



Since 1943

J.B.BODA GROUP

MEDIAN

Issue 54

December 2011

CONTENTS

PAGE NOS.

➤ <u>PRIME STORY</u>	2 - 3
Ethics in Business – An Indian Perspective - II	
➤ <u>NON - LIFE</u>	4 – 5
Health cover portability	4
Third-party premiums	4
Long live “live-in partner”!	4
Mortgage guarantee joint venture	4
SBI ties-up with ECGC	4
Crop Insurance	5
System to curb laundering	5
Directive on nomination papers	5
SC anguished over poor relief to motor victims	5
Court ruling on TPAs	5
➤ <u>LIFE</u>	6
Weakest pension systems	6
Pension guidelines	6
EPF dues have priority : SC	6
Widow gets insurance claim after 16-year wait	6
➤ <u>INTERNATIONAL</u>	7
Special consideration to insurers	7
Global economic losses	7
➤ <u>REINSURANCE</u>	8
Top 20 global reinsurance groups	8
➤ <u>ON “WRITE” SIDE</u>	9 - 11
Employee Benefits	9 - 11
➤ <u>J.B.BODA GROUP COMPANIES</u>	12
➤ <u>DISCLAIMER</u>	13

Visit us at: www.jbboda.net





Since 1943

PRIME STORY

Ethics in Business : An Indian Perspective – II

Despite all technical and scientific prowess achieved so far, the story of advancement of human society is still dependent on management of successful organisations consisting of people. This means people is the key to such a phenomenal progress. The process of progress and development assumes highest degree of achievement, if it is based on the righteous conduct of value – oriented people. Sir Bertrand Russell had once remarked that practically all progress – artistic, moral and spiritual have depended on such individuals. Really those people have played a decisive role in the transition from barbarism to civilisation.

We Indians are fortunate to have a glorious past. Our saints, philosophers and intellectuals have given us excellent insights in the nature and behaviour of man, the intricacies of working of his mind and heart and the interdependence of man and nature. Faith, human values and ethics have invariably remained the mighty pillars of our society. Pandit Nehru has written in his “Discovery of India” that the central idea of our age-old Indian Civilization was that of “Dharma”. Their concept of “Dharma” was something much more than religion or creed. It was a lofty and lovely concept of our obligations for discharge of our duties towards ourselves and to others. The ”Dharma” itself was an important constituent of ethics governing the functioning of the universe and everything contained therein. Shankaracharya had also very candidly remarked “Bereft of “Dharma” man is no different from animal”. In most simple terms, “Dharma” can be defined as our ethical attitude and behaviour. We can take it as a norm of our conduct. Our standard mandate for what is a good attitude or a proper behaviour is based on the way we wish others to treat or view us. What we expect or want from others become our standard for “Dharma” i.e. right behaviour. What we don’t want others to do for us is “Adharma” i.e. wrong behaviour.

In November 2011 Issue of the “MEDIAN”, we had discussed two core concepts of our ancient civilization propounded by our philosophers. The first referred to the fact that “Ultimate Reality” is the “Divine Will”. The Almighty alone can lead one to success in any human endeavour. According to the second, the “Divinity” is inherent in man. It is around these two core concepts our fundamental value system revolves. A vast majority of our people are having beliefs in spiritual and moral values of life. It is firmly believed that if a man did his duty and was ethically right in action, the right consequences would inevitably follow. Here the emphasis is on one’s own duty. That means managing oneself instead of managing others. An individual is a member of a family, which is a basic unit of society. An organisation is an organ of society. Hence, thoughts and actions of individuals would ultimately influence the management of organisations to which they belong. Finally we come across two important





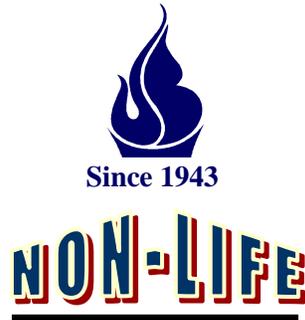
Since 1943

truths. Firstly, human beings are heart and soul of management and secondly the God is Almighty. Without His wish nothing can be achieved. Thus we find that the Indian thought entirely focuses on individuals. For group, society and country individual is the foundation. With righteous conduct of the individuals, the organisations are bound to flourish. No one, with faith in moral values, would like to indulge in unethical activities. That practically means our organisations would be managed by value-oriented individuals, who will ensure spectacular performances by the organisations. The sustained achievements of the organisations will ultimately lead to unlimited progress and prosperity. We cannot imagine transformation of any organisation sans righteous conduct of its people. Hence, our primary focus has to be on individuals and his values. True, that skills are necessary, but they cannot be effective in any organisation without nurturing ethical values in the individuals employing those skills. This is why the Indian perspective values primacy of people for organisational development.

The “Geeta”, a well known philosophical treasure trove, gives an excellent prescription for development of individuals. It dwells on building up of an integrated and balanced human personality. This integrated personality is key to “Anand” i.e. bliss which should be the goal for every individual in the organisation or in the society. Arjun, a well renowned warrior, while fighting the battle of Mahabharat, suddenly became diffident to fight. He lost his composure and his integrated personality. To resolve his innumerable doubts, Lord Krishna explained to him the theory of action (Karma). The crux of the Indian perspective lies in the theory of “Karma Yoga” or “Nishkama Karma”. The Indian philosophers of yore were of the opinion that each human being has desires. The satisfaction of these desires is essential upto a minimum of bodily needs. To satisfy desires (Karma), one will have to act (Artha). Our seers also opined that every action will have a result. They further said that good actions will have good results and bad actions will give bad results. The result of each human action will depend upon a number of factors. Due to these factors the result may be immediate or after a time interval. They felt that the time interval may be long also so as to pass on to the next birth as well. They were believers of “Rebirth Theory”.

(To be continued)





Health Cover Portability

Health insurance portability, came into effect from 1st October 2011. So far, the number of requests for portability from policyholders, are insignificant. Evidently, health cover portability is not as simple as mobile number portability!

Third-Party Premiums

In April 2011, Insurance Regulatory & Development Authority (IRDA) raised premiums for Motor Third Party Liability Insurance by up to 68 %, but that hasn't made Insurers happy. Third-Party Motor Insurance is a bleeding portfolio. The losses are divided among all owing to the Third-Party Motor Pool. Insurers want to get the Third-Party Insurance Pool dismantled and de-tariffing re-introduced.

Long Live “Live-In Partner”!

A Mumbai-based IT services corporate has recently allowed its employees to include their live-in partners for health insurance benefits. A declaration by the employee and details of the partner were the only requirements to avail a health insurance cover.

Mortgage Guarantee Joint Venture

Genworth Financial International Holdings (GFIH), the international mortgage insurance holding company of USD10 billion Genworth Financial, is likely to take a 36 % stake in the proposed India's first mortgage guarantee company.

SBI Ties-Up With ECGC

In a run-up to meet the Basel-III norms, nation's largest lender State Bank of India (SBI) has de-risked its export credit portfolio by entering into a tie-up with Export Credit Guarantee Corporation (ECGC).





Crop Insurance

With farmers being affected by untimely rains or the absence of it, only some of them are heaving a sigh of relief. This despite the fact that Central Government had launched Crop Insurance Scheme for the benefit of farmers, barely 5 % have availed the facility. Since 95 % farmers, who did not enroll for the Crop Insurance today face the danger of suffering losses.

System To Curb Laundering

Financial markets regulators Securities and Exchange Board of India (SEBI) and Insurance Regulatory Development Authority (IRDA) may install anti-money laundering system to help market intermediaries.

Directive On Nomination Papers

It is gathered that IRDA has warned insurers against evading claims on the mandatory Personal Accident cover that they are required to provide with each Motor Insurance Policy. IRDA has written to the insurers, directing them to ensure that nomination papers for Personal Accident cover are duly filled in at the time the policies are sold.

SC Anguished Over Poor Relief To Motor Victims

The Supreme Court has expressed its concern over failure of the Motor Accident Claims Tribunals and High Courts to award adequate compensation to the claimants of the accidents within a reasonable time.

Court Ruling On TPAs

Hospital bills managed by Third Party Administrators (TPAs) could go up after a recent Delhi High Court Judgment. The Court has ruled that payment made by TPAs to hospitals is in the nature of professional services covered under Section 194J of the Income-Tax Act, 1961. Accordingly, the petitioner was under an obligation to withhold tax while making payments to hospitals. The High Court, however, set aside a Central Board of Direct Taxes Circular to the extent it provides for levying of penalty under Section 271C of the Act in case of failure to withhold tax under Section 194J of the Act.





Weakest Pension Systems

China, Greece, India and Thailand are home to the weakest national pension systems in the world, crippled by a mix of acute sovereign debt, young retirement ages, high ratios of pensioners to workers and poor pension take-up, a study has showed.

Pension Guidelines

Experts in Life insurance industry feel that the final pension guidelines of the IRDA are definitely a step in the right direction and provide clarity on pensions as a product category. The option to extend the accumulation period provided in the guidelines is good for policyholders especially if they delay their retirement. Also, the option to add life insurance cover as a rider and the assured benefit such as minimum guarantee on premium payable on surrender, death or maturity which assures downside protection are customer-friendly features.

EPF Dues have Priority : SC

In a landmark Judgment, the Supreme Court has ruled that from now on, recovery of Employees' Provident Fund (EPF) dues from a Company under liquidation would get priority over repaying loans to secured creditors. A Bench has said that though Parliament, while inserting Section 529A in the Companies Act in 1985, did not declare workmen's dues as first charge, given the provisions of EPF Act, it could not be interpreted that secured creditors would get priority over provident fund obligations of the employer. However, the apex Court Bench clarified that other dues of employees cannot get precedence over debt of secured creditors once the employees' provident fund commitments are met.

Widow Gets Insurance Claim After 16-Year Wait

Relief came to a widow after a long wait. The National Consumer Disputes Redressal Commission has ordered the Insurer to pay the insurance amount to her 16 years after it had rejected the claim on the ground that her dead husband suffered from a viral infection, which he had concealed while filling the Proposal Form. Observing that this was not a suppression of material fact, the Commission has said that normally while filling up an insurance Proposal Form, it is not expected that the insured has to also state incidents of viral infections from which he / she may have suffered, since these are frequent, common place and curable.





Special Consideration To Insurers

Leading international insurance think tank, The Geneva Association, issued an open letter to G20 Summit explaining the importance of sensitizing that insurance does not pose systemic risk. It urged them to consider the specifics of the insurance sector when addressing any issues that could potentially undermine the positive contribution of the insurance industry to economic development and growth.

Global Economic Losses

80 % of all economic losses from natural disasters in the world in first 3 Qs of 2011 occurred in Asia – Pacific Region, according to Munich Re. These economic losses amounted to USD 259 billion, around USD 52 billion of which was insured. These losses were due to earthquakes in New Zealand and Japan, floods and cyclone in Australia and flooding across many countries in Central and South East Asia.





Top 20 Global Reinsurance Groups

Ranking	Company	Country	Net Reinsurance Premium Written (Mil. USD)	
			2010	2009
1	Munich Re	Germany	29,269.1	29,387.4
2	Swiss Re	Switzerland	19,433.0	21,757.0
3	Berkshire Hathway Re	U.S.	14,669.0	12,362.0
4	Hanover Re AG	Germany	13,652.2	13,639.0
5	Lloyd's	U.K.	9,762.1	9,733.5
6	Scor Se	France	8,141.3	8,314.7
7	Reinsurance Group of America, Inc.	U.S.	6,659.7	5,725.2
8	Partner Re	Bermuda	4,705.1	3,948.7
9	Everest Re	Bermuda	3,945.6	3,929.8
10	Transatlantic Holdings Inc.	U.S.	3,881.7	3,986.1
11	Korean Re	Korea	2,757.4	2,493.8
12	Tokio Marine Group	Japan	2,617.2	2,242.6
13	NKSJ Holdings	Japan	2,526.1	N.A.
14	General Insurance Corporation of India	India	2,361.3	1,955.0
15	QBE Insurance Group	Australia	2,184.0	1,721.0
16	Mapfre Re	Spain	2,125.2	2,006.8
17	Transamerica Re (AEGON)	U.S.	2,037.8	2,013.7
18	XL Re	Bermuda	1,920.5	2,003.2
19	Odyssey Re	U.S.	1,853.8	1,893.8
20	Axis Capital Holdings	Bermuda	1,815.3	1,791.4

Source : STANDARD & POOR'S





Since 1943

ON “WRITE” SIDE

Employee Benefits

The key to designing effective Employee Benefit Programmes is to understand employee requirements and recommend programmes aligned to their expectations, market practice and most importantly, corporate culture & compensation philosophy. Corporates use employee surveys to assess satisfaction levels to their benefit programmes and determine if any changes are to be made. They also track market practices to see what other corporates are doing.

The typical challenges faced by corporates in re-designing Benefit Programmes are more on the implementation side. That is where they need to transition employees from one Benefit Programme to another, explain to them what has impacted them and show the overall value proposition to them.

Compensation & Benefit Structures have witnessed a noticeable change over the last few years. Employee Benefits nowadays, are being shaped according to what the employee wants rather than what the employer can give. What has driven this change? Primary drivers for change in the Compensation & Benefit Structures have been the revised income tax rules in India, changing employee expectations with demand for cash compensation and introduction of fringe benefit tax.

Over the course of years, Medical Insurance Benefits have undergone a change. Most employers used to offer Mediclaim Benefits to the employees’ dependents, but today progressive employers provide benefits to parents also. This is highly valued by employees as medical care for the aged is a need, especially in younger organizations where the individual employee being young, does not normally avail this facility for self.

As per a recent survey results, only about 44% of corporates offer Superannuation as compared to over 60% four years ago; 35% offer Housing Loan as compared to 60%; 27% offer Club Membership as compared to 54%; 32% offer Car Loans as compared to 62%, Company Accommodation is provided mostly at top management levels.

Most employers had some form of Accidental Death and Disability Benefits earlier, but today progressive employers provide Group Term Life Insurance, which covers death / disability by specified causes.

Group Term Life (GTL) Insurance Scheme is meant to provide Life Insurance protection to homogeneous groups of people till normal retirement age under One Year Renewable Group Term Assurance basis (OYRGA).





Since 1943

The premium rates applicable to a group at commencement depends on its size as also the occupation, employment and working conditions of members of the group.

A single Master Policy is issued covering all the members of the Scheme and the Scheme is administered by the employers, associates, societies.

Benefits to Employer

- Helps employer to provide comprehensive financial security to the employees at a minimal cost
- Serves as a strong retention tool and a loyalty building measure
- Premium payable is eligible as approved business expense for income tax purpose
- Hassle free implementation because of the availability of automatic cover level for each group till Free Cover Limit (FCL)
- Uniform business expense to cover fluctuating mortality risk of employees

Benefits to Employees

- Simple enrolment process
- Cover at lower rates than applicable to individual lives
- Simplified procedure for insurability – medical only if cover beyond “FCL”
- Premiums paid by the employer are not included in the value of taxable perquisites in the hands of employee
- Premium paid by employee, if any, is eligible for tax deduction
- Death benefit when paid are not subject to tax
- Hassle- free procedure of claim settlement

When the claim arises, the particulars of the respective member are to be intimated together with the claim form and death certificate.

Key Features Of GTL

- Easy installation of the Scheme
- Lower premium than individual Life Insurance Schemes
- Flexibility for new members to join in and existing ones to leave the group
- Prorata refund for the exits other than death
- Only one single Master Policy
- One year renewable term cover
- Simple insurability
- Market driven rates





Since 1943

GTL is the most effective tool for employee benefit and retention. Generally, the coverage for employees is decided as per the cadre / grade or it is opted in multiple of their Cost To Company (CTC).

With this base cover for Life of the employees, the employers can opt for other Riders like Double Accident Benefit Rider (Double the base Sum Assured will be payable in case of accidental death of the member) + Critical Illness Benefit Rider, where specified Critical Illness coverage is provided in % terms of the base Sum Assured. In case a member is treated for a Critical Illness, a lump sum amount is paid to the member. Annuity can be purchased for the member from the lump sum amount in case of member becoming unable to work and loses the ability to earn in future.

**(This article is contributed by Mr. Sanjiv Shanbhag, Executive Director,
J.B.BODA Insurance Brokers Pvt. Ltd.)
sanjiv@jbbodamail.com**





Since 1943
J.B.BODA GROUP

J.B.BODA Group, well-known internationally for its capabilities, well-spread network around the world and personalised services for over six decades.

**23 Offices In India & 5 Offices Overseas
Companies In The Group At Your Service**

J.B.BODA & COMPANY PVT. LTD.
MUMBAI

Insurance & Risk Management Consultants,
Life Valuation, Life & Employee Benefit
Schemes, Average Adjusters, Training Academy,
Assistance for Actuarial Valuations

J.B.BODA & BROTHERS PVT. LTD.
MUMBAI

Valuation of Land, Building, Plant & Machinery

CROWE BODA & COMPANY PVT. LTD.
MUMBAI

Protection & Indemnity Insurance Services.
Correspondents in India for
• Steamship Insurance Management Services Ltd.,
London
• Shipowners Mutual Protection & Indemnity
Association, Luxembourg

J.B.BODA SURVEYORS PVT. LTD.
MUMBAI

Fire, Engineering, Miscellaneous Accident
Surveyors & Loss Assessors. Marine Cargo
Surveyors, Loss Assessors, Superintendents,
Container Surveyors, Tank Calibrators, Samplers &
Analysts

J.B.BODA REINSURANCE BROKERS PVT. LTD.
MUMBAI

International Reinsurance Brokers (Non-Life &
Life)

J.B.BODA INSURANCE BROKERS PVT. LTD.
MUMBAI

Direct Insurance Brokers (Non-Life & Life)

J.B.BODA & CO. (S) PTE. LTD.
SINGAPORE

Reinsurance Brokers

J.B.BODA & CO. (U.K.) LTD.
LONDON

Insurance & Reinsurance Brokers

J.B.BODA INSURANCE SERVICES (L) BERHAD
KUALA LUMPUR, MALAYSIA

Reinsurance Brokers

J.B.BODA REINSURANCE BROKERS PVT. LTD.
BAHRAIN

Representative Office

J.B.BODA REINSURANCE BROKERS PVT. LTD.
KATHMANDU, NEPAL

Representative Office

Head Office : Maker Bhavan No. 1., Sir Vithaldas Thackersey Road, Mumbai 400 020 (INDIA)
Telephone : + 91 22 6631 4949 / 6631 4917 * Telefax : + 91 22 22623747 / 22625112
E-Mail : jbbmbi@jbbodamail.com * Web : <http://www.jbboda.net>





Since 1943

Team Co-ordinator: **Mr. Sanjiv Shanbhag,**
Executive Director,
J. B. BODA Insurance Brokers Pvt. Ltd.,
Mumbai, India.
sanjiv@jbbodamail.com

We value feedback at : median@jbbodamail.com

DISCLAIMER

- This document is intended for general information purposes only. We do not accept any responsibility or liability for any errors or omissions therein / therefrom.
- We have not verified the contents of this document and we do not vouch for their authenticity. We hereby disclaim any responsibility or liability in these regards.
- Any statements, facts, figures, opinions, beliefs or views contained in this document do not necessarily reflect our sense, opinion or view and we cannot be held responsible or liable for them.
- Nothing herein contained shall constitute or be deemed to constitute a recommendation or an invitation or a solicitation or a suggestion for any party, person, product or service.
- Reproduction or distribution of this document without our permission is strictly prohibited.
- All disputes subject to Mumbai jurisdiction only.

Visit us at: www.jbboda.net

