



Picture: Malayala Manorama Daily

# Symbiotic relationship

*Insider Quarterly* speaks to **Alice G Vaidyan**, GIC Re's chairman-cum-managing director, about the company's international expansion plans

**Insider Quarterly (IQ):**  
How is the General Insurance Corporation of India (GIC Re) preparing for the opening up of the Indian domestic reinsurance market to international players?

**Alice G Vaidyan:** The Indian domestic insurance market has always been open to international players! The only difference now is that they will have their direct physical presence in the Indian market.

We have always had to compete for business with them in the domestic market and that will continue even now. Competition in the Indian reinsurance space will not be something new.

Today GIC Re commands more than a 50 percent share of the reinsurance premium in the country. We are confident of not only maintaining this level but also growing it further. Last year (2015-16) we grew our top line by 21.4 percent.

We have grown and developed with the Indian market since inception, and having been the sole Indian reinsurer for more than 45 years are now well

placed to capitalise on this as the domestic market opens up and grows further!

The entry of foreign reinsurers will in fact benefit the Indian market in terms of capacity, newer products, price realignment and talent/skills infusion – it's a sort of symbiotic relationship. There is ample space for everyone to grow and the long-term picture is quite optimistic.

**IQ: What are the other key elements of your strategy for GIC Re over the next few years?**

**Alice G Vaidyan:** We have set our sights on being amongst the top 10 global reinsurers in the next couple of years. That is our current and long-term strategy. The plateau phase of growth in developed markets and slowing expansion in the emerging markets will be a challenge. However, we are geared up for these. Today we are focusing on newer classes of business like agriculture, life, liability and cyber. GIC Re is one of the largest agricultural reinsurers globally. We are scaling up our operations

in life reinsurance as well. Our liability class of business grew 30 percent during 2015-16.

Currently our business split between domestic and overseas is 55/45 and we want to bring it to par.

The slowdown in the emerging markets is also an opportunity for prudent M&A activity and to grow inorganically. Thus we are confident of maintaining a healthy top line and bottom line growth as well as moving in to the global top 10.

**IQ: How would you describe your appetite for catastrophe risk following some of the recent natural disasters in the region – e.g. the Chennai floods, the Nepalese earthquake etc.? Are such risks adequately modelled in your view?**

**Alice G Vaidyan:** The Chennai floods in November-December 2015 were a major natural catastrophe for India. Heavy catastrophic rains broke a 100-year-old record. Other civic factors also contributed to disastrous flooding of the city.

Economic losses from the event are estimated at upwards of \$2bn with insured losses of \$0.8bn. A significant part of the losses came from commercial lines.

The Nepal earthquake in April 2015 was also equally devastating – and earlier the Mumbai floods in 2005 and the Uttarakhand floods in 2013 also tested our cat risk appetite. We are, however, adequately capitalised and also our exposures are adequately protected.

Yes, such risks in the emerging markets are not adequately modelled. This is primarily because of the poor quality of data available. A lot needs to be done in this direction. However, with the impact of climate change and global warming it is difficult to model for such catastrophic events.

***IQ:* Given India's relatively low take-up rate for insurance amongst the wider population, where do you see the greatest potential for both insurance and reinsurance growth amongst emerging lines of business?**

**Alice G Vaidyan:** The government of India over the last two years has launched several universal insurance policies and also very simple social security schemes. These have created a perfect ecosystem that works on the principle that India needs insurance, Indian people need insurance, only we need to provide them this in the most acceptable form. Hence, the success of these simple social insurance schemes should spur some out-of-the-box innovative solutions to bridge this gap. GIC Re is providing support to such universal social-insurance schemes.

Also, retail commercial lines like health, motor and personal accident have been leading the

growth story of the Indian non-life insurance industry ever since the sector was opened up for private players about a decade and a half ago.

***IQ:* How would you describe the talent pool for reinsurance currently? As you expand the business are you able to recruit for senior positions wholly at a domestic level?**

**Alice G Vaidyan:** The Indian insurance industry has an excellent talent pool both for the insurance and reinsurance sectors. As a matter of fact several of our compatriots are today occupying positions of responsibility in the reinsurance sector in several overseas and emerging markets. At this juncture, GIC Re is the sole reinsurer in the Indian market and it is a government of India company, so current regulations do not allow lateral entry into any cadre of employment. The intake happens at the most junior entry level, but our own cadres have served us well thus far.

***IQ:* As a seasoned (re)insurance professional yourself, how would say the sector has changed during your working life, and how do you anticipate the Indian market changing in the years ahead?**

**Alice G Vaidyan:** I joined the industry as a greenhorn in 1983 and the changes since then have been monumental both domestically and in the international market.

During my initial years the Indian market was under a tariff, which subsequently changed. The domestic market itself underwent a sea change as it opened up to private players and GIC emerged in its new avatar as a pure reinsurer. Soon thereafter, 9/11

happened and nothing was the same again.

As the market matured, it became more specific to its requirements as customers and consequently cedants became more demanding.

The Indian market has also witnessed the presence of almost every major global player in the market and with the reinsurers also coming in, the chain is complete. The growth levels are astounding, especially when you compare it with the markets of the west, and the best for the country is yet to come.

The government is playing a major role in bringing insurance to Indian households by way of medical cover, agriculture and crop cover and disaster cover. This will remarkably increase the penetration from current levels and once the juggernaut is set in motion, the subsequent years will have tremendous returns for market players.

***IQ:* What plans do you have currently for expanding your international business?**

**Alice G Vaidyan:** Asia and Africa have been our traditional markets. We have grown in these markets via M&A (with GIC Re South Africa Ltd), via joint ventures (GIC Re Bhutan) and also through organic growth across all our areas of operations.

We are now looking to expand our footprint further in Asia, which would include China and Myanmar to begin with. We are also likely to upgrade our presence in Russia from a representative office to either a branch or a 100-percent-owned subsidiary.

Plans are also afoot to upgrade our eventual reinsurer status to admitted reinsurer status in Brazil.

Earlier, USA and Canada were not areas of focus for us but now we are prudently writing in these markets as well.