Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

23rd -29th Sept 2017

• Quote for the Week •

"If we take care of the minutes, the years will take care of themselves."

Benjamin Franklin

INSIDE THE ISSUE

Insurance Industry

Insurance firms can benefit from blockchain – Mint – 29th Sept 2017

Fake claims are a huge problem for the Indian insurance industry. India reportedly has crime "syndicates" that focus mostly on insurance fraud. Such fraudsters identify individuals with terminal illnesses, promise their families a cut, pay minimum premium and even undertake all the paperwork. Cases range from fake certificates for a "Ms Sonia Gandhi" to sham funerals of unclaimed corpses. These syndicates know that insurance companies cannot verify the information of every single applicant. Annually, fraudulent claims cost an estimated Rs 10,000 crore to the industry.

Insurers are constantly trying to establish safeguards that can raise red flags during the claims processes. Many are applying advanced analytics, deploying eKYC (electronic know your customer) forms and automation to help identify cases of fraud. But, despite improvements, many times these safeguards trigger only after the "ship has already sailed".

What if there existed a system that could detect fraud instantly? A system that would minimize fraudulent claims or loss adjustment expenses with a massive, decentralized database using real-time data sources?

Enter blockchain—the platform for bitcoin, the world's most popular cryptocurrency. A distributed ledger that maintains a growing list of data, secured from tampering or unsolicited change, blockchain ensures that financial transactions remain secure and somewhat anonymous. The key here is secure and semi-anonymous data, something the insurance industry desperately needs.

What are some of the possibilities for blockchain adoption by the insurance industry?

Minimizing identity theft: With fraud detection, the biggest problem is that it takes time to validate each applicant. Blockchain can solve this, by effectively serving as a cross-industry, distributed registry with external and internal customer data. Once the data is digitally in, the platform would automatically validate authenticity of documents (medical reports, address proof, Aadhaar), check for police reports/verification and detect patterns of any fraudulent behaviour related to specific identities. This would speed up processes and minimize human intervention, thereby cutting down corruption and dissuading future criminals.

Limiting cyber liability: As the data is decentralized and immutable, false billings and tampered documents are less likely to be overlooked. Insurers will be able to lower their loss-adjustment expenses and mitigate not just identity theft but cyber liability losses too.

Decentralized data repository leading to enhanced security: A primary concern with online entries is that an individual's data might get compromised by third parties storing that information. Currently, data is stored at a central location with necessary software protection. But with blockchain, the data will be stored on multiple locations, requiring multiple permissions to be changed. Also, it's encrypted at the transaction level to preserve anonymity, guarded against any breaches. Lastly, it is verified data that can be trusted. This makes it one of the most secure options at present.

Data management foundation:Blockchain at its core is a data store—with correct, accurate and trusted data. It needs a robust infrastructure and data-management backbone. Data centresaround the world need to develop innovative approaches that can manage a decentralized repository. They require data integration technology that can connect and transform data between different blockchains plus internal network systems. The process must be backed up with investment and coherent strategies.

Cost-saving opportunity: According to a PwC report, due to the potential for more efficient data processing and reductions in fraud, blockchain could remove 15-25% of expenses accrued during insurance processes, delivering an industry-wide saving of $5-10 billion.

Blockchain technology has many benefits that can help the insurance industry but it's not a magic wand that can solve everything at a go. It needs participation and collaboration between insurers, partners, customers and other parties (government, law enforcement and others). Only then can it be scaled up to build a profitable, cost-saving and secure ecosystem.

The insurance industry has by and large been quite conservative when it comes to emerging technologies. But, as the number of fraud cases coupled with low insurance penetration (3.49% only in India in fiscal year 2017) show, the time has come to evaluate existing paradigms and hunt for new ones.

Source

Blockchain can help not only save claims costs but also open up new avenues of marketing in a timely manner.

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Insurance Regulation

Irdai panel to help move to risk-based capital norms in 3 years - The Financial Express – 24th Sept 2017

Insurance regulator Irdai has formed a ten-member steering committee to help implement by March 2021 the new risk-based capital (RBC) regime that will also enhance protection to policyholders. The decision to move to the RBC norms from the current solvency principle regime has been taken after recommendations of a panel which gave its report in July this year, Irdai said in a notification. A shift in regime is felt because the current solvency based rules do not help in assessing whether the capital held is adequate enough for the risks inherent in the insurance business, it added.

The RBC Committee headed by Dilip C Chakraborty in its report to Irdai suggested that the industry should move ahead with RBC to ensure that capital held by a company will take into account its overall risk profile. "Moving to RBC would also lead to enhanced protection to policyholders where it becomes possible to understand the level of confidence provided by the capital for a given level of risks," it had suggested. As also, the global insurance industry has moved to RBC regime, the committee in its report said it was time for India to move in that direction.

Before its recommendations to Irdai, the committee also had done a survey of life insurance companies in which majority of them favoured the RBC regime. The ten-member steering committee is tasked to ensure smooth and timely implementation of RBC regime from existing solvency capital regime and ensure completion of the project as per target. It will also recommend the scope of work of the external consultants for the new regime.

The committee will be headed by Irdai Member (Actuary), PournimaGupte. Other nine members of the committee include four Irdai officials; Chairman of RBC Committee; Chairman of Life-sub- committee of RBC Committee; Chairman General-sub-committee of RBC Committee, one senior external actuarial advisor and one representative from the Institute of Chartered Accountants of India. The new RBC Regime is expected to be implemented by March 2021 while the current Solvency Regime will continue till switch over to the RBC Regime.

Source

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Decision on PEs investing in insurance firms in a month: Irdai chief - Business Standard – 23rd Sept 2017

Expressing concern over private equity (PE) firms buying stake in insurance companies, Insurance Regulatory and Development Authority of India (Irdai) Chairman T S Vijayan on Friday said the regulator will come out with a decision on this in a month's time. They have also formed a team to look into the matter legally.

"In insurance companies, we look at it in two different ways — investors and promoters. Anybody can invest in the company; for promoter, we are studying what is the feasibility, and if at all somebody is coming, what are the conditions that need to be in place," Vijayan said.

PE firms have invested heavily in leading insurance companies such as SBI Life Insurance, ICICI Lombard General Insurance, HDFC Life Insurance and Max Life Insurance. The firms who have invested in these companies are KKR, Temasek, Warbug Pincus LLC, Clermont Group and Premji Invest.

Speaking at the Assocham Global Insurance Summit, the Irdai chairman said, "In Irdai, we have things like 150 per cent of solvency margins irrespective of numbers etc. We are trying to move towards risk-based capital model. We have started forming a committee, taking opinions from industry and professionals. It will take time as it is not an overnight type of thing."

With ICICI Lombard and SBI Life in line to get listed this year and HDFC life also looking to list its business in FY18, Vijayan said while it would be nice if the more than 50 insurance firms come to the market, the regulator wouldn't force the companies to come out with an initial public offering.

Last August, Irdai had come out with a discussion paper on listing of all life and non-life insurance companies. The insurers, back then, had protested against the mandatory listing of insurance companies.

On the controversy surrounding the Pradhan Mantri Fasal Bima Yojana, where it was stated that insurance companies were reaping profits, the Vijayan said, "Pradhan Mantri Fasal Bima Yojana was a big success and has increased the insurance penetration to a great level. These types of schemes cannot be evaluated in one single year. It needs building up of reserves, reinsurance support and evaluation of the extent of damages...."

Source

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India: Regulator to impose tighter review of insurance liabilities – Asia Insurance Review

Indian insurers are likely to face stricter scrutiny over the assessment of their liabilities, as part of the insurance regulator's efforts to improve transparency in the industry. The IRDAI has proposed a set of regulations on actuaries, as it wants the involvement of independent actuaries in the process, reported BloombergQuint.

"There is no statutory review of the insurance liability figures by an independent assessor to avoid any error, fraud, material misstatement in the reported liability figure, when such liability constitutes significant part of the balance sheet of the insurer. There appears to be a gap in the existing norms," said a note released by the regulator earlier this week.

The regulator's move to push companies to follow stricter assessment of liability and risks follows the strong growth of insurance as Indians move from physical assets to financial savings, especially after demonetisation last year.

There have been instances where insurers under-reported reserves against their liabilities, said MrNidhesh Jain, insurance analyst at asset management company Investec. The new regulation will ensure more transparency in reserving and increasing investors' confidence in the numbers reported by insurance companies, he said.

Under the existing practice, the liability figures arrived at by actuaries are directly adopted by an external auditor with a qualification in the audit report that puts the onus on the creator of the data. Once finalised, the norms will be applicable to life, non-life, health insurance companies in the country as well as reinsurer GIC Re. Hiring an external actuary will then become mandatory from March next year.

As per the draft guidelines, the external actuary cannot be over 75 years of age and should not be associated with any insurer in India. The regulator has also drafted a structure for presentation of the external actuary's report to the board of an insurance company before the adoption of annual accounts. The report and the financial statements must be submitted within 15 days after shareholders' approval.

Source

Life Insurance

Bank retirees may have to pay more for renewal of mediclaim policy with domiciliary cover - The Hindu Business Line – 11th Sept 2017

Life insurers will no longer be able to manipulate claim settlement data in ads - The Economic Times – 22 sept 2017

The Insurance Regulatory and Development Authority of India (IRDAI) recently issued a circular directing life insurance companies to follow a standard practice while communicating death claims data in their advertisements.

To maintain uniformity across the industry, life insurance companies can now only publish annual figures of death claims paid ratios (number of claims paid to number of claims received) based on the number of policies. Illustratively, if an insurer settles a certain number of claims, say, 5,599 in a year out of 6,699 received, then in the advertisement they need to show these figures, not the percentage of claims settled, in this case 83.5%.

The circular clearly says that no other information related to death claim payments, other than the number of policies can be a part of an insurance advertisement.

The boundaries

IRDAI has also mandated that such figures should be for a full financial year and based on the latest annual report of the regulator or the most recent annual audited figures that the insurer has submitted to IRDAI.

Further, to prevent insurers from clubbing data for individual and group insurance policies, IRDAI has directed them to publish the data separately. Therefore, insurance advertisements for individual products shall only reflect individual death claims paid ratio.

And in the case of advertisements promoting the company's brand without reference to products, then only individual death claims paid ratio is to be used and not the group claims ratio.

Source

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Health Insurance

Insurance cover for aided, unaided school teachers - Deccan Herald – 28th Sept 2017

The state government on Wednesday agreed to include teachers of aided and unaided educational institutions under 'JyothiSanjeeviniprogramme', a medical insurance scheme for state government employees.

A decision to this effect was taken at a meeting of teachers' and graduates' constituency MLCs with Chief Minister Siddaramaiah in Bengaluru.

The MLCs had gone on a day-night dharna between September 6 and 15 seeking various demands. Siddaramaiah had then assured them that he would look into their demands.

It was also decided to provide aid to all primary, high schools and pre-university colleges established between 1987 and 1995, Primary and Secondary Education Minister Tanveer Sait told reporters after the meeting. The move will include around 600 educational institutions.

Source

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General Insurance

Insurers designing customised cyber security policies - The Hindu Business Line – 28th Sept 2017

As incidents of ransom-ware attack rise — at least 10,000 attacks a day across the world — insurance companies are planning customised standalone products for companies and organisations in India.

Such products are already available in the US. However, in India, insurance companies primarily sell cyber threat products as part of bundled offers covering risks of 'errors and omission', 'computer crime', 'commercial crime', and so on.

"We are looking at designing customised standalone products," Sanjay Datta, Chief – Underwriting & Claims at ICICI Lombard General Insurance Company, told BusinessLine.

Rising threat
India got a real taste of this new-generation crime during the 'WannaCry' attack in May impacting businesses in 150 countries. According to a Quick Heal report, there were at least 48,000 attacks in the country.

Apart from the corporate sector, utilities, police and government services were impacted. Ransoms were demanded in Bitcoins from JNPT, West Bengal State Electricity Distribution Company, Andhra Police, panchayats in Kerala and others.

Praveen Jaiswal, co-founder of Kolkata-based cyber defence firm Vehere Interactive, warns: "Companies which track or store customer spending patterns and financial data are amongst the most vulnerable ones."

Typically, hotels and hospitality; banking and financial services; transport and logistics, and e-commerce are among the most vulnerable sectors.

Nascent market in India
Indian companies, however, are still slow to react.

According to Anurag Rastogi, Member of Executive Management, HDFC ERGO General Insurance, only 150-200 companies in the country have taken cyber insurance, with gross underwritten premium of $9-10 million (around Rs60-70 crore).

In comparison, global cyber insurance premium stood at $2.5 billion in 2014. Of this, $2.25 billion, or 90 per cent, was paid by US companies alone.

According to a PwC report, the cyber-insurance premium market could grow to $5 billion by 2018 and to at least $7.5 billion by 2020. "Fast-growing demand for cyber insurance offers are huge commercial opportunity for insurers," it further said.

Sources in e-commerce companies and at least one FMCG major acknowledged the need for greater cyber security coverage. The risk is not merely for large corporates or organisations, even individuals may be affected.

HDFC ERGO has identified retail cyber insurance as a potential segment and is working towards having offerings in this category. Currently, no insurer in India offers products in this segment."We are in the process of developing and filing retail cyber products," Rastogi added.

Source

State-run National Insurance Company, too, is in talks with specialised brokers and reinsurers to tap this segment.

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Air India reduces its 2017-18 insurance premium payout by 20% - The Hindu Business Line – 26th Sept 2017

Air India has saved close to $4 million (₹26 crore) in the premium it has to pay for getting its fleet of over 100 aircraft insured for 2017-18, a reduction of 20 per cent in the insurance premium payout for the previous year.

The insurance cover for the AI fleet runs from September to October of the next year. A senior official told BusinessLine AI was able to negotiate a lower premium for 2017-18 as its safety record was good.

No major damage
In effect this means the aircraft in its fleet did not suffer any major damage for which AI would have had to file a claim with the insurers.

In the airline industry, if the claim by any airline exceeds 40 per cent of the premium paid, there is generally an increase in the premium for the following year.

Globally no airline is allowed to fly its aircraft till such time as the fleet has insurance cover.

This is not a lone instance of Air India being able to negotiate a better insurance premium payout. As far back as in 2004, the airline was able to negotiate an over 20 per cent reduction in its insurance premium payout. It had been the second successive year for it to do so.

Source

Non-life insurance sees robust growth - Business Standard – 23rd Sept 2017

Backed by a healthy growth ain motor and health insurance, investments of non-life insurance companies rose by around 128 per cent in the past five years. A majority of the investments got channelised into government securities.

According to the data from the Insurance Regulatory and Development Authority of India (Irdai), total investments of non-life insurance companies as of March 31, 2016, stood at around Rs 188,126 crore, against Rs 82,520 crore as of March 31, 2011, a growth of 128 per cent.

In 2017, the premium collected on account of crop insurance scheme is likely to significantly add to the investable pool of non-life insurers. Informal estimates suggest, total premium collected from the first year of operation of Prime Minister FasalBimaYojana (PMFBY), launched in February 2016, is expected to be around Rs 22,000 crore.

According to Sanjay Datta, chief underwriting and claims, ICICI Lombard General Insurance, much of the growth of non-life insurance has been driven by retail participation, particularly motor and health insurance. At present, at ICICI Lombard, retail accounts for about 65 per cent of the total premium collection, which was around 50 per cent about two to three years ago. “Over the last two to three years, we have seen a 15-16 per cent growth in premium, mostly driven by health and motor insurance,” said Datta.

The motor insurance business continued to be the largest non-life insurance segment with a share of 43.89 per cent in 2015-16, against 44.14 per cent in 2014-15. It reported growth of around 13.17 per cent in 2015-16, against 10.52 percent in 2014-15. However, one of the highest growth in the general insurance sector comes from health insurance. The premium collection in this segment stood at Rs 27,457 crore in 2015-16, against Rs 22,636 crore of 2014-15, a growth of 21.30 per cent. Further, after the IPO of the public sector general insurance companies, the retail penetration of non-life insurance is likely to increase due to heightened competition to grab a market share.

“After the successful IPO, the general Insurance companies in the fray would secure capital which would enable them for higher growth. Currently, due to solvency margin restrictions, growth is measured and controlled. This would change as the insurers would be free to expand and this might result in higher discounts as they would try and increase the market share. As of now there is no scope for discounts, but the picture would change once the capital flows in,” said K Sanath Kumar, chairman and managing director, National Insurance Company.

Much of the investment brought about by growth in general insurance has flown into government debt over the past five years. General insurance companies are mandated to invest about 30 per cent of their premium in government securities. However, most insurance companies have been investing more than required in government securities. As of March 31, 2016, nearly 27 per cent of investments of general insurance companies went into central government securities, while around 12 per cent went for state government and other approved securities.

At National Insurance, nearly 41 per cent of investments are into government securities, according to a senior official of National Insurance. Non-life insurance industry underwrote total direct premium of Rs 96,379 crore in for year 2015-16, against Rs 84,686 crore in 2014-15, registering a growth rate of 13.81 per cent as against 9.20 per cent growth rate recorded in the previous year.

However, the overall penetration of general insurance in India continues to be very low. As on 2015, the penetration of non-life insurance in India was around 0.72 per cent, against 2.72 per cent penetration of life insurance.

Source

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Reinsurance

General Re, unit of Warren Buffett's Berkshire Hathaway, targets world-beating India market - The Financial Express – 28th Sept 2017

General Re, a unit of Warren Buffett's Berkshire Hathaway Inc. which won a license to open an Indian office in May, is seeking a larger slice of the world's fastest-growing reinsurance market. The unit plans to expand in health and life insurance, as well as explore opportunities in property and casualty cover, said Venkatesh Chakravarty, chief executive officer of General Reinsurance AG India Branch. The plan is to help clients develop new products, distribution channels and enter newer market segments, he said in an interview.

Gen Re's entry follows a rush among foreign reinsurers such as Munich Re, Swiss Re AG, London-based Lloyd's and SCOR SE after Asia's third-biggest economy opened the sector in 2015. The market is forecast to grow at an average annual growth rate of 9 percent from 2017 to 2022, according to Reports Monitor. "Given the under-penetration of insurance, the growth momentum is expected to continue for both the insurance and reinsurance industry," Chakravarty said. "India is an important market for us, which is the reason for setting up a branch. We are here for the long haul."

Building a business in India could help Gen Re's turnaround. A glut of capital in the global reinsurance industry in recent years has caused prices for some kinds of coverage to sag. Rather than take on policies at those lower rates, Gen Re has said it's turning away some business. In India, where competition is heating up, Chakravarty emphasized that Gen Re would continue to prioritize profitability.

"Gen Re isn't focused on growing the top line or the market share at any cost," said Chakravarty.

Buffett's Lieutenant

Buffett asked one of his top lieutenants, Ajit Jain, to oversee the reinsurer last year. Soon after, Jain wrote a lengthy memo to Gen Re's staff suggesting areas where they could streamline operations and change how it does business to be more competitive. The efforts are starting to show. In the first six months, premium revenue climbed 7 percent to $2.97 billion, driven by gains at the property-casualty unit. Underwriting results, however, have been hurt by an increase in costs tied to natural disasters.

Gen Re may benefit from Indian insurers flocking to list their shares if IPO proceeds are used to write more polices, Chakravarty said.First time listings in India are headed for a record year as insurers tap increasing investor demand for financial assets. ICICI Lombard General Insurance Co. raised 57 billion rupees ($877 million) on Sept. 21, while SBI Life Insurance Co. is looking to raise $1.3 billion. Deals are also in the offing from HDFC Standard Life Insurance Co. and state-run General Insurance Corp. of India.

Source

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Survey & Report

Insurance sector undergoing disruptions, says report – Mint – 24th Sept 2017

The insurance industry in the country is undergoing multiple disruptions in its functioning and the trend will accelerate in the future, a report says.

The operating and business models of insurers have been evolving due to the disaggregation of the insurance value chain, according to the report prepared by industry body Assocham in collaboration with Ashvin Parekh Advisory Services.

Recent technology trends such as artificial intelligence (AI), machine learning, blockchain and robotic process automation (RPA) have significant potential to streamline insurance operations and enhance customer experience, it added.

Insurers have begun capitalising this potential of technology to address rising customer demands and expectations. Where the major task has been customer acquisition and servicing for the insurance industry, technology has made it easier to manage the sourcing by way of interactive machine learning and artificial intelligence tools, the report said.

"Three disruptions including technology, financing of insurance companies and the policy and regulations will perhaps pose new challenges for the industry," Ashvin Parekh, managing partner, Ashvin Parekh Advisory Services told PTI.

Commenting on the performance of the industry, he said the "insurance sector has done well last year. The disintegration of banking reforms in crop insurance has helped both life and non-life insurance sectors".

At least four insurers — ICICI Lombard, Birla Sun Life, PNB MetLife and HDFC Life — are already using advanced technology for either customer support or sales. As per the report, the insurance sector has grown fairly well in the past one year, with both life and non-life sectors recording higher than previous year premiums.

The average growth rate for the industry has been around 10-12%. However, the growth for the health sector has not been at par with life and other non-life streams.

Source

From the regulatory point-of-view, there have been several positive changes on matters such as distribution channels and introduction of new avenues of capital raising, the report said. IPO regulations have been introduced for the insurance companies. Post introduction of these regulations, several insurance companies have filed their IPO applications. Also, the regulator has opened the gates for insurance companies to raise capital from alternative routes such as preferred share and subordinated debt.

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IRDAI Circular

Source

Exposure draft on "Guidelines for Independent Assessment of Statutory Actuarial Valuation" ia available on IRDAI website.

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Global News

Global: Insurers rethinking investments as key to improving future profitability – Asia Insurance Review

Insurers are facing a profitability squeeze and are increasingly looking to their investment portfolios as a larger component of profitability, according to a study commissioned by BlackRock, a global leader in investment management, risk management and advisory services.

BlackRock's sixth annual global survey of 300 senior insurance executives found that two-thirds of insurers agree that re-thinking the investment portfolio will be vital to maintaining or improving the future profitability of their business. Over two-fifths (41%) said they were under growing pressure to generate a greater contribution from investments to their overall profitability.

Against a backdrop of ultralow interest rates and challenging underwriting margins, insurers have taken numerous measures to grow revenues and cut costs in years past, and their efforts have helped somewhat: almost half of survey respondents (44%) reported no change to their profitability over the past five years, despite the headwinds facing the industry.

To achieve these results, most insurers have primarily focused their efforts on underwriting and operational changes. Now, however, two-thirds (66%) believe rethinking their investment portfolio will be key to improving future profitability. This is a major shift: only 28% of respondents have made generating higher investment returns their top priority last year.

Alternative assets

An overwhelming majority of respondents (84%) state that embracing private market or alternative assets will be a key component in improving the returns of investment portfolios, while almost 70% see "significant room" to improve their management of portfolio risk and capital efficiency.

Mr David Lomas, head of BlackRock's global insurance asset management business commented: "Insurers are under increasing pressure to improve their profit margins against a backdrop of continued geopolitical uncertainty, the low yield environment, regulatory constraints and intense underwriting competition.

We're seeing attention turn to investment portfolios and performance as a greater source of total profitability. As appetite for increased investment risk exposure has ebbed over the last year, insurers are looking instead to optimise for risk and are turning away from traditional asset classes in order to generate returns."

Asset allocation trends also signal a move away from fixed income. Just 9% of respondents intend to increase allocations to government bonds, compared to 47% in 2016, while the proportion intending to reduce exposure has jumped to 31% from 3% last year.

Appetite for municipal bonds is also much weaker, with just 9% planning to increase allocations, compared to 42% last year. 16% of respondents plan to increase their weighting of high yield corporate bonds, down from 29% last year, with 33% opting to cut their exposure.

Risks rising up the agenda

As insurers look to improve returns from investment opportunities, an array of macro and regulatory obstacles remain. Geopolitical risk, encompassing worries over populism, protectionism and regional tensions, is now seen as one of the most serious macro risks the industry faces, selected by 71% of respondents, up from 51% in 2016. APAC data showed an even bigger jump in citing geopolitical risk as the most concerned risk, up from 52% in 2016 to 77% this year.

Concern around regulatory risk has also increased markedly. Almost two-thirds (64%) of insurers surveyed cited regulatory risk as one of the biggest challenges facing the industry, up 18% from 2016 (46%) and compared to just 40% in 2014.

In APAC, three quarters (75%) surveyed cited this as the second biggest risk, up 29% from 2016 (46%). Over two-fifths (42%) of respondents highlighted the current regulatory environment as limiting the investment options available to their organisation that would improve returns and drive total profitability.

Market risks have become increasingly pronounced, and for the first time in the survey's history the three most cited market risks all scored above 70%. Liquidity risk and asset price volatility were both cited by 74% of respondents as one of the top three market risks posed to their firm's investment strategy over the next 12-24 months, while a sharp rise in interest rates was cited by 72% of respondents.

This is particularly evident among APAC insurers, with over 85% of respondents citing these three factors as the most serious market risks, highest amongst other global peers.

Against this backdrop of perceived macro and market risk, 79% of insurers indicated that they feel comfortable with their current risk profile, up from 46% in 2016. The proportion of insurers looking to increase risk has dropped significantly, down to just 9%, compared to 47% in 2016.

Capital management

Nearly three-quarters (70%) of respondents believe there is significant room to improve portfolio risk and capital efficiency management. Almost a third (30%) of participants say they are carrying more capital, relative to the amount required by their regulators, than they were five years ago, with 61% saying the level remains unchanged over the past five years.

Respondents cited the needs to manage asset volatility (55%) and underwriting volatility (54%) as the main reasons for increasing or maintaining capital levels.

The need to manage asset volatility was also cited as one of the main justifications for carrying excess liquidity (51%). Insurers cited a desire to hold excess liquidity to be able to respond to rising rates (40%), volatility on the underwriting side of their business (40%) and regulatory requirements (36%). Overall however, three quarters of respondents believe their liquidity level is appropriate for their current and projected liabilities.

Source

The Economist Intelligence Unit (EIU), on behalf of BlackRock, surveyed 300 senior executives globally in the insurance and reinsurance sectors with estimated assets under management of $9.7 trillion during July 2017.