

Changing Landscape of Liability Risks & Insurance

Presentation by GIC Re, Mumbai

(Shimla, 21-24 November 2013)

GIC Re Profile

- Leading global reinsurer providing reinsurance and risk solutions
- The Indian reinsurer with global footprint
 - Branch office in UK, UAE, Malaysia
 - Representative office in Russia
 - Joint venture in Bhutan
 - ‘Eventual’ reinsurer in Brazil
 - Proposed Expansion plans in Latin America, South Africa, Myanmar
- Leader in SAARC & Afro-Asian markets
- Supporting and Strengthening the Indian insurance industry over last four decades
- Rate ‘A-’ (Excellent) by A.M.Best

GIC Liability Team

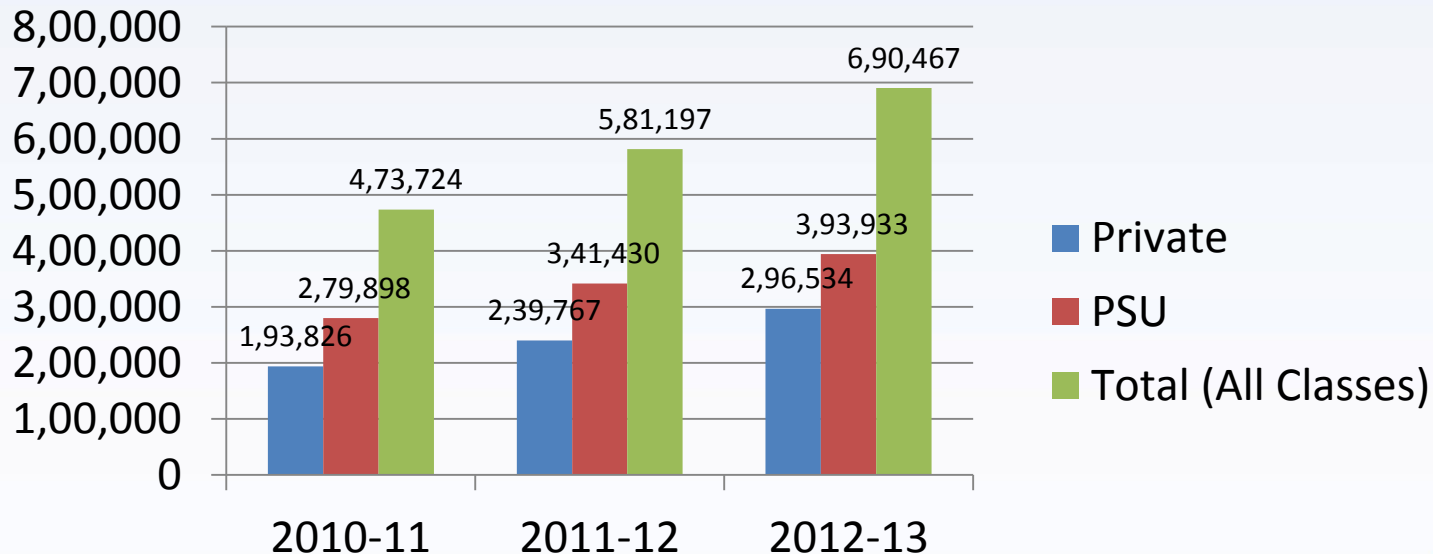
- Mr.P.Dutta, General Manager
- Mr.B.N.Narasimhan, Deputy General Manager
- Mr.N.Ramaswamy, Assistant General Manager
- Mr.Taranath Bhandary, Chief Manager
- Ms.Shaila Baidur, Senior Manager
- Ms.Alfreda D'souza, Deputy Manager
- Mr.Swapnil Jaikumaar, Assistant Manager

Industry Premium (All Classes)

(INR in Mln.)

Indian Market Premium (All Classes)

Financial Years	2010-11	2011-12	2012-13
Domestic	473,724	581,197	690,467
Growth		23%	19%

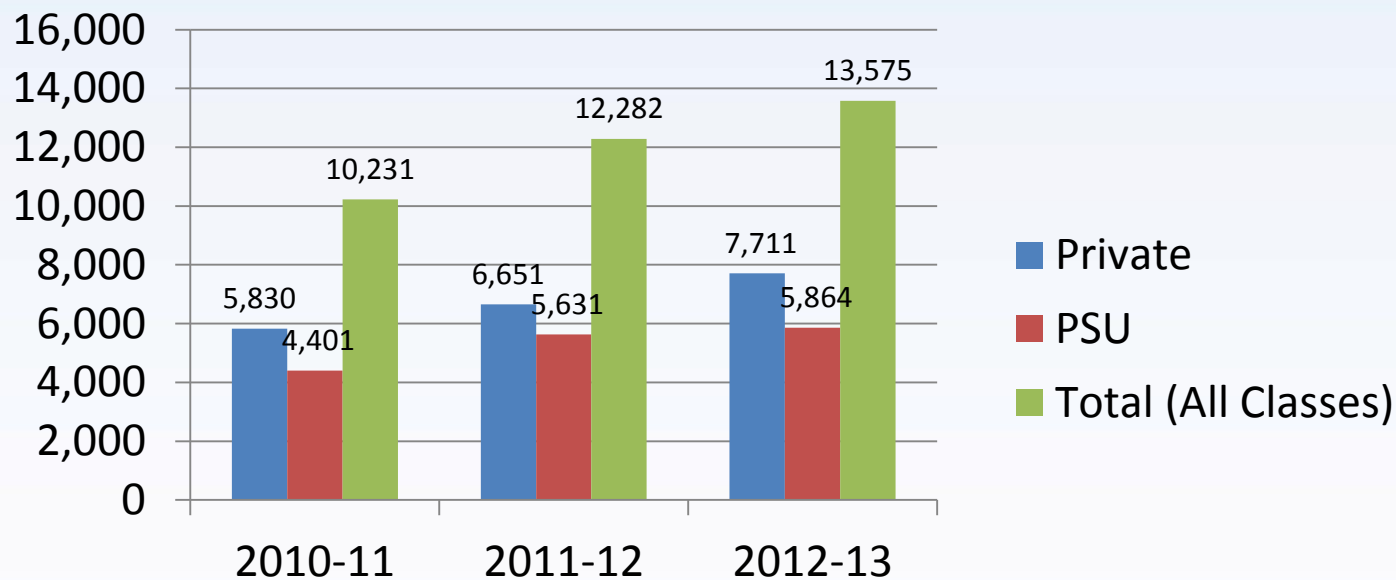


Industry Premium (Liability)

(INR in MIn.)

Indian Market Premium (Liability)

Financial Years	2010-11	2011-12	2012-13
Domestic	10,231	12,282	13,575
Growth		20%	11%



Coverage Improvement initiated by GIC Re

- To cater to the changing / current domestic requirements, GIC Re is attempting on improvements, some of which are:
 - Removal of PLUC (Professional Liability USA/Canada) clause
 - Coverage for Private Financial Institutions against E&O, D&O and Professional Indemnity
 - Professional Indemnity cover for Railways
 - Unlimited retroactive date particularly for D&O

Domestic Business - Liability

- Capacity offered
 - ` 1,500 Mln (WW excl. USA/Canada)
 - ` 1,250 Mln (WW including USA/Canada)

GIC Re - Liability Underwriting Philosophy

- GIC Re takes a Lead / Follow line to augment capacity constraints of domestic cedants. Wherever GIC Re follows, cedants are requested to approach with favorable lead terms of preferably 'A' rated securities.
- GIC Re encourages policies on **Claims made form** for Facultative and Treaty offers.
- For foreign inward business - Facultative or treaty, GIC Re offers capacity normally on following line basis.
- Foreign - Business offers where lead terms are quoted by Reinsurer of repute with sizable lead share, based on merits of each proposal, GIC Re offers capacity up to US \$2 Mln to \$5 Mln
- GIC Re prefers to keep out of foreign retro business.

Major Liability Losses reported to GIC Re

Insured	Date of Loss	Claim amount (INR in Crores)	Coverage	Cause of Claim
Satyam	Jan 2009	34	D&O	Fraud and Misrepresentation
PWC India	Jan 2009	25	PI	Negligence
Oracle	Aug 2010	20	E&O	Delay / Negligence
Wipro	Jun 2006	10	E&O	Delay / Negligence
IOCL	Oct 2009	9	PL	Fire at Jaipur depot
Sun Pharma	Feb 2011	46	Prod Liability	Defect in the drug Fosomax

Value Additions for improvement in Liability Insurance / Reinsurance

- Appointment of Coverage Counsel -
 - Recently appointed M/s. Tuli & Co. as the Coverage Counsel. With this, GIC Re will be in a position to monitor notifications/incidents giving rise to claims
- Periodic claims review by cedants and GIC Re to have tab on claims control
- Attention drawn to recent communication from GIC Re for collation of claims data. Feedback is awaited.
- Periodic discussions with International liability underwriters for updation of coverage and terms.
- Periodic cedants' visits

Current Market Trends

- Historically Indian preference for Product or Public Liability Insurance Coverages only
- Last 6- 7 years the awareness on other specialty products has increased
 - Professional Indemnity
 - General Liability
 - D&O Liability Insurance
 - Kidnap & Ransom Insurance Covers
 - Clinical Trial Insurance Covers
 - Credit Insurance
- Covers such as the E&O and D&O have seen a surge in the last 4-5 years
- The Increasing dependence on US markets for business by the IT companies has seen a rising demand for E&O Covers
- Amendments to Clause 49 of the SEBI Regulations warrants higher demand for D&O cover, in terms of numbers and Limit of Indemnity
- Class Action Suits due to changes in Company Law provisions

Current Market Trends – Contd..

- The growth in demand is also owing to increasing number of claims that have been reported in these lines
- Hardening of rates for Liability lines, especially D&O covers
- E&O covers are still witnessing a soft market in line with the global trend
- Insureds have become aware of the need for a highly rated security and have been insisting on 'A' rated securities, irrespective of price

Current Market Trends – Contd..

Capacity Trends:

- Advent of specialized products and interest of foreign reinsurers too in Indian Market
- Exclusive Indian capacity being provided by various London & Singapore Reinsurers
- Public Sector and few Private insurers offer high capacity at about USD 10 Mln a risk and USD 30 Mln in the aggregate, meaning there is no capacity constraint
- Most insurers are also going in for exclusive Liability treaties to enhance underwriting capacity
- It is only the medium & Large Risks that are now entering the Facultative Market

Current Market Trends – Contd..

Claims Handling:

- Owing to the complexities of these products, the claims handling experience & capability have to be continuously reviewed and updated
- Insureds have been experimenting with various brokers / insurers & reinsurers for competitive premium. In this direction, coverage should not be compromised, resulting in claim complexities.

**Thank
You**



आपत्काले दक्षिण्यमि
GIC Re