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Mumbai:

Surprisingly, Rs 2.55 trillion Indian general insurance market has turned soft for India Inc in its Apr 1 renewals after just year of hard market.

Thanks to large capacity provided by national reinsurer GIC Re, which wants to grow its top line after pruning it for the last couple of years for profitability and other reinsurers, the markets have gone soft on premiums in some of the key segments like property despite the fact that there were nine natural disasters in Fy 2023-24.

According to the industry observers, April 1. renewals are dominated by increased capacity in the market primarily provided by GIC Re and other reinsurers and undercutting of rates by primary general insurers(cedants) due to heavy competition among themselves.

Though, it was expected that the prices may go up moderately or remain stable unlike the last year, when the prices had hardened by 20-30 per cent, due to losses in market in 2023 triggered by a series of nine natural catastrophe events in 2023 including Sikkim flash floods washing away Teesta river dam, Cyclone Michiang causing Chennai floods, and cyclone Biporjoy in Gujarat and North Indian floods, the reinsurance prices have trended downwards as reflected in the negotiations among reinsurers and cedants before Apr1 renewals.

“The result of these rate fall is still not clear as to quantum as many accounts as in negotiation but the trend is clear that Apr, 1 renewals unexpectedly have turned soft,” said a CEO of a reinsurance company.

“With a robust solvency ratio of 2.94, we remain bullish to grow our top line in this Apr 1 renewals. The Indian market. market, by itself is recording a double-digit growth. So obviously, as a very important reinsurer in this market, we will see that growth in our books also,” asserted N Ramaswamy, CMD, GIC Re adding that there are also lot of undercutting happening by the general insurers.

“We have already engaged with the market participants, especially the bigger ones. And my team is already speaking to the reinsurance people to ensure that we understand what their reinsurance requirements are, and we are there to

support them for that. Definitely, a 10 per cent growth in this market can be achieved in Apr 1 renewals, said Ramaswamy.

GIC Re, the 16th largest global reinsurer, is eyeing expansion in portfolios like retail Health and Property and prefers to go slow on Crop and international business for now. With a 67% market share, it had mobilised a premium of \$4.5 billion in 2022-23.

11 foreign reinsurance branches(FRBs) in India led by Munich Re, who were expecting a price rise, have also adjusted to the market realities cautiously.

Indian general insurance market on an average reinsures 30 per cent of its business.

Ritesh Kumar, MD & CEO, HDFC Ergo General insurance, said, “In terms of increase in premiums for the commercial business, the insurance industry witnessed quite a few catastrophic events in FY 2023-24. This, along with the hardening of reinsurance rates last year, has led to most insurers increasing the rates charged in respect of STFI(“storm, tempest, flood, and inundation”) perils.”

STFI is an add-on to a fire insurance policy that provides protection against natural disasters.

T A Ramalingam, chief Technical Officer, Bajaj Allianz General Insurance, one of the top five general insurers in the country said, “Last year prices had gone up because of much hardened international reinsurance pricing. This year prices are not expected to go up but may not fall. GIC Re is providing a much larger capacity in the market this renewal and keeping the price rise on check. There were nine cat events this year, but the insured losses out of them were not much and manageable. It will not much impact pricing in Apr 1 renewals.”

According to a report by AON, the second largest re/insurance broker, following a challenging period for cedents, market conditions since the January 1st reinsurance renewals have continued to favor reinsurance buyers, with a ‘dramatic shift’ towards ‘ample’ property catastrophe reinsurance capacity, driven by attractive levels of risk-adjusted returns, having been experienced over the past 12 months.

While around 60 per cent of Asia treaty business renews at April 1st, the period also has global significance, with some of the world’s largest catastrophe programs renewing in Japan, as well as large portfolios of business renewing in other regions – including South Korea, China and India, added the report.