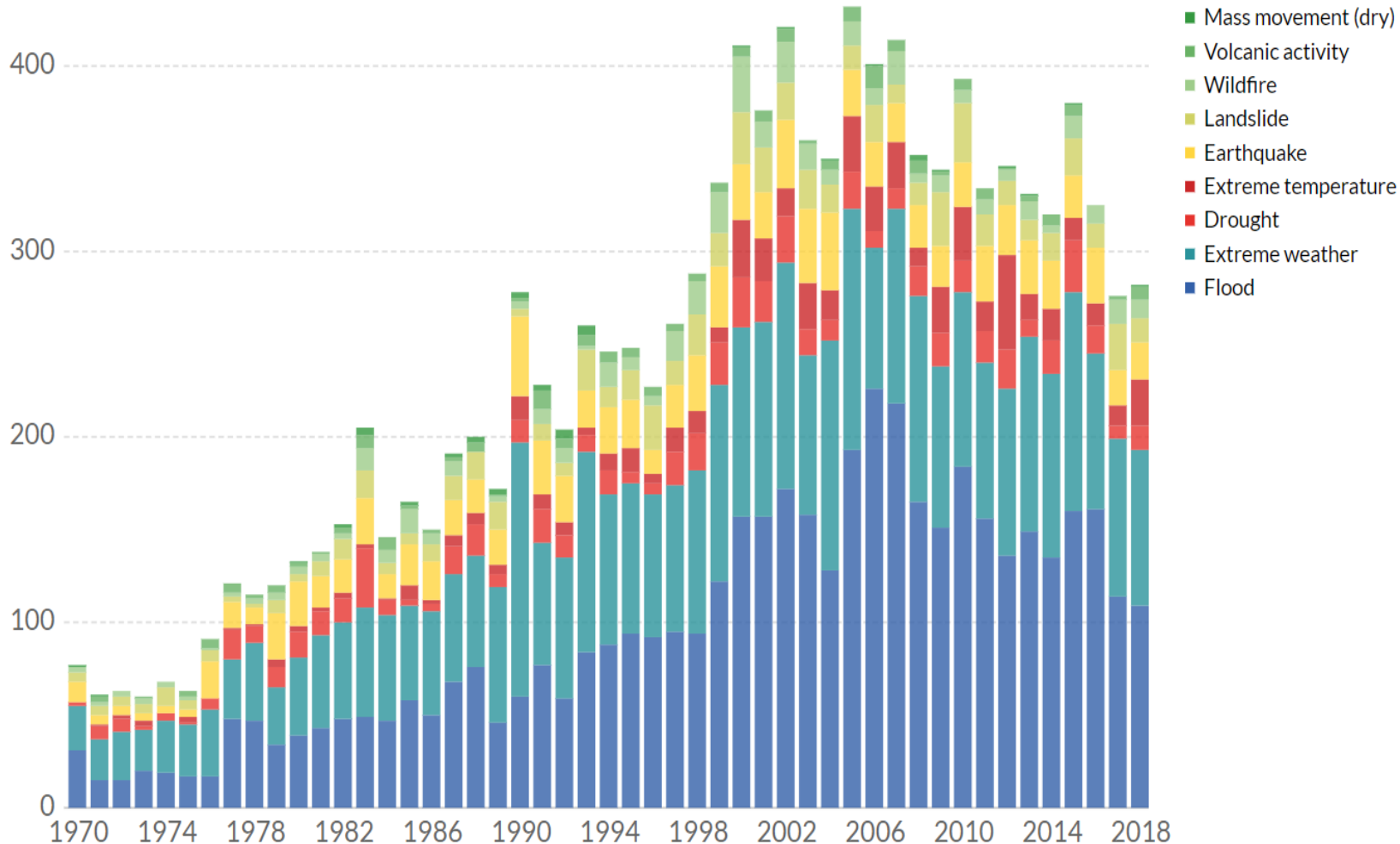
Trends in Disasters



Source: National Oceanic & Atmospheric Administration (NOAA) via the USEPA

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Trends in Disasters



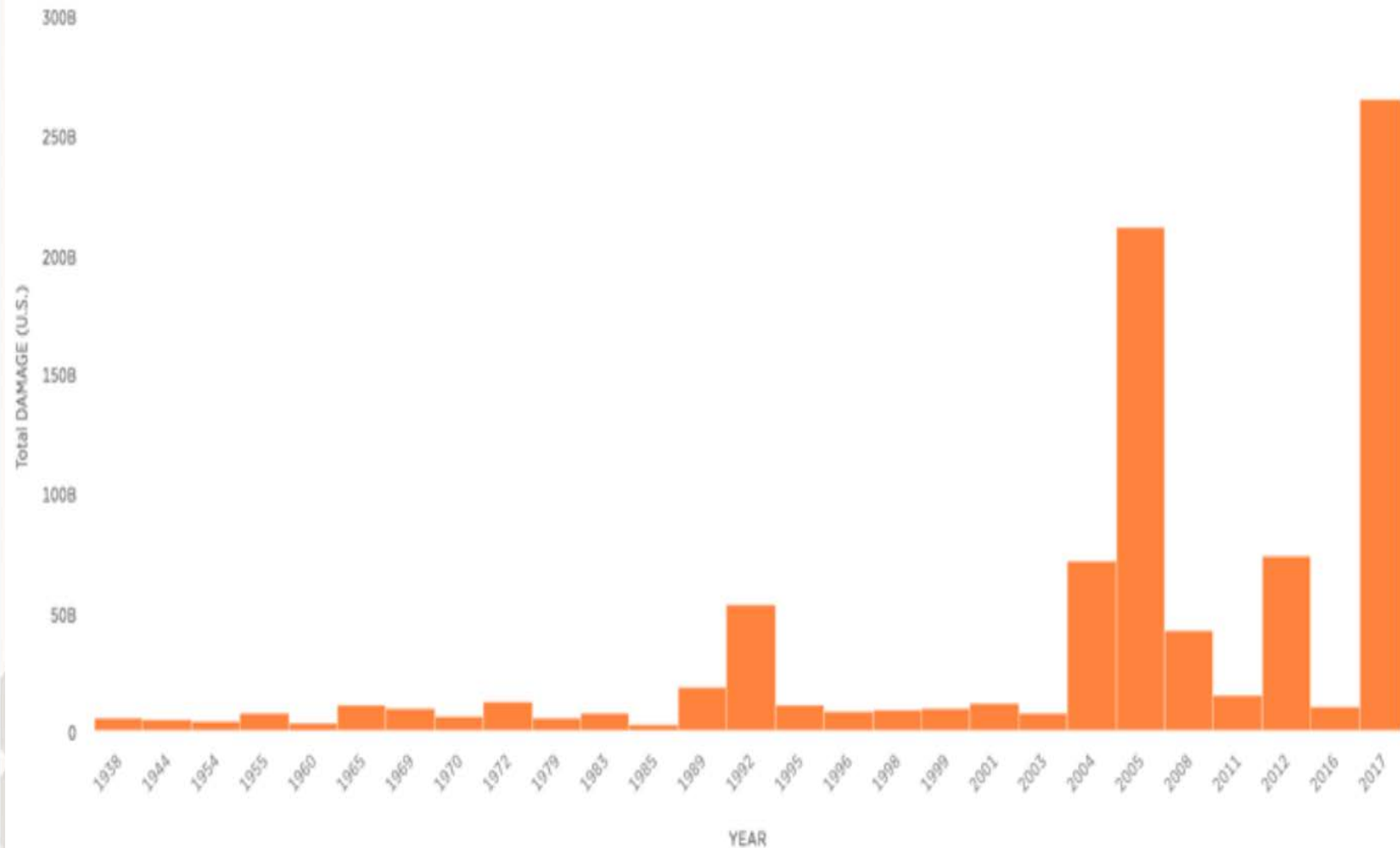
Source: EMDAT (2017): OFDA/CRED International Disaster Database, Université catholique de Louvain - Brussels - Belgium

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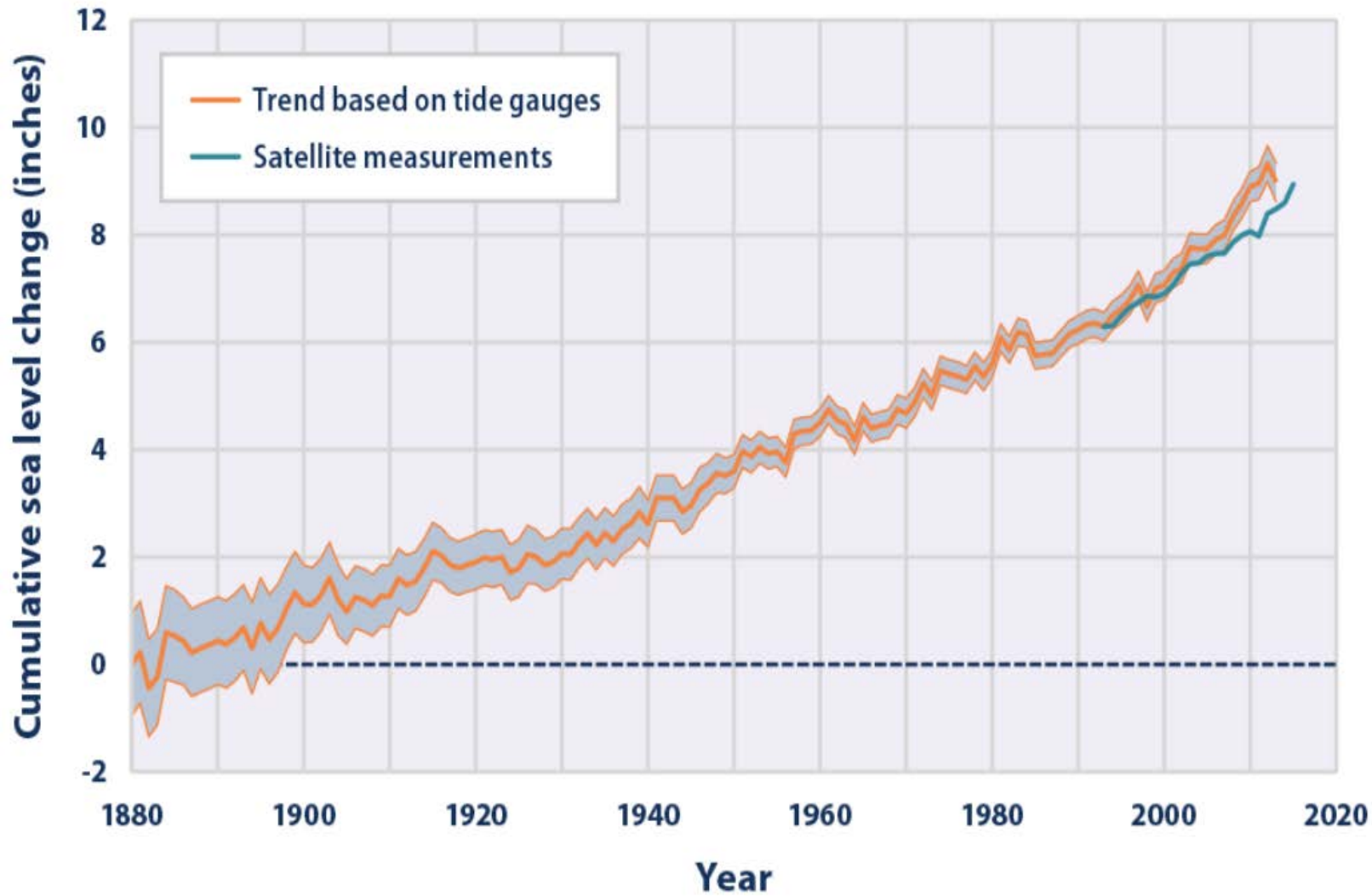
Damage by Hurricanes



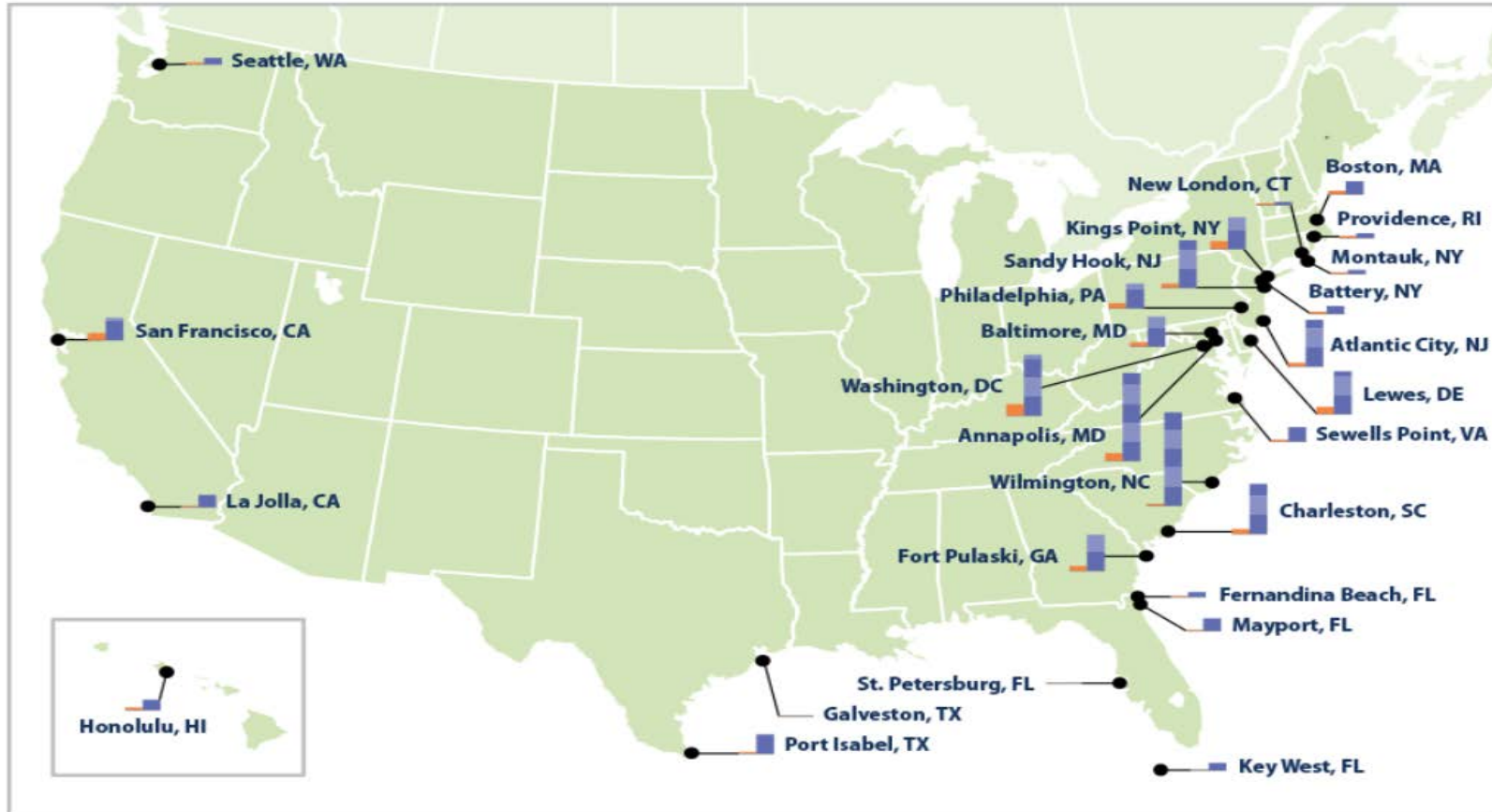
Source; NOAA - <https://www.nhc.noaa.gov/news/UpdatedCostliest.pdf>



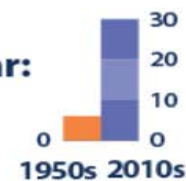
Sea Level Change



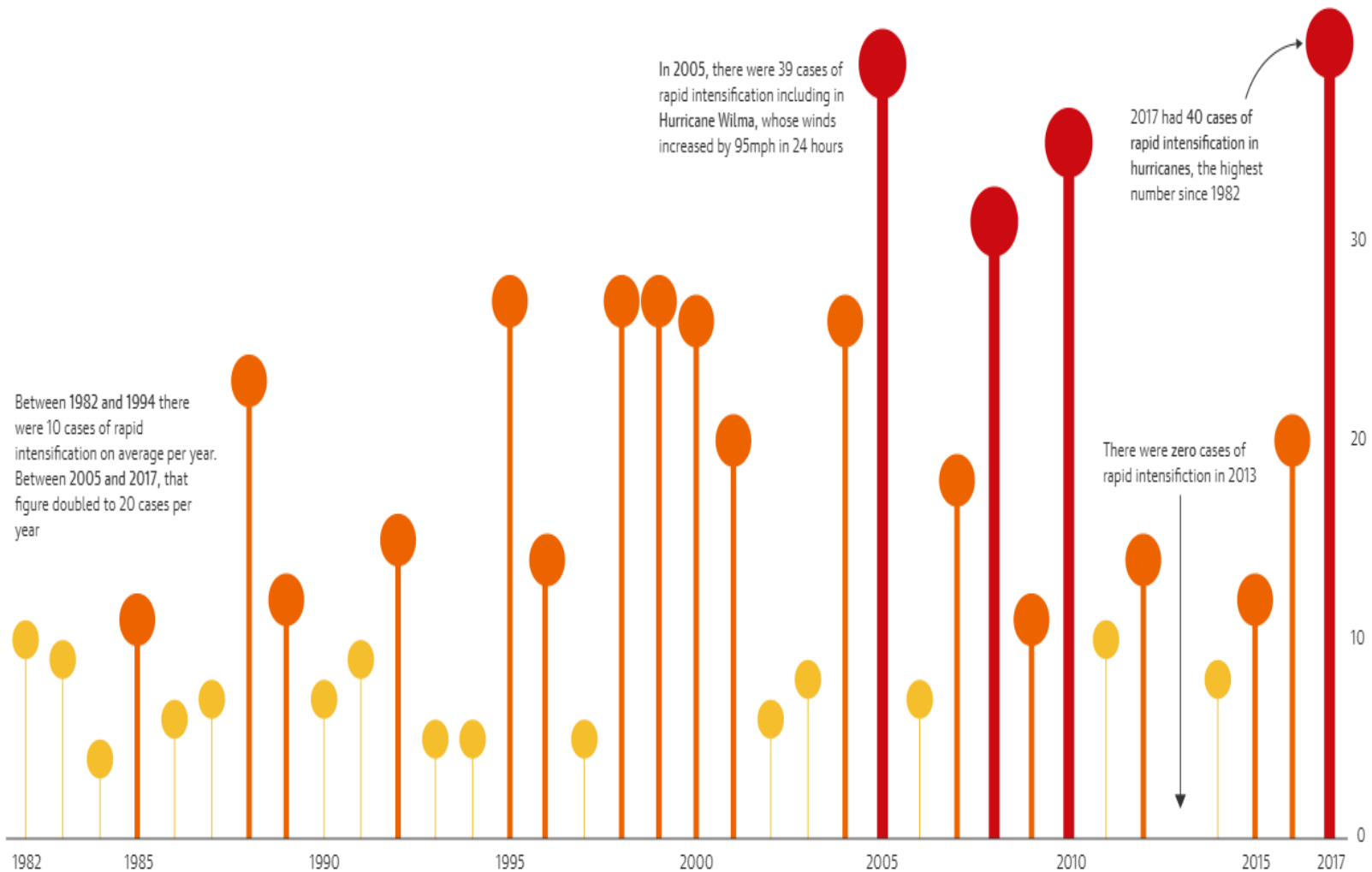
Trends in Flooding- USA Coastal



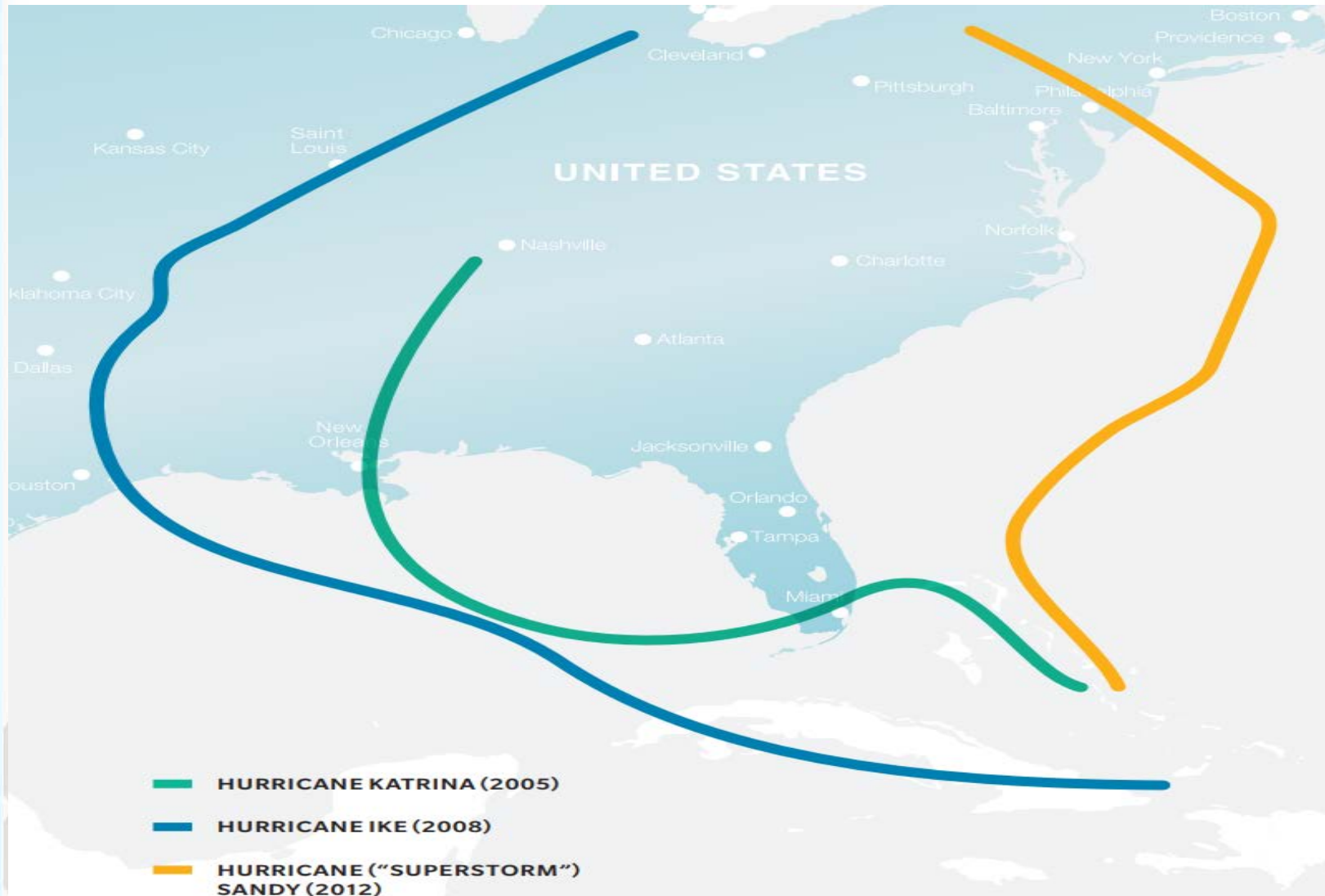
Average number of flood days per year:



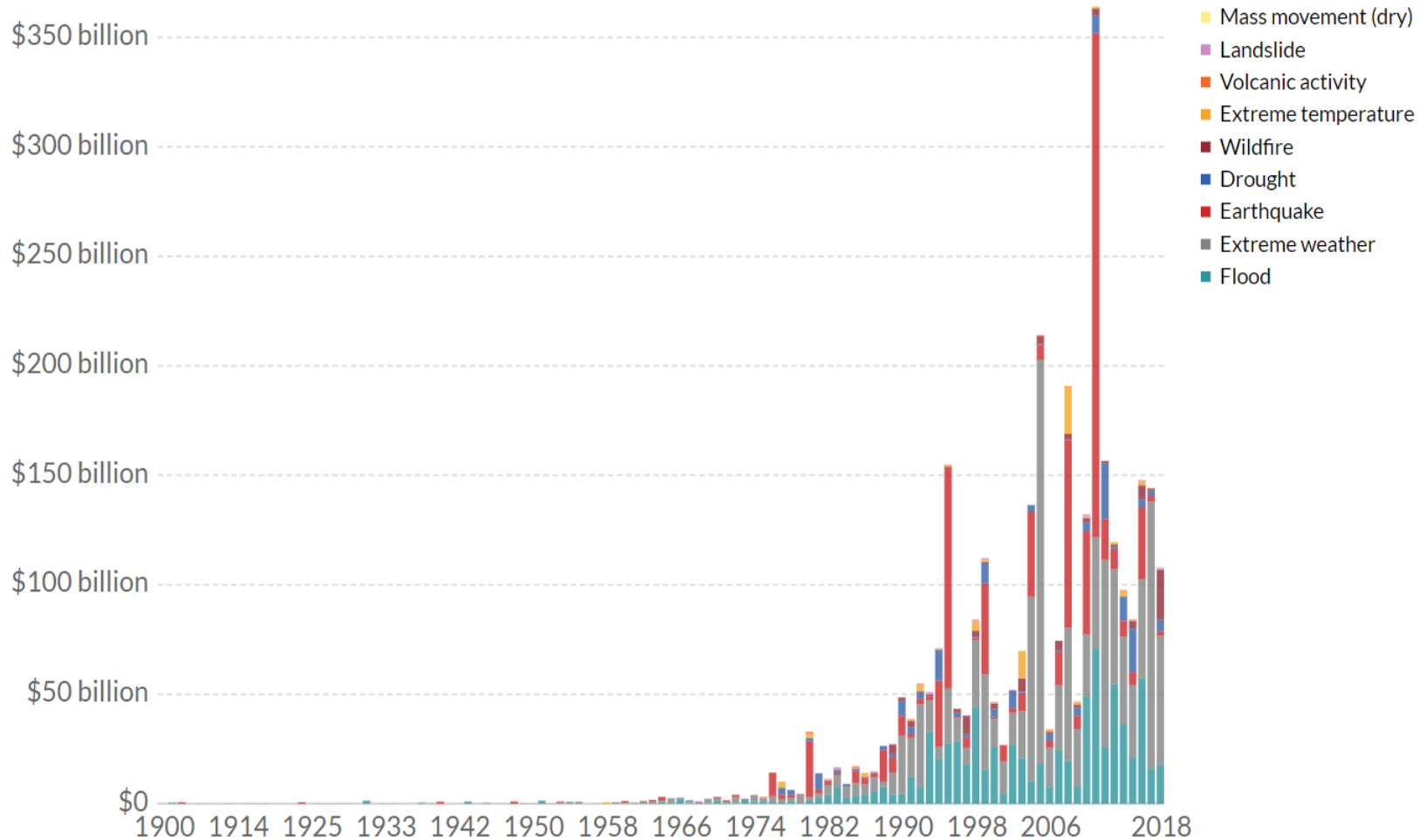
Trends



The Surprises



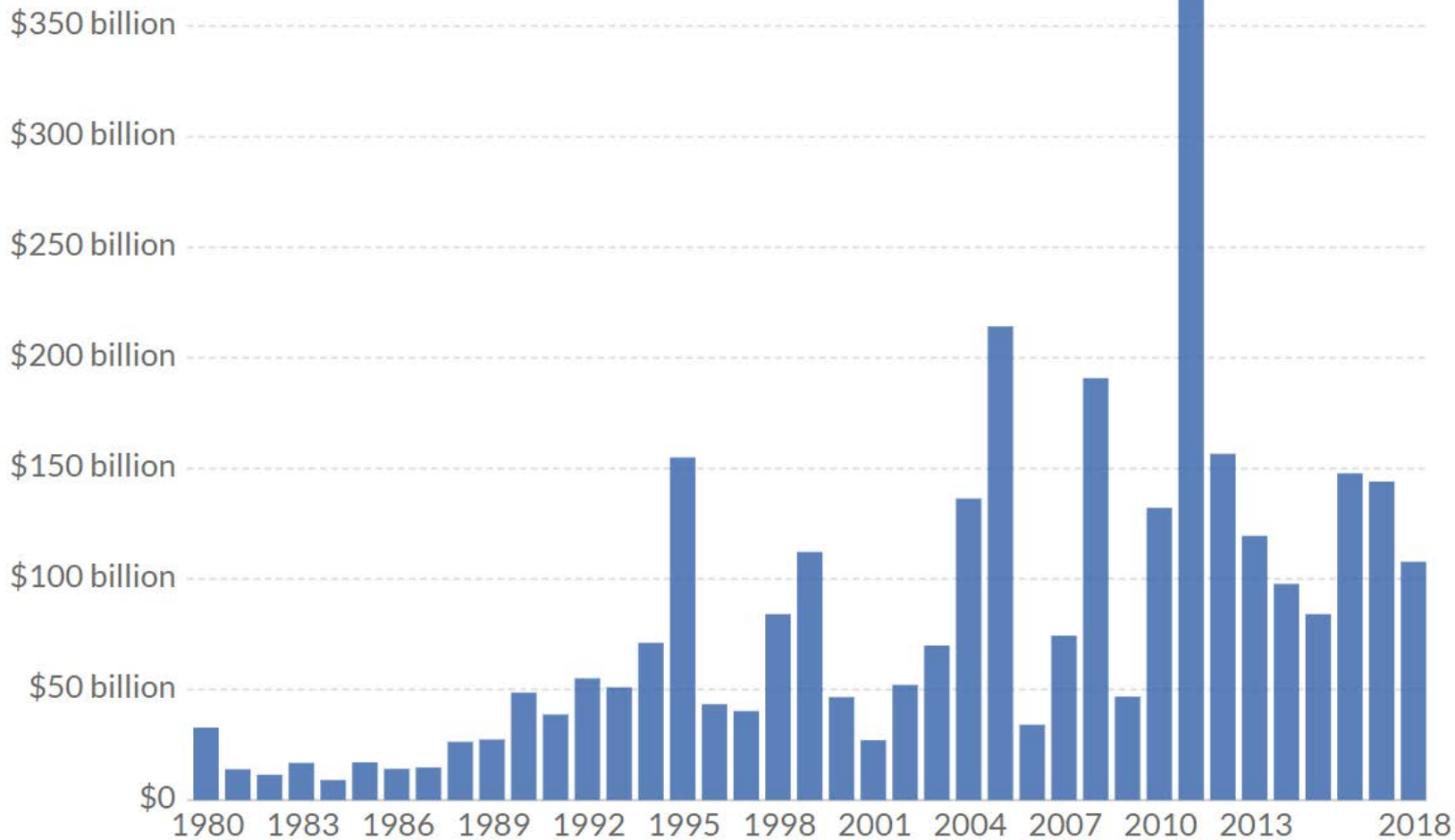
Trends in Disasters



Source: EMDAT (2019): OFDA/CRED International Disaster Database, Université catholique de Louvain - Brussels - Belgium

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Trends in Disasters



Source: EMDAT: OFDA/CRED International Disaster Database, Université catholique de Louvain – Brussels – Belgium

Modelling

- Models severely underestimated event loss for Hurricane Katrina in 2005– estimate was 1/4th.
- Again models severely underestimated event loss for Cyclone Jebi in 2018 – estimate was 1/3rd.
- For all United States hurricanes, Katrina (2005) is the costliest storm on record. Hurricane Harvey (2017) ranks second, Hurricane Maria (2017) ranks third, Hurricane Sandy (2012) ranks fourth and Hurricane Irma (2017) ranks fifth.

Trends

- As compared to geological perils, weather perils are causing more losses.
- More powerful storms / More lasting storms
- Intensification at a faster rate
- Carrying more precipitation
- Flooding causing more damage than wind
- Asian share of losses growing in global losses

The Market Reaction

- Rate increases are not particularly endearing.
- Modelling changes result in rate increases.
- Uncertainty remains and actually is growing.
- It is never too early to move towards price adequacy.

Premium Principles



- Equity
- Fairness
- Homogeneity
- Solidarity

Is a pattern emerging?



- 2005/06 Mumbai Floods Jul- 2005
- 2006/07 Surat Floods Aug- 2006
- 2013/14 Uttarakhand Floods June – 2013
- 2014/15 J&K Floods Sept – 2014
- 2014/15 Cyclone HudHud Oct – 2014
- 2015/16 Chennai Flood (Event 1) Nov- 2015
- 2015/16 Chennai Flood (Event 2) Dec- 2015
- 2016/17 Cyclone Vardah Dec- 2016
- 2017/18 Kerala Floods Aug-2018

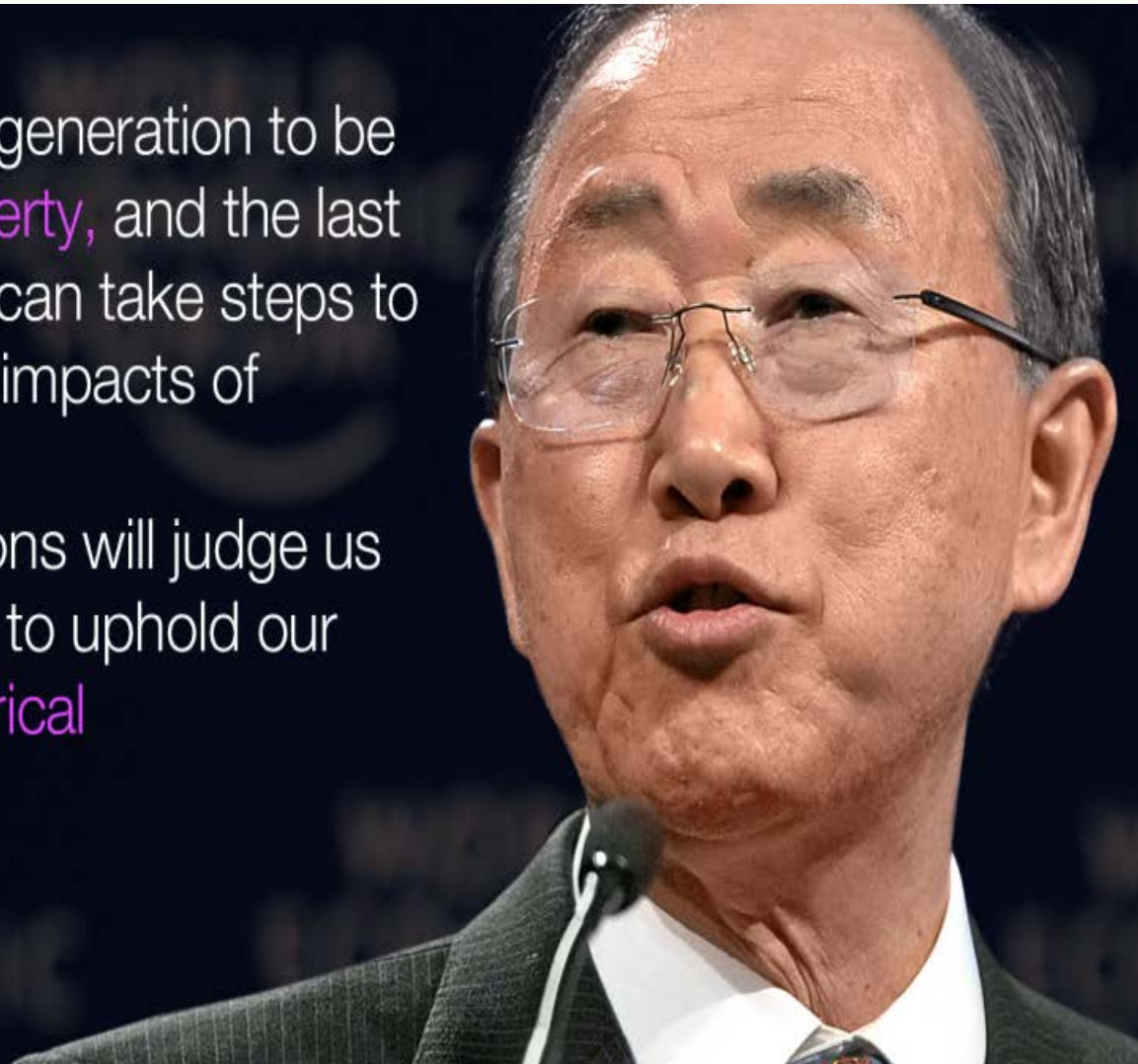
Insurance pricing

- Attritional element
 - IIB
- Catastrophe element
 - Modelling Inputs

We are the first generation to be able to **end poverty**, and the last generation that can take steps to avoid the worst impacts of **climate change**.

Future generations will judge us harshly if we fail to uphold our **moral and historical responsibilities**.

Ban Ki-moon
Secretary-General
United Nations



To sum up....

- Be Worried...
- Be Very Worried.....
.....
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.....
- Buy More Re(Insurance).....

Thank You