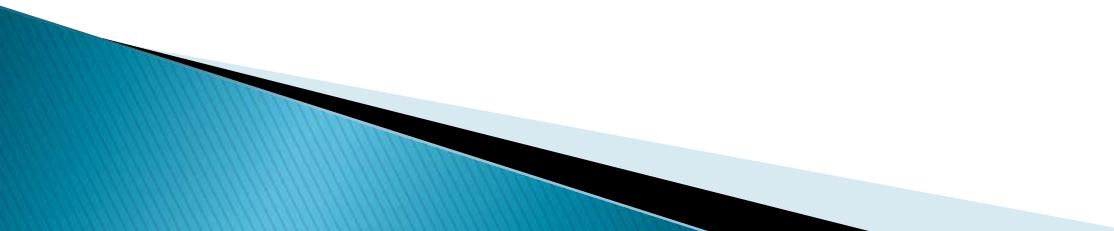




Does Analytics Matter In Non Life?

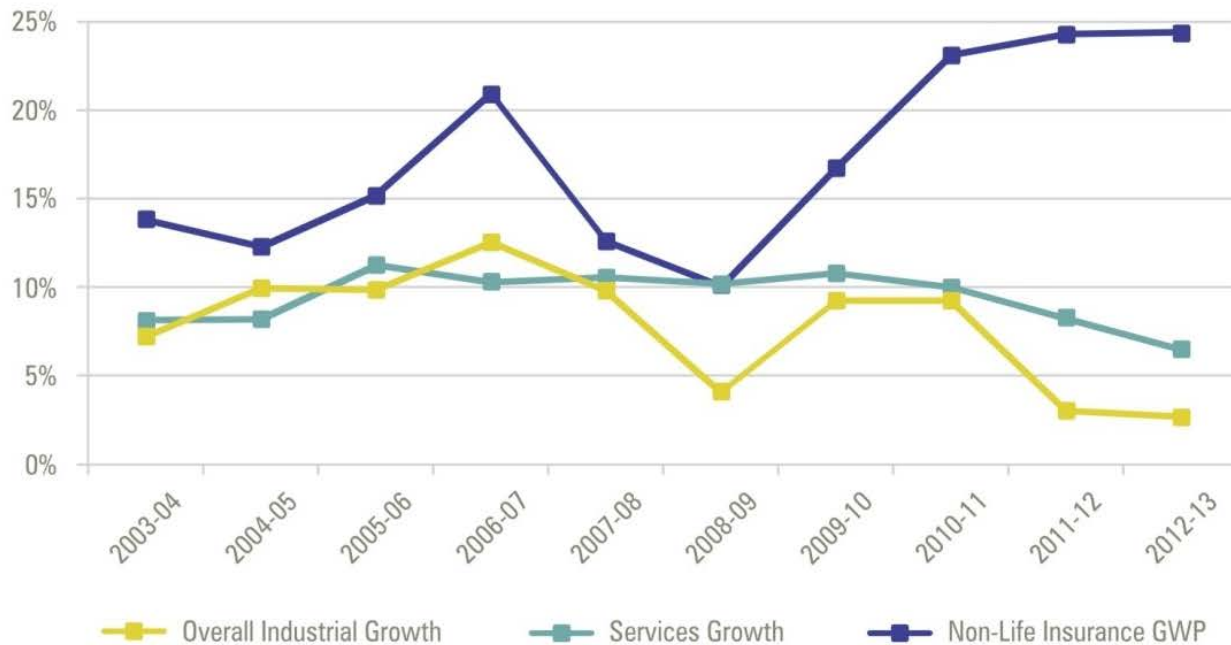
Overview

- ▶ State of the Industry
 - ▶ Challenges
 - ▶ What is missing
 - ▶ Analytics Possibilities
 - ▶ Can we bell the cat ?
- 

State of the Industry

Beating the Trend

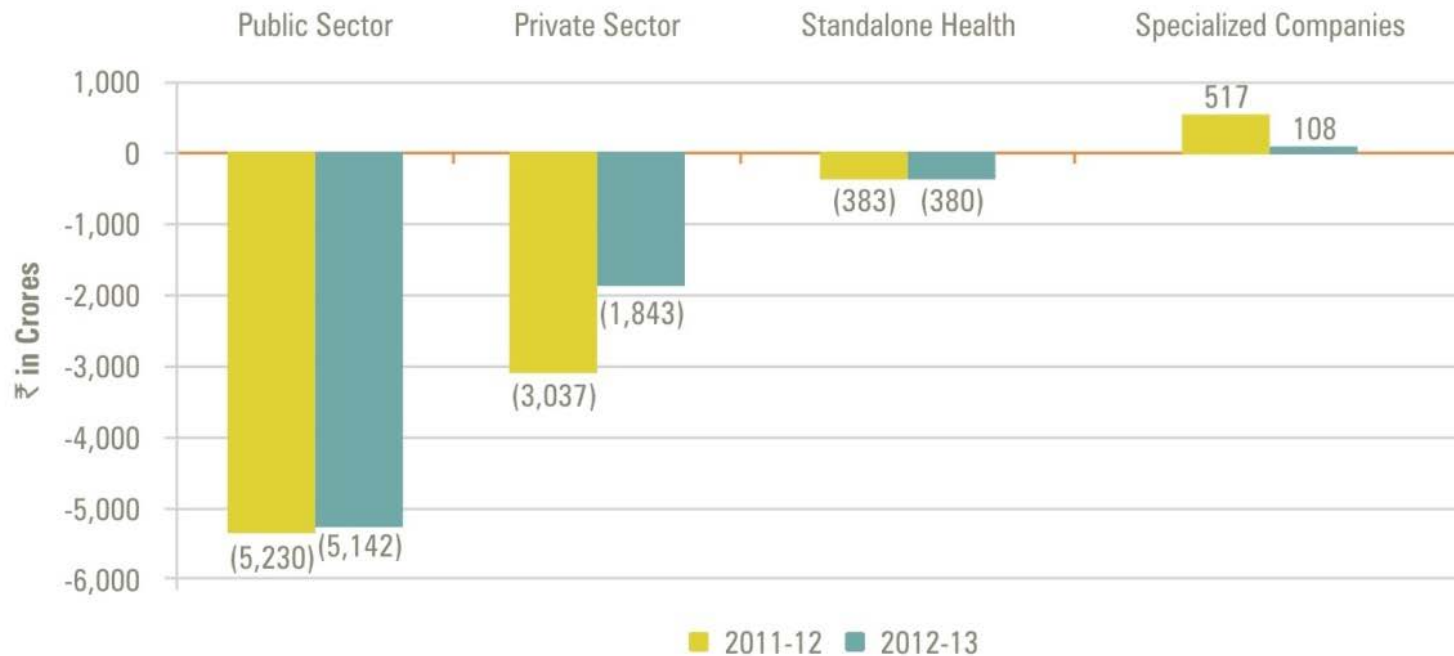
Chart 1.2 Insurance v/s Overall Industrial And Services Growth



Source : Planning Commission Data Book as at 2nd May 2013, IRDA Handbook 2011-12 and IRDA Segmentwise data 2012-13

Technically Incorrect

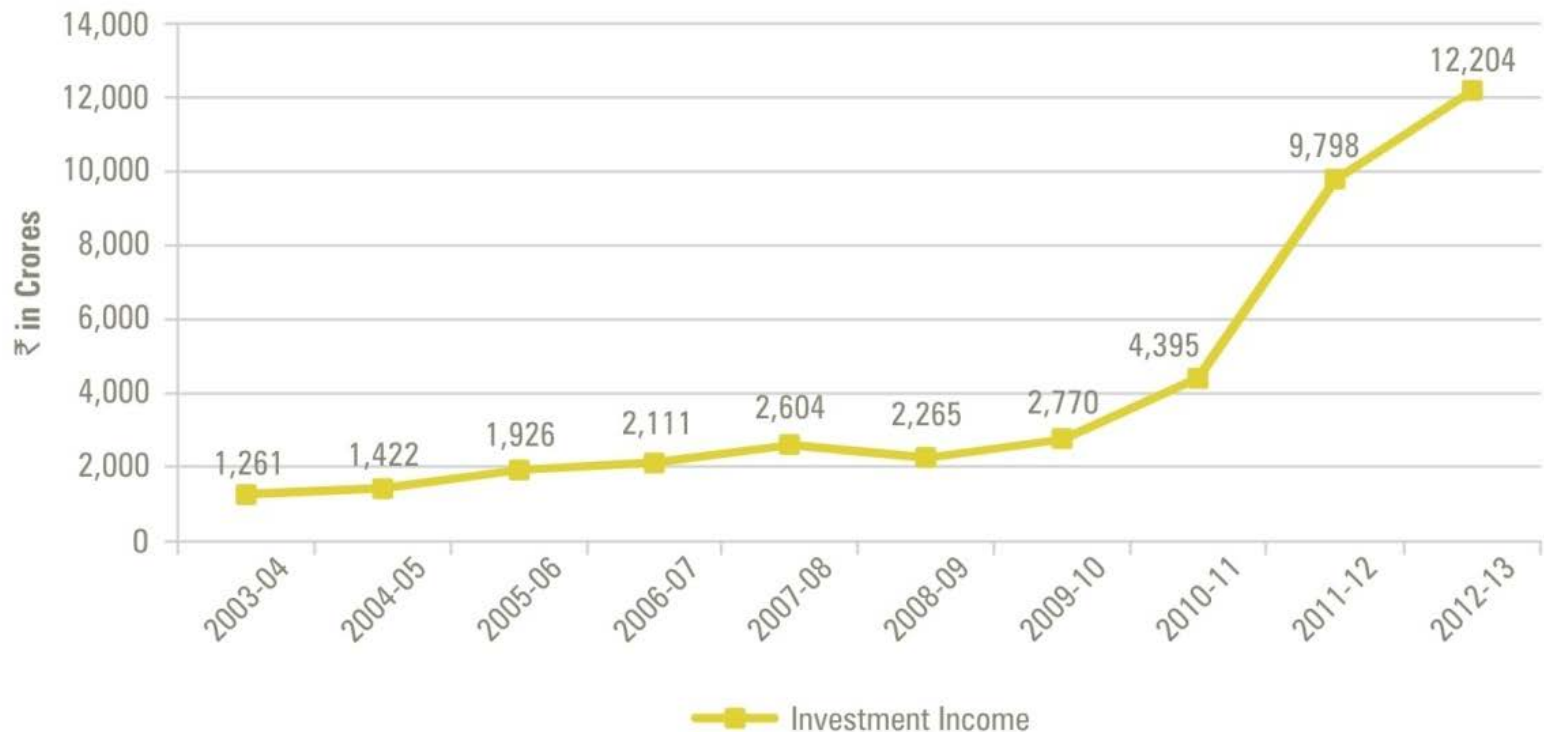
Chart 3.25 Net Underwriting Result by Type of Company
2012-13 vs 2011-12



Source: Public Disclosures 2012-13 of Non-Life Insurance Companies and data collated by GI Council

The Saviour

Chart 3.28 Investment Income



Source: IRDA Handbook 2011-12 and Public Disclosures 2012-13 of Non-Life Insurance Companies

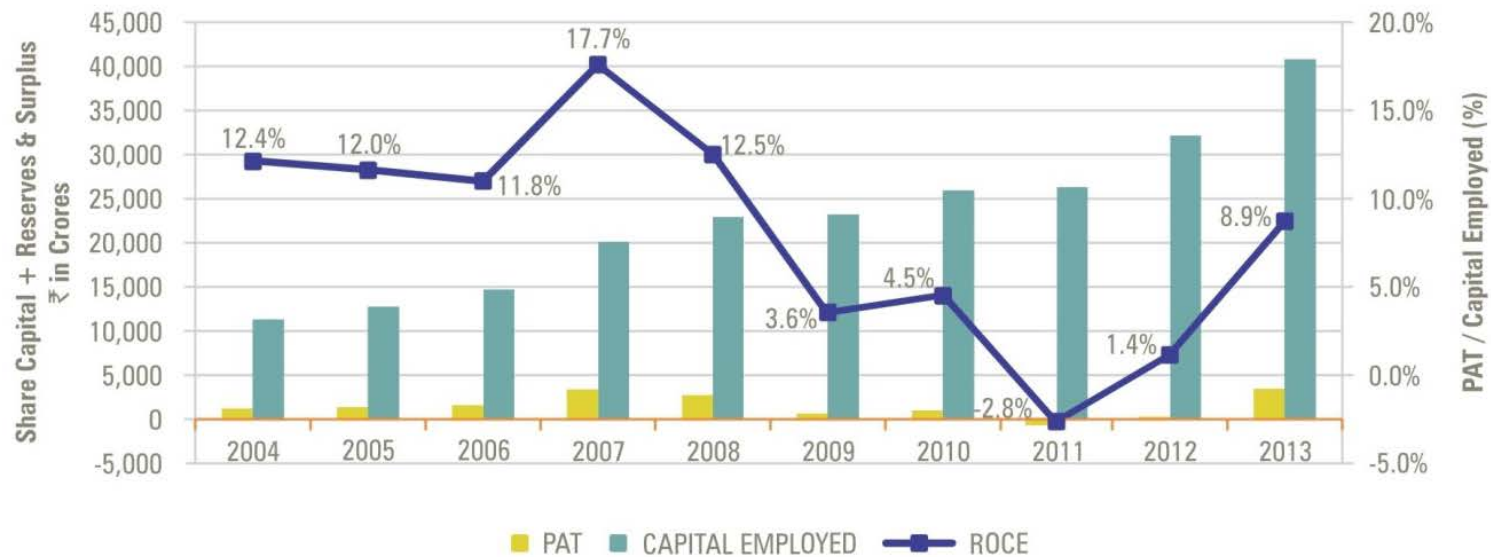
Just above the Surface

Chart 3.31 Overall Profitability



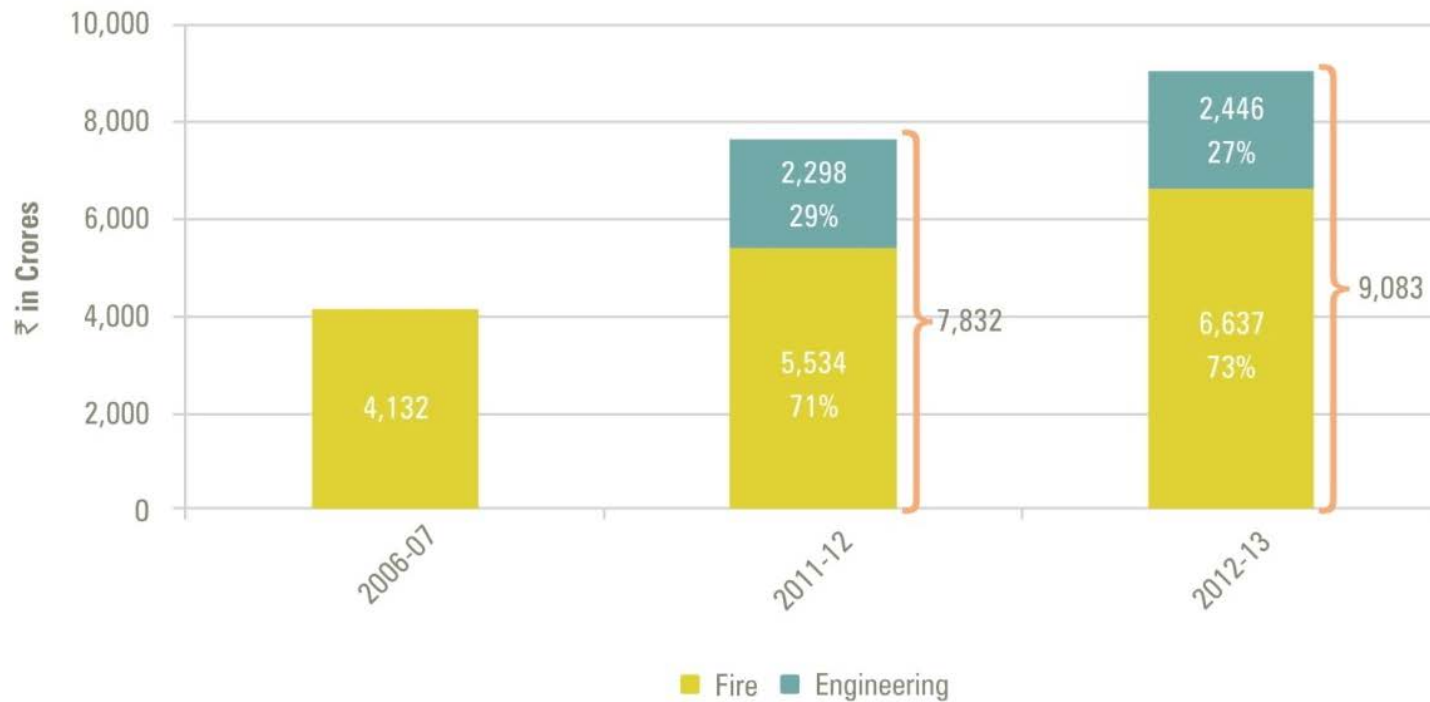
Still attractive ?

Chart 3.39 Return on Capital Employed - 10 Year Trend



Source: IRDA Handbook 2011-12 and Public Disclosures 2012-13 of Non-Life Insurance Companies

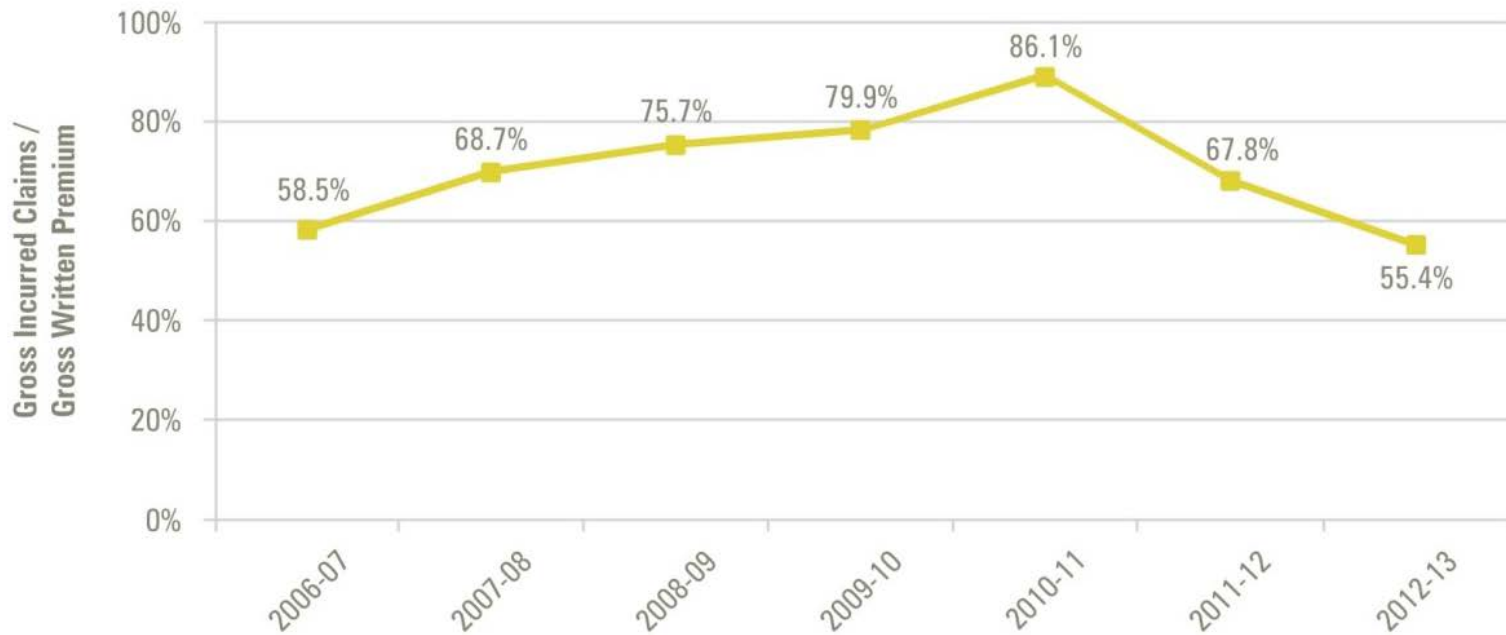
Chart 4.5 GDPI - Property



Source: Annual Reports 2012-13 of Non-Life Insurance Companies

Note: Fire/Engineering break-up not available for 2006-07

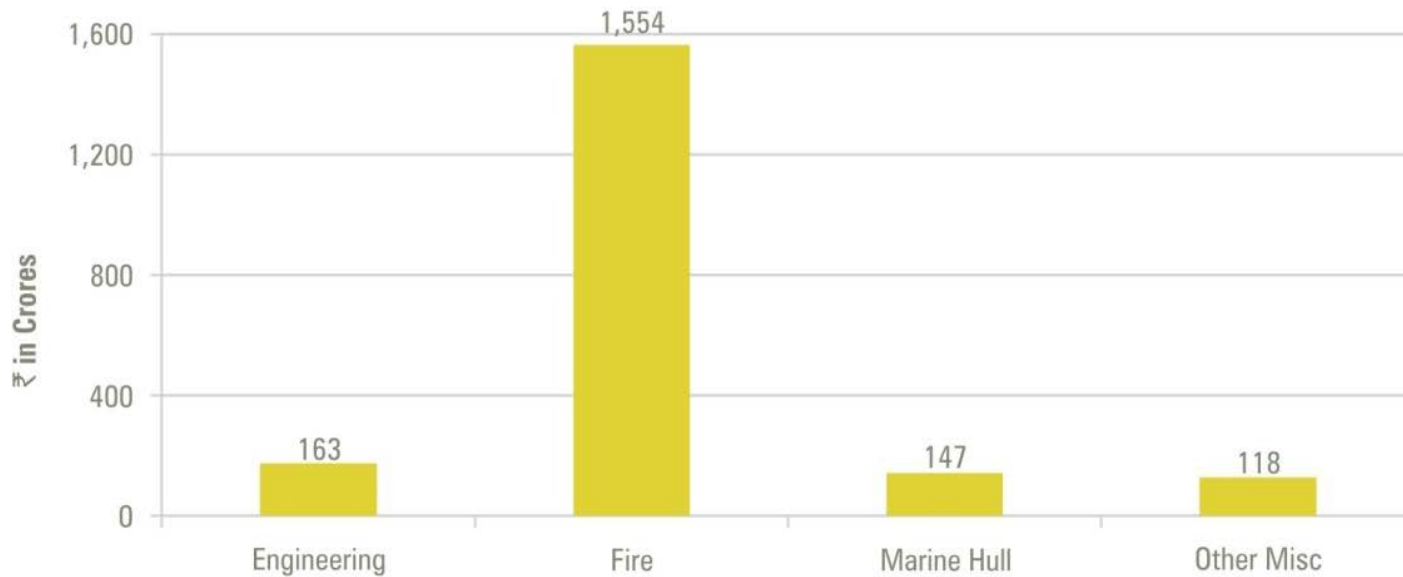
Chart 4.6 Gross Incurred Claims Ratio - Property



Source: IRDA Handbook 2011-12 and Annual Reports 2012-13 of Non-Life Insurance Companies

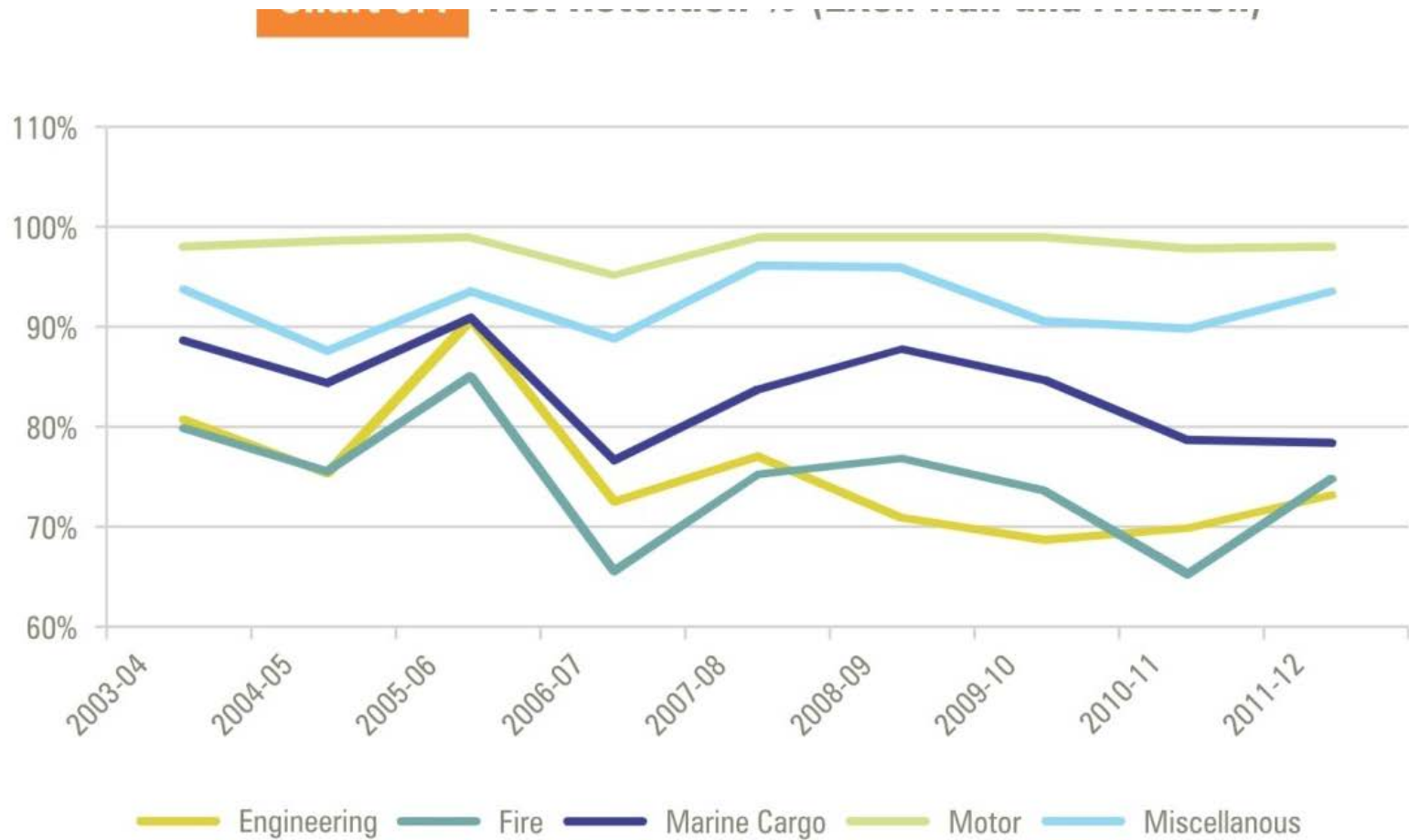
Who moved my Cheese ?

Chart 5.1 Aggregate value of Large Losses (All Classes) - 2012-13
(100% Gross Loss Threshold of ₹ 5 Crores each loss)



Source: General Insurance Council

Shooting from R/I Shoulders



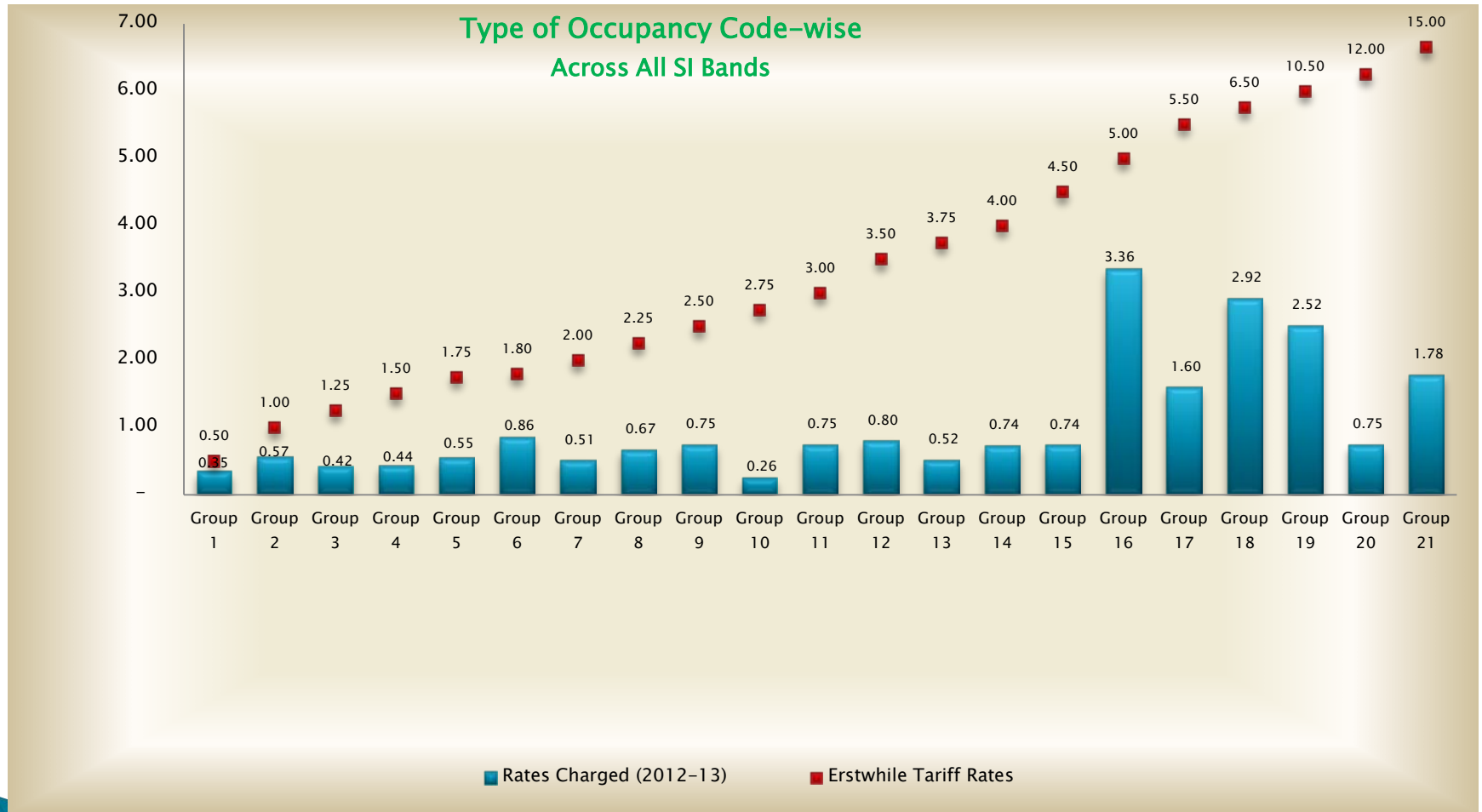
Some Gleanings

- ▶ 60% of *Fire Exposure* is observed in the Sum Insured Bands of 100–500 Cr (27%) and Greater Than 1000 Cr (33%)
- ▶ Simple Risks (Occupancies in Group 1,2 & 3) constitute 51% of the *Fire Exposure* and their total *Incurred Claim Ratio* is 54%
- ▶ The most hazardous occupancies (i.e. Group 18,19,20 & 21) constitute less than 1% of Total *Fire Exposure* with combined *Incurred Claim Ratio* of 57%
- ▶ Fire Insurance *Incurred Claim Ratio* for 2012–13 is 61%
- ▶ Based on the data for Policies issued in FY 2012–13, highest *Incurred Claim Ratio* is of 164% for Group 15 in Sum Insured Band Greater than Rs. 1000 Cr
- ▶ For Occupancies in the Groups 4,5,6 &7, *IC Ratio* increases with an increase in Sum Insured

Some Gleanings

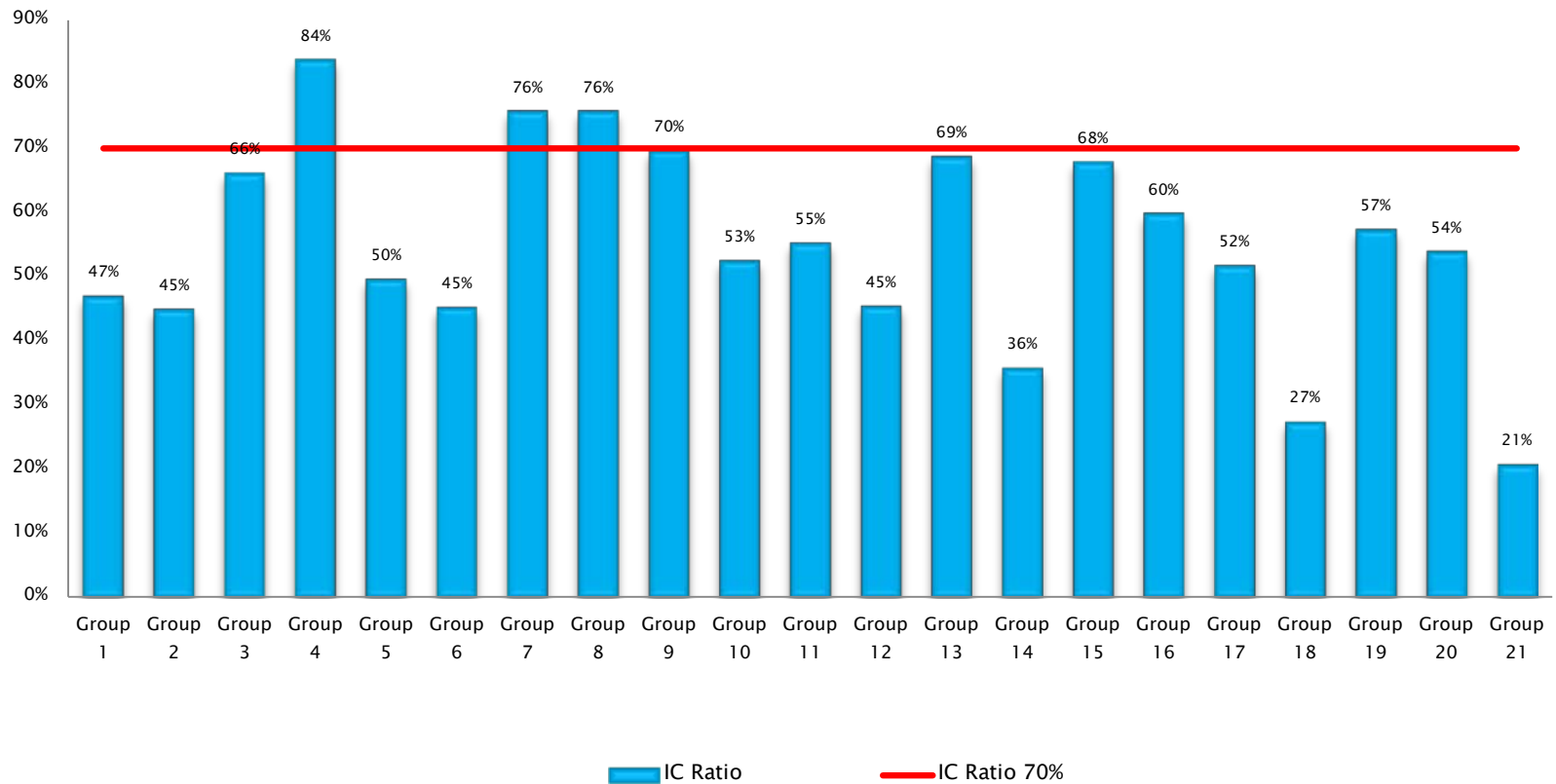
- ▶ The *Premium Rates* estimated for 2013–14 need to be revised only by ` 0.10 per mille on an average to maintain *combined ratio* in Fire Portfolio below 100% with an assumed operating expenses & acquisition cost of 25–30%* and an IC ratio of 70%
- ▶ Small Fire Policies (SI less than ` 5 Cr) account for 35% of total fire premium have an *IC Ratio* of 30% whereas Higher SI policies with Sum Insured band greater than ` 1000 Cr account for 18% of total fire premium have an *IC Ratio* of 81%, in effect small policies are apparently more profitable than Higher SI policies
- ▶ Higher SI policies with Sum Insured band greater than ` 1000 Cr are priced more aggressively than small policies (SI band ` 0 – 5 Cr) , as most of the occupancies in SI band Greater Than ` 1000 Cr are on an average 85% below the Erstwhile Tariff Rates

Price War



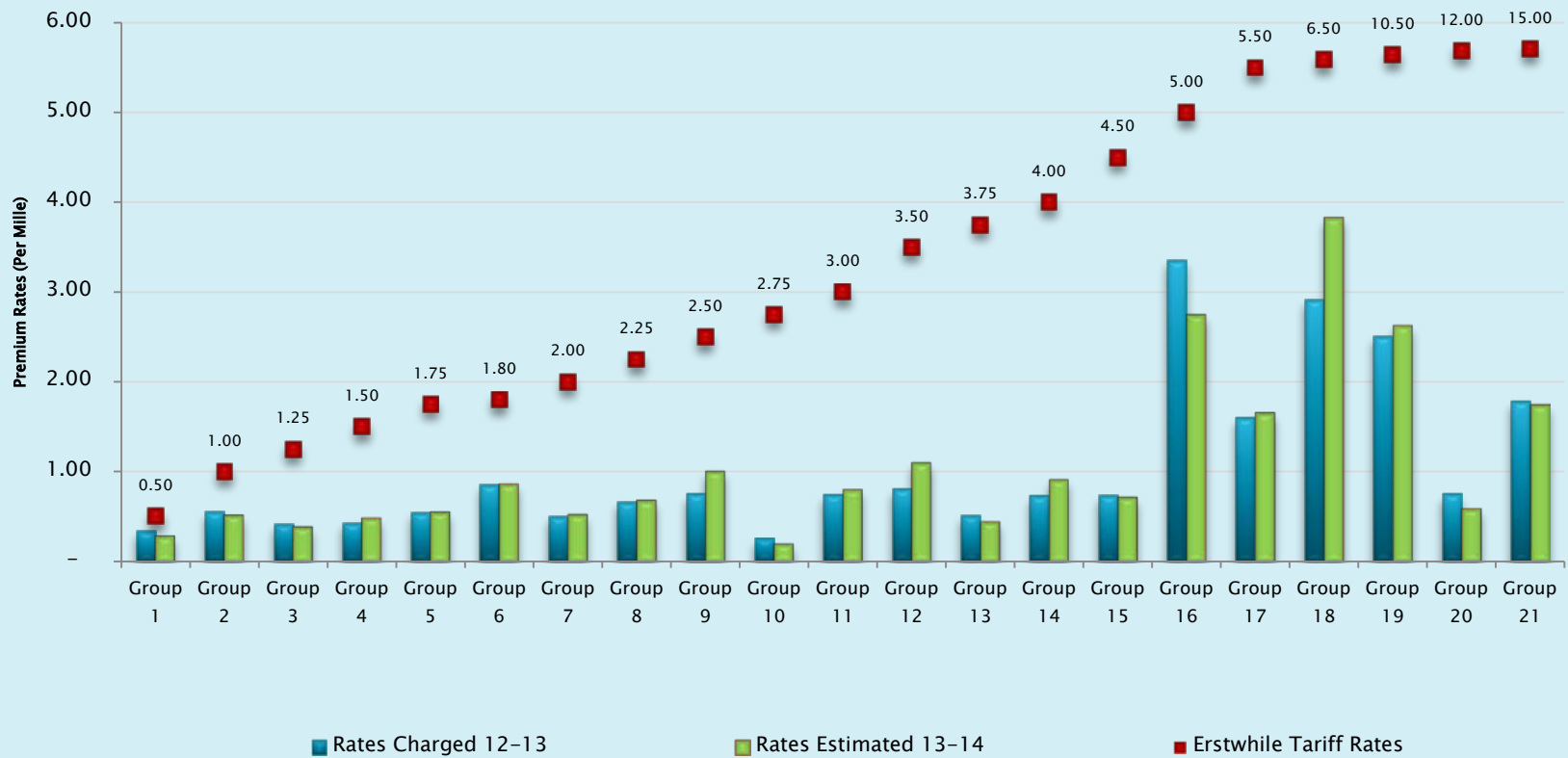
Breaking Even

Type of Occupancy Code-wise
Across All SI Bands



A Little More Please

Type of Occupancy Code-wise
Across All SI Bands



Challenges



▶ External

Macro economy

Poor Penetration

Natural Catastrophes

Business Cycle

Internal

Market Share focus

Lack of innovation

Backseat for Actuarial science

What is Missing?



Analytics



Who can bell the cat ?



I I B

