Insurance Market in India – Upcoming changes

- **Currently PDBI and marine rates are driven by tariff. This is not directed by regulator but driven by GIC the national reinsurer.**
- **Both rates as well as policy wordings fall under this purview.**
- **For program linked policies higher of the two rates (local or program) are applicable and local wordings are only adopted unless ceding is 100% (only FM global has been allowed an exception to this rule. It is unclear if this will continue from 01st April 2023).**
- **The regulator is now pushing GIC and local insurers to de tariff rates and wordings with effect from 01st April 2023**

- **After lot of deliberation in principle decision is to de tariff the rates from 01st April.**

- **For insurers to have their own wordings is the step to follow.**

- **The emerging picture as of now is that the current tariff rates will be treated as base & better protected risk and risk with favorable claim experience would get discount between 10-15% on FLEXA perils while NAT/CAT peril rates will see increase.**

- Mainly reductions can be allowed on erstwhile tariff rates for following:
  - Good feature discount system (Firefighting and other safety features)
  - Claims experience discount (there is provision for loading for adverse claim ratio).
  - Higher deductible (optional)
- It is not clear what impact this will have on ratings of program policies in future. Most likely scenario will be that program linked local policies could be issued on program rates.

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Thank You