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Cost of property insurance for firms to remain stable in FY14

By Falaknaaz Syed Mar 18 2013 , Mumbai

Reinsurance rates too are unlikely to change for insurers

The companies that are going to renew their property insurance policies on April 1 would not see their insurance cost rising, unless they had filed for major claims in 2012-13. According to insurance company officials, an increase in property premium rates by 10-30 per cent in April 2012, and with no major calamities happening throughout this year, the premium rates for companies would remain stable for 2013-14. In addition, reinsurance rates too are likely to remain stable when insurers renew their treaty programmes next month.

Companies buy fire insurance policy, industrial all risk policy, business interruption policy to protect their offices, buildings, power plants, refineries against fire and act of God perils/catastrophes such as earthquake, storm, rain, flood and thunder. Around 60 per cent of the corporate policies come up for renewal on April 1. This is also the day when insurers renew their treaty reinsurance programmes with reinsurance companies.

Ritesh Kumar, managing director and chief executive officer, HDFC Ergo General Insurance, told Financial Chronicle, "Insurers had raised property insurance premium rates by 10-15 per cent in FY13. Since there have been no major claims in the property portfolio, the premium rates for property insurance policies would be stable in the next financial year."

"Also this year, there were not much of losses for reinsurers unlike the Thailand flood in 2011-12. So, the international treaty programmes are also likely to be stable next year," added Kumar.

Reinsurance companies that provide insurance cover to insurers had suffered high losses due to Thailand floods and earthquakes in Japan, New Zealand and Australia in 2011-12, leading to an increase in the treaty reinsurance premium rates in 2012-13. According to Swiss Re report, insurers, globally, had suffered losses to the tune of $110 billion from natural catastrophes and $6 billion from man-made disasters in 2011-12. While there has been Sandy losses this year, its impact may not be significant for Indian insurers, said insurance company officials.

V Ramakrishna, managing director, India Insure Risk Management (an insurance broker), said, "Non-life insurance companies had met last March and decided to raise the premium rates for all kinds of catastrophic covers by 10-30 per cent in various categories. Also there were no major catastrophes this year. So, by and large, companies will not see a rise in their insurance premium. In fact, they may even get a slight reduction of less than 10 per cent. However, companies that are loss making for insurers will see their premium increase by 15-25 per cent. Also the international reinsurance market has not suffered any major losses so the insurance market is breathing easy."

According to insurers, General Insurance Corporation (the only domestic reinsurer) has reduced the mandatory cessions from 10 per cent to 5 per cent, which is also going to ensuring a stability in the market.