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J.B.BODA GROUP

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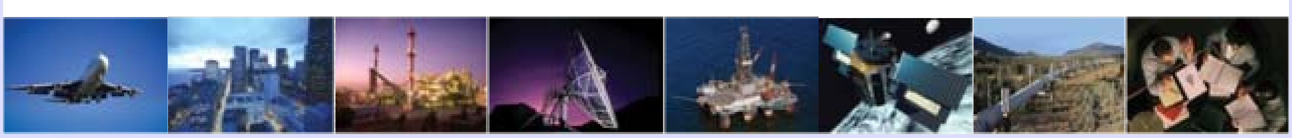

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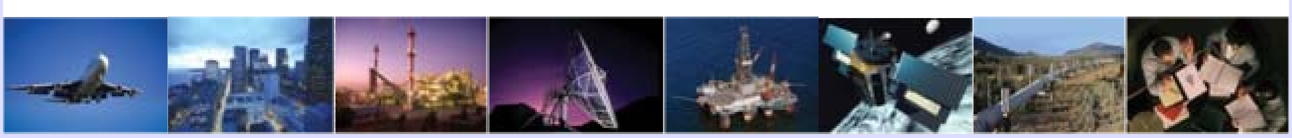


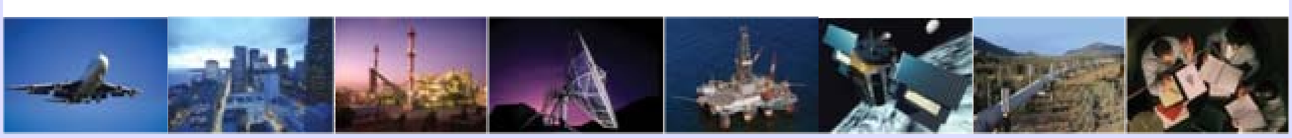
PRIME STORY

Providing Protection to Poor – Part III
(Irradiating Indian Initiatives)

In the previous issue of Median, we have discussed in brief some of the initiatives taken by the Government and also by the formal insurance providers in our country to offer insurance protection to the low-income group of people from various risks they are destined to face. Such initiatives are taking shape primarily because of anti-poverty and inclusive growth strategies of our Government. Incidentally, there is something more than this to cheer about. Some of the voluntary service organisations are also coming forward to assess the felt insurance needs of the underprivileged and the disadvantaged communities and are gradually coming forward to take necessary steps to fulfill those needs. For example, some healthcare providers have developed risk pooling mechanism, whereby they are able to offer health insurance to people belonging to different low-income groups. Voluntary health services in Chennai, Kasturba Hospital of Sewagram in Maharashtra, Yeshawani in Karnataka are just a few examples of the independent insurance initiatives.

In fact, micro-insurance does not mean an insurance provided by a formal insurance organisation having a licence granted and regulated by the insurance regulator. Micro-insurance can be also from an institution which is developed enough to manage a risk pool. The key idea here is to design a system that involves some risk pooling of members belonging to the low-income segment of society and payment of compensation in case the risk takes place.

The discussion about the Indian initiatives on micro-insurance can never be complete in absence of a thorough understanding of access to finance for the poor in rural area. A recent World Bank – National Council for Applied Economic Research (NCAER) survey on rural access to finance points out that about 70 % of rural poor do not have a bank account and 87 % have no access to credit from formal source. In the opinion of the banks, serving the rural poor is a high-risk and high-cost proposition with high uncertainty looming large over repayment of loan. All these obstacles contribute to a financial climate not conducive to rural banking. In the rural poor borrower's perspective, banks do not provide convenient and flexible products and services. Procedures are cumbersome and costly. Processing times are quite long and frustrating. In addition to these, the poor borrowers cannot meet the banker's demand for collateral securities. As a result of these inadequacies, the past decade has witnessed the emergence of many micro-finance approaches. Most notable of them is a nationwide attempt pioneered by non-government organisations to create links between commercial banks, NGOs and informal local groups better known as Self Help Groups



(SHGs). There are evidences to prove that the model has effectively targeted the poorer segments of the rural population. Recent reports indicate that SHG-Bank linkage has improved. Asset position, increased saving, shifted borrowing pattern, increased employment and all these have made a positive impact on the SHG members belonging to the poorest landless group, the group below the poverty line and the marginal farmers. The growth of SHG-Bank linkage has been quite remarkable particularly since late 1990s. But outreach is still modest in terms of the proportion of the poor households served covering only less than 10 % of India's rural poor. Another structure of micro-finance notably independent micro-finance institutions (MFIs) based on Grameen Bank model in Bangladesh also have developed in recent years. With few exceptions, most Indian MFIs are small in size. They are region specific (mostly concentrated in the South) and they have a limited collective outreach. Only a handful offer saving or insurance as financial services. Keeping focused on its target population is very critical to the success of micro-finance. In fact, this is true not only for India, but for all countries on the globe. It is also an axiomatic truth that micro-finance constitutes the only way to deliver finance to the poorest of poor in the rural area.

In addition to providing finance, the strategy of the microfinance institutions should also be to graduate the microfinance clients to formal financial institutions, where they can access standard individual loans on a fully commercial basis. In order to make the idea of graduation a reality, strong efforts must be made how to reform the rural finance market and the institutions with an eye to improve the efficiency of services and designing of products appropriate for the small and marginalised clients belonging to the lower end of society.

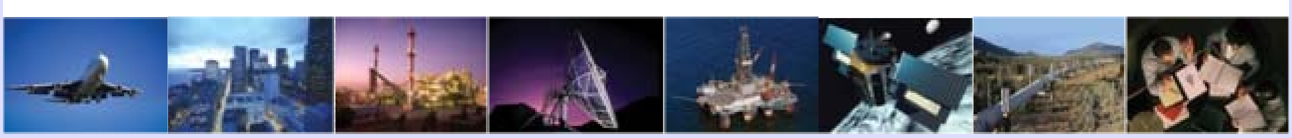
Now, at least we are in a position to understand as to why micro-finance has emerged as an important institution in economic development of the poor. Micro-finance institutions (MFIs) are able to provide financial services to the poor at the bottom of the pyramid with low overheads. They are using several methods such as group linked lending to reduce and mitigate credit risk. Most MFIs are in the business of providing credit service to the poor and very rarely do they provide insurance cover. In some cases, insurance becomes essential to cover the risk of the asset that is being financed. For example, in case of a cattle loan, the cattle would necessarily have to be insured. Some of the MFIs are securing the rural credit by offering life insurance protection to the clients. But such instances of micro-insurance provided by microfinance institutions are few and far between.

The institutions providing credit to the rural poor must be aware of the stark reality that the poor households are subject to economic shocks much more than richer groups. Therefore, insurance would be a useful tool to serve them better and secure their credits. They should also keep in mind that the insurances which are useful to the poor include life insurance, property insurance, health insurance and disability insurance.

The health sector has been receiving low priority in our country in terms of infrastructure and funds allocation. People in both rural and urban areas have no access to proper healthcare and sanitation. Lack of adequate medical facilities and exorbitant cost aggravate the situation in absence of affordable medical insurance for the poor. Mostly, they have to depend on quacks, unqualified medical practitioners and even faith healers. Studies show that the poor have to spend a higher proportion of their income on health compared to the rich. A recent survey by the National Council for Applied and Economic Research (NCAER) reveals that the richest 20% of our population enjoys three times the share of the public subsidy for health in comparison with the poorest group. The same study also showed that the poor on an average spend 12 % of their income on healthcare as compared to only 2 % by the rich. A World Bank study says that on an average, a hospitalised Indian spends more than half of his income on healthcare. More than 40% of the hospitalised people borrow money or sell assets to cover expenses. All these ratios are also true for the people living below the poverty line. The study also suggests that medical cost incurred by the poor may push 2.2% of the population below the poverty line every year. There is also a gender bias with men having better access to healthcare due to various socio-economic and cultural reasons. Poor women are most vulnerable to diseases and ill health due to unhygienic living conditions and heavy burden of child bearing. They face severe constraints in seeking proper healthcare for themselves. Health measures influence the health status of individuals, families and the total community. Therefore, there is need of community involvement in this area through minimal financial investment. This is particularly necessary in rural and underprivileged urban segments.

Recognising all these realities concerning disadvantaged and underprivileged segment, a pilot UNDP – Govt. of India project on community initiative on health has been launched on experimental basis. The pilot project aims to explore issues related to the health insurance coverage for the poor, especially women. It is also to relate to structuring and testing of community health financing so as to develop a model capable of relocation elsewhere and also particularly with women’s participation. Initially, this community healthcare financing has been launched in Karnataka & West Bengal. Before launching the project, a comprehensive study was undertaken to obtain information on basic features of the local community, how the people use existing medical facilities available in the private and public sectors and their disposition towards health insurance. The study was conducted by the centre for Population Dynamics, a Bangalore based NGO.

The survey reinforced earlier findings that the single largest source of meeting the cost of illness and hospitalisation was loan followed by sale of farm assets. Though knowledge of health insurance was not widespread, but there was considerable recognition of its utility and also willingness to subscribe to affordable insurance schemes. The launch of the project was preceded by intensive campaigning through display of posters, banners, hoardings and



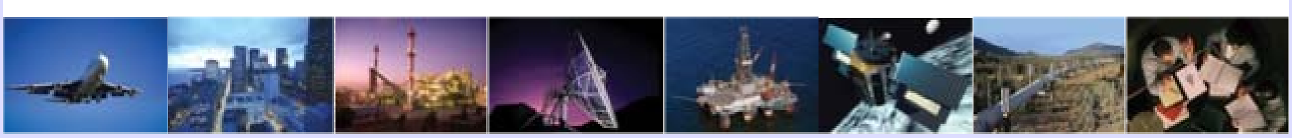
focused discussions with community leaders. The capacities of our village level health workers, anganwadi workers and most of the stalls of the public health centres were strengthened to create awareness and promote health insurance among the villagers.

Though the project essentially meets the treatment costs, special effort has been made to include preventive healthcare through educating the villagers about using traditional herbal medicines and training the members of self help groups and interested individuals, providing herbal saplings for plantation, thus facilitating growing of herbal gardens and organising workshops to help strengthen capacities for use of herbal medicines. The dedicated saving for healthcare as well as advanced payments from micro-credit institutions not only pay for emergency health expenses, but also serve to pay medical bills, because settlement of insurance claims may take time.

The highlight of the project is the insurance of healthcare expenses. For the purpose of insurance, family is taken as the unit of membership. For a premium of Rs. 30/- per person per annum, health insurance coverage is for Rs. 2,500/- (eq. to USD 50/-). The insurance policy covers all hospitalisation cases (with no disease excluded) at public health centres. Interestingly, for the first time in the country the insurance has extended coverage to compensate for wage loss. A sum of Rs. 50/- (eq. to USD 1/-) per day is given to patients for loss of wages. An additional Rs. 50/- per day is given directly to the hospital for procuring needed drugs. The success of the pilot has generated interest from academics, researchers as well as from the state and the central governments.

Self – Employed Women's Association (SEWA) is a labour union of women workers based in Ahmedabad, city of Gujarat State in India. Started in 1972 by Ela Bhatt, it is spread over six states in India – Madhya Pradesh, Uttar Pradesh, Delhi, Bihar, Kerala and Gujarat. Sewa's goal is to organise women to achieve full employment and self-reliance. In 1992, SEWA set up its integrated insurance programme implemented by SEWA Bank, a women-led microfinance institution having more than 2,00,000 depositors and Rs. one billion (eq. to USD 20 million) worth of working capital. SEWA Bank has been providing financial services (savings, credit and insurance) to poor women. In the year 2000, due to growing membership, SEWA set up a separate insurance unit – Vimo SEWA i.e. SEWA INSURANCE.

Initially, in 1992, Vimo SEWA offered a single integrated scheme to its women members. By paying a single premium, the woman member was covered against her own death (natural or accidental), her husband's accidental death, hospitalisation and loss of livelihood – related assets. Premium could be paid annually or through a one-time fixed deposit. In case of latter

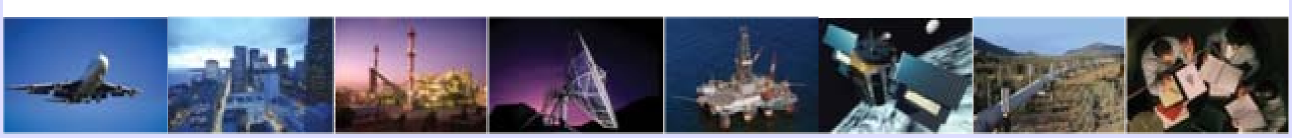


option, the members paid a fixed deposit in SEWA Bank. The interest earned on this deposit each year was used toward the annual insurance premium. Members who enroll through the fixed deposit linked scheme are entitled to some additional benefits. These include maternity benefits, reimbursement of denture expenses and reimbursement of hearing aid. In the year 2000, based on demand from the members, Vimo SEWA introduced life insurance and health insurance for the husbands of members. Later with higher levels of premiums, more and more benefits have been added including the children's health insurance. Vimo SEWA is run by local women leaders called Aagewans, who are supported by a team of full-time staff. A team of experienced professionals, including insurance, public-health and medical experts help in capacity building, maintaining technical competence and quality control. Vimo Aagewans go through a thorough orientation and training on the concept of insurance and also on the management of an insurance programme.

Vimo SEWA functions as a cooperative. This is the organisational mode used for all of SEWA's activities. Representatives of the members carry out the various functions of the programme. These include – i) Managing the services through local teams of Aagewans, ii) Promoting insurances, which includes educating members and disseminating information on insurance, iii) Deciding on premium, new products and coverages to be offered, iv) Deciding on claims submitted and ensuring rapid disbursement.

Vimo SEWA's membership has grown steadily over the years. It has also expanded its membership outside Gujarat to Bihar, Madhya Pradesh, Uttar Pradesh, Delhi & Maharashtra. Its close association with SEWA Union and other sister organisations, namely SEWA Bank, SEWA Health and SEWA Academy has contributed significantly to the growth of the programme. SEWA Union is workers own organisation based on principles of trust and unity among workers. As a result, they willingly participate in the activities of Vimo SEWA. The literacy training provided by SEWA Academy and the insurance awareness and education provided by SEWA Health have increased the demand for insurance services among the members of SEWA. Access to finance provided by SEWA Bank (savings & credit both) along with income-generation activities pioneered by SEWA have generated a sense of economic security among the SEWA members. This facilitates payment of insurance premium.

Vimo SEWA's partnership with the public sector insurance companies especially with the Life Insurance Corporation of India and United India Insurance Company Ltd. in its early years helped it to learn from the experiences of these companies. Moreover, these companies also provided Bimo SEWA the necessary acturial and technical skills required for formulating its premium and benefits package. Technical and financial support provided by partner and

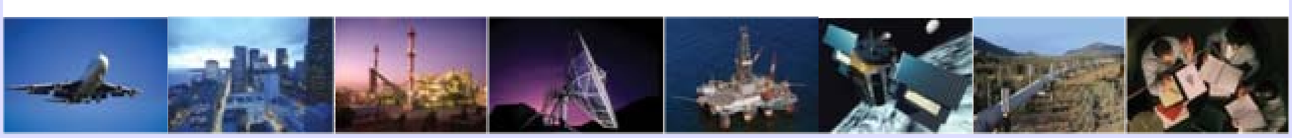


donor organisations have also contributed to Vimo SEWA's development. Technical support has been particularly useful in making year to year adjustments in the premium and benefits package. External financial support from the donor organisations has covered some of the costs of capacity building, promotion of schemes and their marketing. In fact, the education and promotion are provided face to face and therefore they involve significant labour and transportation costs.

The vast majority of the women covered by SEWA insurance are living below the poverty line and generally in normal course, they cannot afford payment of premium. The experience shows that if they get convinced of its usefulness, no matter how poor, they set aside their earnings for getting protection of insurance. Vimo SEWA is experimenting with innovative ways to enable women to pay their premiums. Vimo SEWA is also helping the members to make immediate payment of hospitalisation expenditures and immediate settlement of their claims. Insurance as a concept is not an easy one to grasp. It takes several educational inputs, exchanges and intensive community contacts to develop some understanding. These are the most essential features of micro-insurance services. SEWA is very much on course of strengthening its mechanism for developing capacity and ability to run its own insurance programme.

SEWA plans to establish a registered insurance co-operative. It has very competently demonstrated over the years that Vimo SEWA is financially and institutionally viable. Of course, for this to happen, we need change of policy, law and regulations. But without doubt, we can conclude that the success of Vimo SEWA can be replicated in our country.

Micro-insurance can prove to be a big success story in India.



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NON – LIFE INSURANCE

BEWARE OF WEBSITES

A study of different insurance aggregator Websites has revealed that the best quotes in most cases are not put up and accuracy of information remains a major concern. Three is no regulation on these Websites and they pass on limited information.

FREE INSURANCE COVER

All Amarnath Yatra pilgrims will have an insurance cover of Rs.100,000 (e.g. to USD 2,000/-) free of cost. The Policy extends the insurance cover to all the registered Yatris, labourers and pony-owners during the upcoming Amarnath Yatra from a leading Public Sector Insurer.

INSURERS TO REVISE CARGO COVER TERMS

Businesses will soon have to ensure that they hire transporters with modern fleet. Insurers plan to revise the terms of their Cargo Insurance policies, whereby they will not pay for claims for cargo damaged due to accidents caused by the vehicle not being roadworthy. The revised Conditions also specifically cover shipments through courier service providers — an area where the Clauses were ambiguous so far.

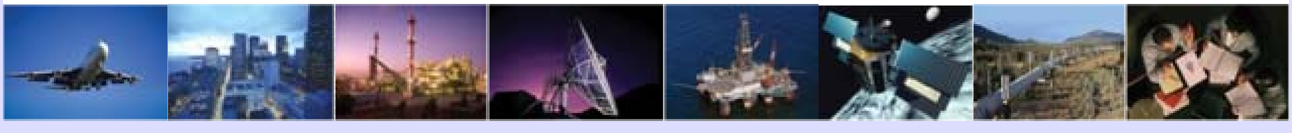
2-YEAR HEALTH PLANS

As customer retention continues to be a big issue among insurers, some insurers are offering auto renewal of Health Insurance policies by taking premiums of two years at one go.

Such an arrangement will not only help insurers retain customers for at least two years, but will also help reduce their service cost.

COVER FOR PARENTS GETS COSTLY

Employees will have to pay more for the medicare of their dependent parents. According to insurers, claim ratios are high in the case of parents and for insurers, this has become a loss-making segment. Therefore, insurers are now asking for higher premiums to include parents in the group health cover. Employers, on the other hand, are not prepared to pay additional premium for including parents. They think that group insurance costs are already high.



MEDICLAIM TO COVER OVERSEAS HOSPITALS

Medical care at overseas hospitals could well be within reach with a number of health insurance providers planning to launch a premium health cover shortly. Health insurance providers, both private and state-owned, are readying products targeted at high networth individuals that would provide a cover of about Rs 5 million (eq. to USD 100,000/-).

Insured will have the option to be treated at hospital of his choice, both in India as well as overseas.

SETTLING HEALTH CLAIMS

In health insurance, most of the disputes between the insurer and insured arise at the time of settling claims. This is the key reason for health insurers to have outsourced the function to Third Party Administrators (TPAs). However, with increasing competition and rising consumer expectations on the quality of service, insurers are realizing the need to handle and settle claims on their own rather than depending on the TPAs.

EXPORTERS SHY AWAY FROM NEW “EU” ORDERS

Apprehensive of the Euro zone debt crisis, exporters of engineering goods are declining fresh orders from buyers in the European Union. They fear default and lower returns, as the currency depreciates. Industry sources said it is the same case in other sectors.

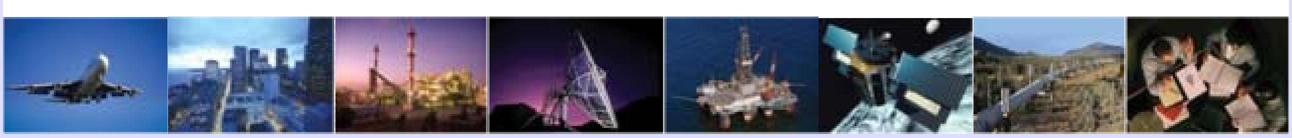
Insurers prefer to provide insurance cover to domestic exporters against payment risks in Europe on fresh orders on a case-to-case basis, depending on the credentials of the buyer in Europe.

WEATHER-BASED INSURANCE SCHEME

Industry body Federation of Indian Chambers of Commerce & Industry (FICCI) has asked the Government to extend the Weather-Based Crop Insurance Scheme to the entire country for protecting farmers from vagaries of the weather and for giving them comprehensive protection against weather-induced crop losses.

“AIR INDIA” MANGALORE CRASH

Air India Flight from Dubai to Mangalore that crashed recently killing almost everyone on board, has resulted in a total liability of about Rs 4 billion (eq. to USD 80 million). The accident is likely to hit the re-insurers, as a majority of the liability has been reinsured.



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"AIR INDIA" LIABILITY CLAIM

Recent Air India plane crash in Mangalore may result in one of the highest liability claim payouts in a plane accident so far in India.

As per the Carriage by Air Act 1972, the minimum compensation for death of each passenger in both domestic and international route was Rs 750,000/- (eq. to USD 15,000/-). With the Montreal Convention coming into effect recently, the compensation limits on international route would be approximately Rs 7 million (eq. to USD 140,000/-).

NON -DISCLOSURE OF DISEASE

The National Consumer Commission has upheld the rejection of a medical claim to a person, who suffered a heart attack within a week of taking an Insurance Policy, saying he had failed to disclose past history of the disease to the Insurer.

" It is well-settled principle of insurance that utmost good faith must be observed by the contracting parties and good faith forbids either party from non-disclosure of the facts which the parties know" the Commission said.

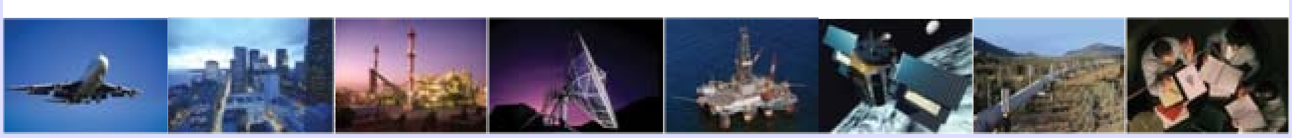
NO INSURANCE PAYMENT FOR THE NEGLIGENT

The insurer is not liable to pay the claim, if a policyholder is negligent and careless in dealing with valuable items, the Delhi State Consumer Commission has said. While dismissing a complaint against an insurer, the Commission said the Policy Conditions provide that the policyholder must take all reasonable steps to safeguard the property insured against accident, loss or damage.

"IRDA" WITHDRAWS LICENCES

The next time you plan to buy an Insurance Policy through a corporate agent, please check whether the agent is legally authorised to sell the Policy or not. This has become necessary because the Insurance Regulatory and Development Authority has said that 4,261 corporate agents out of 7,000 in the country were not authorised to sell policies from 31st March, 2010.

IRDA has assured customers that their policies would remain valid despite withdrawal of these licences.



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IRDA CRACKS WHIP ON CORPORATE AGENTS

In a move to pin more responsibility upon insurers for actions of corporate agents, insurance regulator IRDA has said that a decision to appoint a corporate agent should be taken at the highest level of insurers. The regulator has also made it mandatory for insurers to undertake physical inspection at their corporate agent offices.

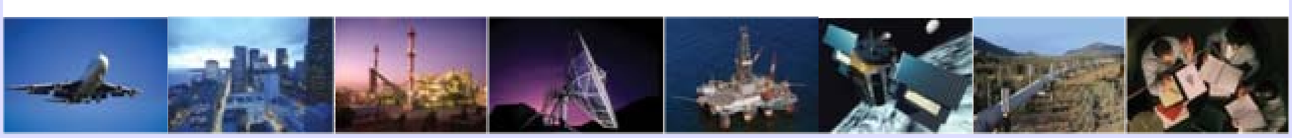
"IRDA" CAN APPOINT SURVEYOR

Delhi High Court has held that a person can approach insurance regulator IRDA seeking compensation for the loss suffered and it is empowered to appoint surveyors for assessing the quantum of damage.

The Court has said that the Order appointing surveyors was "clearly pursuant to the mandate" of the Insurance Act and it was immaterial whether claim was admitted or rejected.

CONSERVE CAPITAL: E&Y

Indian insurers will need to conserve capital despite the growth potential, since tools for conserving capital are not available to them, says professional services firm Ernst & Young.



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INTERNATIONAL

Q1 CATASTROPHE ROUND-UP

The opening three months of 2010 have been labelled as the costliest first quarter on record. This is largely the result of one event – the Chile earthquake on 27th February, 2010. There has been a series of other events building up the total estimated loss to $16 bn. In Europe, Wind storm Xynthia has gathered a few headlines. The US has seen a period of winter storm losses. The UK has also experienced a stormy winter. A series of storms have also hit Australia during the first quarter.

The April 2010 renewals, which largely focus on Asia gave no indication of rate increases for catastrophe business. There was some evidence of price tightening in Latin America, but little impact elsewhere.

ATLANTIC STORM SEASON 2010

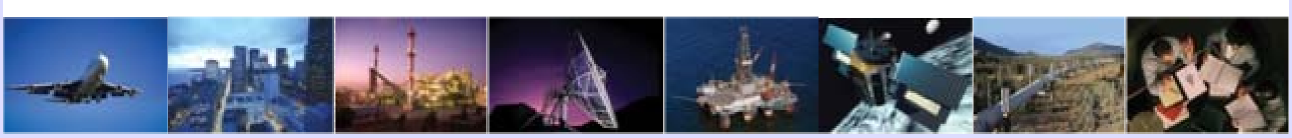
The 2010 hurricane season has officially begun since 01st June, 2010. The latest Colrado State University (CSU) forecast has predicted that 18 named storms will form this year. The predictions of a highly active summer for Atlantic cyclone has made the market nervous – following a series of losses during 2010. If we have something around the size of Katrina or Ike, it would be sufficient enough to start moving rates up. Katrina was the largest single loss in the history of insurance, when it struck in August 2005. According to Insurance Information Institute, claims totalled $ 41.4 bn.

INSURANCE A DELAYED KICK-OFF

When construction workers in South Africa laid down their tools in July 2009, the organisers of the FIFA 2010 World Cup faced the prospect of being lumbered with costs that were not insured, if the competition had to be postponed or relocated.

Under a $ 650 m Policy written to cover the 2010 and 2014 World Cups, postponement or relocation was not covered in the event of strike action. Since then, the prospect of stadia and infrastructure being incomplete by the time the World Cup kicked off on 11th June, 2010 had diminished.

Cancellation of the event under any circumstances is not covered by the Policy, the bulk of which was reinsured by Munich Re and Swiss Re, but there are still plenty of risks that could see reinsurers facing a loss in the event of postponement or relocation.



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A postponement in the event of war, terrorism, natural disaster or civil unrest would see reinsurers paying out a hefty claim. The likelihood of a cancellation is minimal, but given recent events such as the attack on a bus carrying Togo's football team at the Africa Cup of Nations and other terrorist attacks on sporting events held on the subcontinent, the threat of postponement or relocation remained.

OIL RIG EXPLOSION

The estimates are rolling in for the oil rig disaster that struck in the Gulf of Mexico on 22^{nd} April, 2010 with Swiss Re estimating total insured losses could reach as much as $ 3.5 bn. However, the situation is uncertain, with estimates showing a wide variation in how much this disaster might cost the industry.

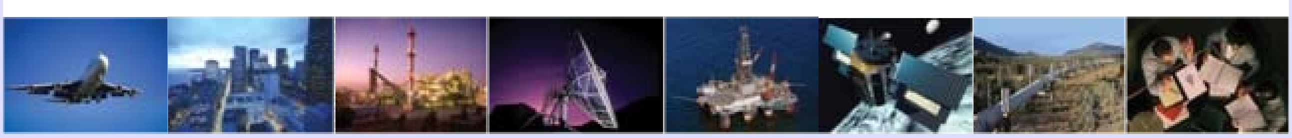
According to the US Coast Guard, upto 5,000 barrels of oil a day were spilling into the sea from the Trans Ocean drilling rig that exploded and sank, killing 11 crew. The size of the spillage, five times larger than had been previously calculated, could become the worst environmental disaster to hit the US in decades, threatening wildlife, fishing industries and tourism.

The Insurance Information Institute (III) has calculated insured losses cold reach about $ 1.4 bn. However, in its first quarter results statement, Swiss Re estimated its losses from the explosion of the Deep Water Horizon oil rig to be $ 200 m before tax and expects total insurance market loses from the event will be between $ 1.5 bn and $ 3.5 bn.

This explosion, combined with the resulting oil spill, is likely to be the largest loss to hit the energy insurance market since the explosion of the Piper Alpha oil drilling platform in 1988. This incident could force up prices for offshore energy liability insurance by as much as 200 %.

MARINE TOTAL LOSSES

Total losses notified to the marine insurance market in 2009 reached the lowest level on record, with 10 % drop compared with 2008. But a dramatic drop in shipping activity last year did not translate into a substantial reduction in the number of partial losses, new figures from the International Union of Marine Insurance (IUMI) show. The number of partial losses was still the fourth highest in the last 16 years, despite falling from 2008 levels. Machinery damage remains the predominant cause of major partial losses, accounting for more than 35 % of the total between 2005 and 2009.



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Collisions, contact and groundings make up the bulk of the remaining 65 %. For total losses, weather remains the biggest culprit, responsible for 43.2 % of losses between 2005 and 2009.

"WEAPONS OF WAR"

Clarification over the term "Weapons of War" would bring some much – needed transparency to the marine insurance market, when dealing with instances of piracy. A solicitor explained at a recent Lloyd's Maritime Academy Seminar that weapons of war tend to be thought of as missiles and rocket launchers, and there is some confusion about whether TNT or AK – 47s should be thought of in the same manner. Items such as rocket – propelled grenades (RPGs) could be considered as weapons of war. Problems arise when new weapons are introduced, since the definition does not evolve over time. With all these inevitable issues, there is potential for a backlash, as any weapon could eventually be defined as a "weapon of war" by insurers, if they have to face claims on a regular basis.

RETHINK ON RISK MANAGEMENT

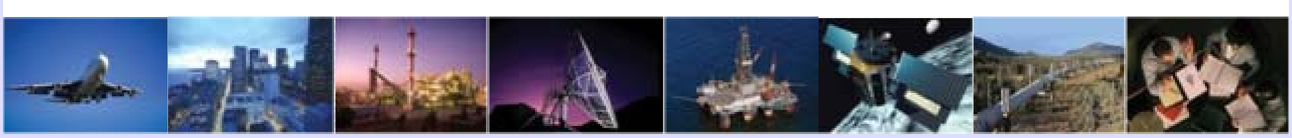
Insurance is about protecting against risk. The way that the many strands of the financial world connect and react to each other and how finance links to the commodity market and all other aspects of the real economy, presents a major challenge in terms of risk management. Fortunately, insurance was not hit as hard as banking in the downturn. However, while the insurance industry stands apart from pure financial markets, lessons learnt during the banking crisis will affect insurers.

In the "dotcom" crash of 2001-03, insurance suffered more than banking. We may see the same thing again, unless banks and insurers have a rethink on risk management.

SOLVENCY II

Solvency II was highlighted by 78% of insurance CEOs surveyed recently by the Geneva Association as the most important regulatory change facing the industry.

Around 56% of respondents saw Solvency II as a positive project for the industry, but comments within responses highlighted that there were reservations about some aspects of the regime, including rules for capital adequacy and concerns whether other issues may surprise the industry during the implementation phase.



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LIFE INSURANCE

ORDINANCE ENDS "ULIP" BATTLE

The Government has settled the two month turf war between regulators over unit linked Insurance policies (Ulips) by promulgating an Ordinance to bring the Products under the Insurance Regulatory and Development Authority (IRDA). The Ordinance, amending the RBI Act, the Sebi Act, the Insurance Act and the Securities Contract Regulation Act, indicates that stock market regulator Sebi was correct in banning 14 life insurance companies from selling Ulips without its nod.

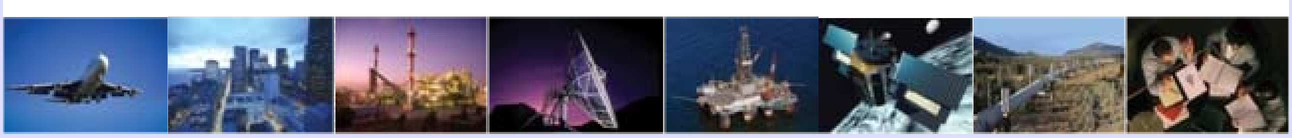
In order to avoid any regulatory skirmish of a similar nature in future, the Government has also formed a high level Committee under the Chairmanship of the Finance Minister to look at jurisdiction over hybrid products.

The Sebi-IRDA battle over Ulips started on 9th April, 2010, when Sebi passed an order banning 14 life insurance companies from selling Ulips without its approval. The market regulator felt that these products though being sold as insurance, were part investment products that Sebi had the sole authority to regulate. It also asked the 14 insurers to register with Sebi before selling Ulips. On 12th April, 2010, the Finance Minister brokered a temporary truce between Sebi and IRDA and both agreed to take legal recourse to solve the issue.

At present, Ulips account for more than 50% of the life insurance business and a substantial chunk of the funds collected is invested in the stock market.

LIFE INSURANCE INDUSTRY

The life insurance industry is expected to grow at a healthy 18 % rate in 2010-11, even as the sector is "stirred" by the gush of regulatory changes following the face-off between the Security and Exchange Board of India (SEBI) and the Insurance Regulatory and Development Authority of India (IRDA).



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MODIFY PENSION PLAN RULE

Life Insurance Council — the forum that connects the various stakeholders of life insurance industry, the Government, the regulatory body and the public at large — is looking for some modification in the bundling of life covers with pension plans. In its proposed form, bundling life covers with pension plans may force pension plan buyers to buy life covers, which could defeat the goal of buying a pension plan.

REVERSE MORTGAGE SPACE

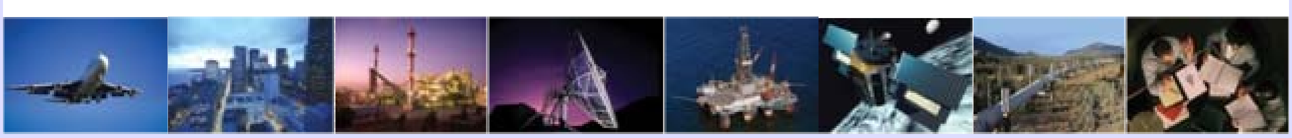
The country's largest insurer, Life Insurance Corporation (LIC), plans to enter the reverse mortgage space. LIC is in initial discussion with the housing finance regulator, National Housing Bank (NHB), for introducing this scheme to its clients. LIC's entry in this segment is significant, as the life insurer has a huge base.

DATABASE FOR "UID" PROJECT

The Government's ambitious UID Project will get a big boost, with country's largest insurer Life Insurance Corporation of India agreeing to share its database of more than 200 million policyholders with the Unique Identification Authority of India (UIDAI).

FEE FOR TRANSFER OF POLICY

Insurer cannot charge any fee for transfer or assignment of its policies, the Bombay High Court has held. Moreover, under the Insurance Act, the insurer has no power to charge such fees.



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REINSURANCE

RATES REMAIN STABLE

Despite quite a few catastrophes, reinsurance rates in the Indian market have remained stable. In contrast, global rates have softened.

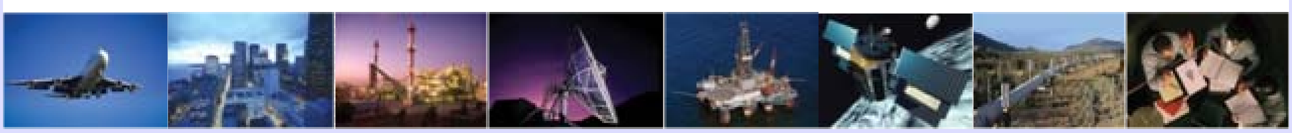
NUCLEAR INSURANCE

Government of India has decided, in principle, to open up ‘core areas’ of civilian nuclear power plants for scrutiny by foreign insurers so that insurance cover can be extended to these critical sections.

STANDARD & POOR’S TOP TEN GLOBAL REINSURANCE GROUPS

Munich Re has retained its ranking as the leading global reinsurance group. The German reinsurer finished at the top for the second year in succession. Munich Re wrote $ 29.1 bn net reinsurance premium in 2008 as compared to $ 30.3 bn in 2007, but still enough to place Swiss Re in second place, which wrote $ 24.3 bn. According to S & P, Indian reinsurer, General Insurance Corporation of India had recorded largest drop in net reinsurance premiums. It wrote $2.1 bn in 2007, which was down to $ 1.4 bn in 2008, a decline of more than 30 %, enough to see it fall from 16^{th} position in 2007 to 23^{rd} in 2008. Top ten figures are as under:

	Company	Country	Net reinsurance premium in 2008
i)	Munich Re	Germany	29.1 bn dollars
ii)	Swiss Re	Switzerland	24.3 bn dollars
iii)	Berkshire Hathway Re	US	12.1 bn dollars
iv)	Hannover Re	Germany	10.2 bn dollars
v)	Scar	France	7.5 bn dollars
vi)	Lloyd’s	UK	6.7 bn dollars
vii)	Reinsurance Group of America	US	5.3 bn dollars
viii)	Translactic Holding	US	4.1 bn dollars
ix)	Partner Re	Bermuda	4.0 bn dollars
x)	Everest Re	Bermuda	3.5 bn dollars



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"IMF" LEVY

Tough new tax measures from the International Monetary Fund (IMF) aim to catch insurers, even the most risk – averse reinsurers, in the same net as banks. The industry has lobbied for exemption and urged government to water down the proposals.

The financial services industry continues to be punished for the worldwide economic meltdown. The European Union is trying to enforce strict new regulations on hedge funds and private equity, while the new UK coalition Government is to examine the break-up of the retail and investment arms of the big banks through an independent Commission.

The reinsurance industry despite having nothing to do with the sub prime mortgage disaster and cheap debt boom that fostered the crisis, is set to be trapped in the latest wave of attacks.

We value feedback.

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