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Globally, the reinsurance contracts between primary insurers and reinsurers are renewed in January. After a steep rise in the last financial year, reinsurance renewal rates have been nearly flat for India in April renewals on account of increased reinsurance capacity and favourable loss experience, according to industry players.

In the current renewal, the rates have been flat to a marginal increase of 5 per cent after adjusting for risk. In comparison to over 30 per cent hardening in the renewal rates seen last year.

During the April reinsurance renewals, Indian general insurance companies transfer a portion of their risk portfolios to reinsurers by paying a certain premium to reduce the likelihood of paying a large obligation in the form of a claim.

“After the hardening last year, the global reinsurance capacity increased materially as favorable reinsurance results and shifting economic factors provided tailwinds. This has led to dedicated reinsurance capital bouncing back in 2023 and softer global 1st January renewals, which is largely driven by the US and UK. The same was observed in the India 1st April renewals where the rates were mostly flat to 10 per cent discounted on a risk adjusted basis,” said Nymphae Batra, CEO, Guy Carpenter India, the division of Marsh India Brokers that handles reinsurance.

Globally, the reinsurance contracts between primary insurers and reinsurers are renewed in January. This time the reinsurance rates in global markets during the renewals remained flat due to increased profitability and better capital position of the reinsurers.

Usually before the renewals, the general insurance industry conducts discussions with the international markets to understand trends during renewals and according to general insurers, the feedback from the January renewals revealed that there was no softening of market rates with the rates being nearly flat.

According to experts, the reinsurers led by the state-owned GIC Re, are also noted to have increased their capacities across business lines further encouraging the rates to stabilise.

“We have seen a few new reinsurance capacities coming from both international and domestic players. Most of the treaties are led by the national reinsurer, which is GIC Re. This year, we have seen GIC Re increase their capacities as well. They are pretty comfortable with it. There are losses, but not something that is critical enough or that is a concerning number,” said Prateek Singhal, Head Reinsurance, Howden India.

Voicing a similar opinion, T A Ramalingam, chief technical officer, Bajaj Allianz General Insurance noted that GIC Re has been more active during renewals this year. “In the last 2 years, they have been more cautious. I think this year they have been much more open to write different lines and for bigger players during this renewal.”

Although the Indian insurers suffered Natural Catastrophes (NATCAT) losses during the year, most of it has been absorbed by the domestic market causing the rates to be nearly flat or witnessing a slight reduction in the segment.

According to Hiten Kothari, Chief Underwriting Officer & Chief Actuary, HDFC ERGO General Insurance Company, there is an increased frequency of natural catastrophes with the general insurance industry increasing the premium rates for STFI (Storm, Tempest, Flood, And Inundation) by around 20 per cent.

Even as the reinsurance rates remained generally flat across major segments backed by increased capacity, cyber insurance renewals witnessed an upward pressure as the reinsurance community found the segment tough amid surge in cyber risks.

“The cyber insurance segment continued to see some upward pressure on renewal rates, reflecting ongoing concerns about the evolving cyber threat landscape,” noted Deepak Kumar, Executive Vice President and Head Reinsurance, TATA AIG General Insurance.

However, according to industry officials, certain reinsurers are looking to increase capacity in this segment as it gets more niche. Meanwhile, there is also an increase in insurance companies who are searching for a separate cyber treaty with dedicated cyber capacity providers.