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J. B. BODA GROUP

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CONTENTS **PAGE NOS.**

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PRIME STORY

2014 – CLAMOUR FOR CLAIMS

WEATHER CLAIMS

Weather will again be a focus in 2014. Only time will tell whether it will be like tumultuous 2013. Let us pray for calmer conditions to prevail. The global insurance industry sources do not expect any big swings in the claims outlook for 2014. Overall, the claims outlook for 2014 is relatively steady, but for the ongoing concern of severe weather.

PROPERTY & CASUALTY (P&C)

The P&C demands on claims-handling resources will continue to be high around all weather related events and insurers foresee catastrophe planning and mitigation strategies as key discussions with their insurance partners. The industry needs to play a bigger role in loss prevention, which will go a long way in terms of cost control. Consumer education aimed at loss control measures is essential.

EMERGING CLAIMS AREAS

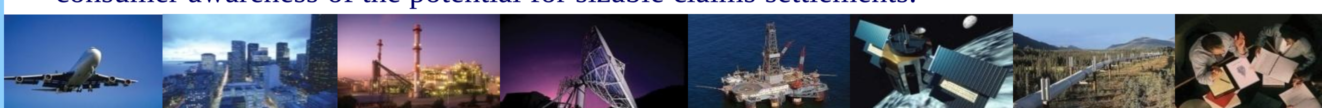
Trying to predict what will happen with P & C claims can be a slippery proposition. There are no measurable predictors one can use to size up what may or may not happen with events that influence the number of claims that will come about in a year.

As insurers develop new product lines, so will develop new claims associated with those products. If the P & C insurance industry responds with the coverages that are emerging as necessary for business today, then interesting claims and complex litigation will follow. New structural developments and other construction projects are on the rise. Overall, this is a reflection of increased economic activity, which is encouraging for the global insurance industry, but in general, it will also lead to more losses.

There is also upward pressure on costs for building restoration and damage mitigation, as well as environmental issues. There will continue to be an increased need for specialists to quantify or identify loss issues, such as specialty engineering firms, etc.. Also with regard to specialist demand, there will be an increase in Business Interruption claims that often require accounting expertise to work with the Surveyors & Loss Assessors (SLAs).

DRIVING AUTOMOBILES

Another issue of concern is what is happening with automobiles. Insurers have also seen substantial increase in third party claims, which are expected to continue. The legal environment has become more conducive to third party claims. Insurers have seen a resurgence of heightened consumer awareness of the potential for sizable claims settlements.



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SUSTAINING EXPERTISE

Timely action is also needed with regard to ensuring that the independent SLA profession remains healthy. A definite area of concern is SLA recruitment and training. Few SLA firms / companies actually bring in fresh recruits and train them from the ground level. Specialty type losses requiring expertise in claims handling will increase outsourcing needs for future, as insurers see many senior SLAs retiring and fewer SLAs coming through the ranks with expertise to handle these specific losses. As the number of independent SLAs continues to shrink, the demand for the experienced SLA who really knows how to handle a claim will go up. With that, so will the cost of that service. Independent SLAs will continue to be utilized for large and complex loss-handling capabilities. As insurers continue to grow out this sought-after skill set, they expect to see a steady to upward trends in service needs.

CUSTOMER SERVICE

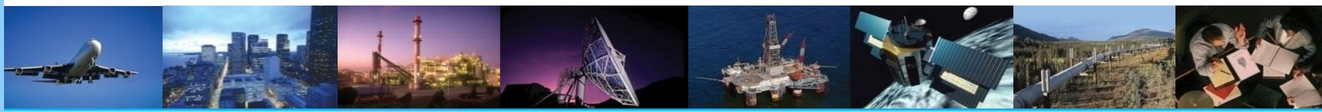
Serving customers is critically vital and pivotal. Insurers need to get better on servicing the policyholders. Insurers offer a product that has a promise and they need to do a great job delivering on that promise in a timely manner. They need to be more efficient in their service delivery. Sometimes short-sighted decisions made in a hurry can lead to claim files being reopened or even litigated down the road. Experience and expertise gives the expert independent SLA the tools to make better decisions in a timely manner, without false deadlines pushing them.

TECHNOLOGY

Technology offers promise as a means to achieve the twin goals of meeting customer needs and helping contain costs. How insurers use technology to control costs and communicate more effectively and efficiently will have an enormous effect in the future. The implementation of new technologies can enhance the workflow process and expedite the claims-handling process. In order to use these technologies effectively, insurers must be able to have connectivity between systems in order to realize the net gains that can be implemented by use of these new systems.

SEAMLESS AND OPEN APPROACH

Seamless and open approach to claims handling with connectivity between partners and all claims handling systems will allow more efficient and innovative workflows, which will ultimately reduce the overall costs of managing claim files and the indemnity paid on claims. Improved workflows and use of technology can definitely improve a claims lifecycle and overall costs. There are opportunities for insurers as the industry continues to look at new ways to improve cost efficiencies without compromising customer satisfaction.



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INNOVATIVE RESOURCES AND PROCESSES

Insurance is an evolving business and it is therefore, imperative and pertinent to use innovative resources and processes to enhance the service that insurers deliver and to make them more efficient. From a claims perspective, this ranges from using the latest fraud detection technologies to streamlining workflows, with a view to managing costs while enhancing the claims experience for customers. Things such as technology, efficiencies through improved workflow and enhanced collaboration (both among staff and among insurers) will continue to drive improvements in efficiency and effectiveness, enhanced customer service and a more engaged workforce. Closure of claims speedily is a laudable objective.

COST CONTAINMENT VIS-À-VIS BOTTOM LINE

These efforts take investments by insurers, so it is important that cost containment efforts are enabled quickly and with clear measures to ensure that they are delivered. The regulatory framework within which insurers operate will require support through innovation and enablement of a market-driven, competitive but risk factored premium pricing structure that works to the best interest of both insurers and insureds.

The pressure from CAT activity is going to drive further cost containment measurements at the carrier level and insurers expect that it will impact.

There is a limit to how far cost cutting can go. Where does the cost cutting scale go out of balance with bottom line? It is time for premiums to rise to sustain the global insurance industry.

CONCLUSION

Looking forward, by remaining cautiously optimistic, it is important that insurers are able to understand their customers and provide them with the knowledge to make choices that best suit their corporate & individual insurance requirements. Insurers need to be a reliable and credible source of information for their customers and demonstrate visibly that they will be there to support them through their tough times.

2013 provided a lot of lessons and warning signs for global insurance industry; specifically, how prepared all concerned are as an industry to respond to major spikes in claim volumes in a short period of time.

More uncertainty is expected in 2014, putting upward pressures on loss costs, frequencies, expenses (including litigation), staffing and customer service. With this increasing uncertainty, it will be important for the global insurance market to be able to adapt, innovate and evolve to meet the growing challenges.

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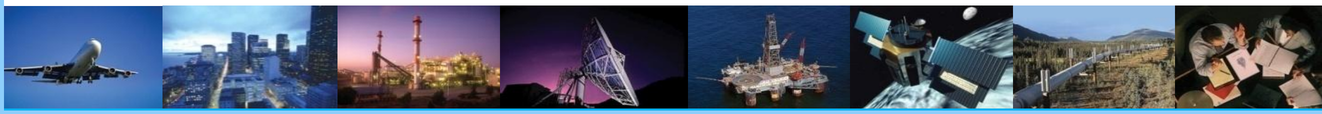

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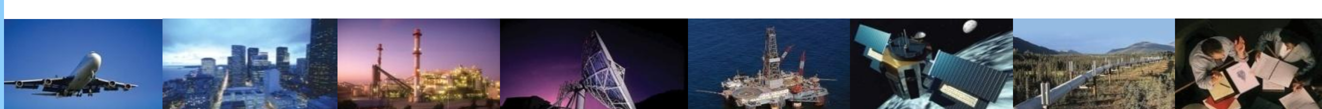
REINSURANCE

Global: Reinsurance pricing pressure to continue in April, July 2014

The forthcoming reinsurance renewals in 2014 at 1 April (mainly Japan) and 1 July (especially parts of the US market, Australia and Latin America) will include a greater proportion of natural catastrophe business than the January renewals, says the world's biggest reinsurer, Munich Re. The global reinsurer expects pricing pressure in this segment to remain very appreciable in the further course of the year unless any extraordinary loss events occur.

Munich Re said that it is satisfied overall with the renewals at 1 January, when slightly more than half of Munich Re's non-life reinsurance business was up for renewal, representing a premium volume of around EUR8.7 billion (US$11.8 billion). Altogether, the volume of business, including new business, written at 1 January grew slightly by 2.7 % to around EUR9 billion. Pricing fell marginally by 1.5 %. Treaty terms and conditions remained largely stable.

However, the market environment remains very challenging, with competition having become even keener. Ample capacity is available, partly because capital from investors such as pension funds is increasingly being invested in instruments for alternative risk transfer. This capital is flowing mainly into non-proportional natural catastrophe business, which only featured to a relatively small extent in the January renewals. Of more significance is that price competition has increased in the traditional reinsurance market.



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INTERNATIONAL

Seven Steps Can Help Nations Prepare for Disaster

Typhoon Haiyan, which killed more than 6,000 people in the Philippines last fall, reminded us how much suffering and damage nature can cause, and how important it is to invest in resilience and be ready to respond.

As climate change and booming urbanization leave more and more people exposed to hazard, Governments worldwide want to make sure their roads, buildings and public services can withstand natural disasters such as floods, storms and earthquakes.

Here are seven lessons, culled from years of experience, on how to reduce risks:

1) Identify those risks. Indonesia has shown how this can be done. There, the Government and partners developed InaSAFE, a free interactive software programme that allows officials to ask questions that help them quantify the damage a disaster might cause. If an earthquake hit tomorrow, for example, how many schools would be affected? How many students would be at risk? By helping to estimate the number of people and facilities in danger, the tool helps decision makers better prepare for, and respond to, disaster risks.

2) Make it clear that prevention is possible and often easy. Early-warning systems are among the most cost-effective solutions to reduce the worst effects of disasters. These can be as simple as megaphones to spread alerts to local communities or as advanced as Japan's earthquake technology, which can stop Shinkansen high-speed trains before an earthquake strikes to avoid derailment.

   Just US$1 invested in early-warning systems can save as much as US$35 in damages — protect untold numbers of lives. When Cyclone Phailin hit India in the fall of 2013, a new early- warning system and a network of cyclone shelters kept 900,000 people out of harm's way. Forty people died in that storm — a tragic number, but far fewer than the 10,000 who died in a storm of the same size in 1999.

   Sometimes avoiding catastrophe is as simple as ensuring that drains aren't clogged (one of the most common causes of urban flooding) and that infrastructure is well maintained so roads and bridges don't crumble with the first heavy rain.

   Although it's difficult to measure how much damage or loss of life such precautions prevent, citizens should be made aware of the value of being prepared so they can hold public officials accountable for making proper investments.

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3) All public investments and policies should be guided by detailed risk assessments that incorporate up-to-date models. The 2010 earthquake in Haiti, with a magnitude of 7.0, killed more than 220,000 people. Just a month later, the much stronger earthquake in Chile, magnitude 8.8, caused only about 500 deaths. What was the difference in Chile? Up-to-date building codes that take into account the country's high seismic risk and are strictly enforced.

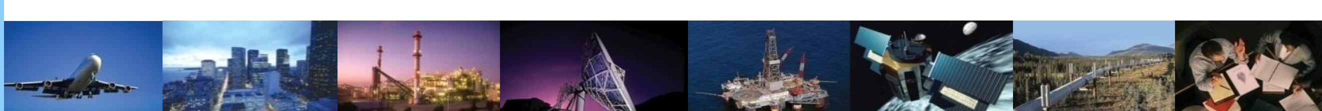
4) Give everyone free access to information about dangers posed by storms, earthquakes and other disasters. Open-source tools such as the World Bank's Open Data for Resilience Initiative make it easy for countries to collect and share information on risk, and allow people with a variety of expertise to participate in the challenge of building resilience.

5) Healthy ecosystems save lives and money. An investment of $1.1 million in mangrove forests in northern Vietnam provided a buffer against the floods and storm surges of Typhoon Wukong in 2000, significantly reducing the loss of life and property there compared with other areas. (The forests also save Vietnam an estimated $7.3 million a year in dike maintenance.)

6) Find political champions. In tight fiscal environment, every Government needs a strong political champion to keep the focus on climate and disaster risk management. Countries can learn from Peru, where the Head of disaster risk management reports directly to the Prime Minister and works closely with the Ministry of Finance, or from New York City, where former Mayor Michael Bloomberg (the founder and majority owner of Bloomberg LP, the parent of Bloomberg News) personally fought for investments in preparing for climate change.

7) Build back better. Reconstruction after a disaster presents a golden opportunity to make buildings and infrastructure more resilient to future events. In Indonesia, reconstruction after the 2004 tsunami even brought about the political will to end the 30-year conflict in Aceh, creating the foundations for a prosperous future.

Even as climate change increases the risk of natural disaster, cities can be made increasingly safe, as long as public policy makers carefully prepare.



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NATIONAL NON - LIFE

Insurers in uphill effort to raise bottom line

India's insurance industry is striving to improve its operating performance as profitability has been affected by price competition, the slowing economy and regulatory changes, according to a special report by AM Best.

After more than a decade of robust premium growth, the industry now faces challenges in terms of adequate pricing, distribution and cost efficiency. Nevertheless, the long-term picture is still compelling, says the international rating agency. Overall, India’s insurance market is poised for stable growth supported by low insurance penetration, rising middle-class income and the vast protection gaps for life and property risks among the population.

A M Best notes that public-sector insurers play a dominant role in India’s life and non-life insurance industry, armed with solid capital positions. However, losses arising from key lines of business mean that price rationalisation and expense control are critical to the industry’s positive development.

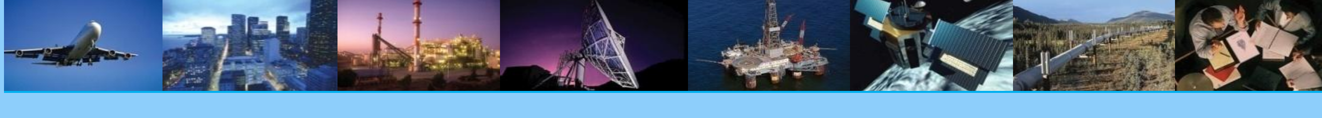
Life premiums represent the majority of India’s insurance business, accounting for almost 85% of consolidated gross premiums written in the country in 2012. Although the remaining—and relatively small—share of premiums written is non-life business, it has been the industry’s main concern in recent years due to its lack of profitability, says AM Best.

Looking ahead, the rating agency says, life and non-life businesses—which are bracing for more transition and challenges to growth—are trying to build profit during this sluggish economic period and cope with persistent high claims ratios; underwriting losses in the non-life sector; as well as falling new business and regulatory changes in the life sector.

Insurers and banks discussing comprehensive ATM cover

Some insurers are actively discussing with banks a comprehensive cover for injuries and accidents involving users of the banks‘ Automated Teller Machines (ATMs). The cover would provide protection against card-related fraudulent transactions, and robbery and attacks on individuals using ATMs, including hospitalisation expenses.

At present, while the majority of the banks have insurance cover for theft and damage related incidents involving ATMs, hospitalisation cover taken out by banks for victims of physical attacks in ATM kiosks is not widespread. Individual customers are not provided cover for any medical expenses incurred due to injuries from physical attacks during ATM usage. A recent attack on a lady in an ATM kiosk in Bengaluru shows the vulnerability of the public who use ATMs.



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Insurers perceive that the cover already provided to banks for ATMs can be easily extended to persons using the ATM services. However, the cost of such an extended cover would need to be worked out.

Many banks provide Personal Accident covers as a value-add for their credit and debit card customers. Such Personal Accident Policies also provide a cover against attacks on individuals while using ATMs. Though compensation is provided in these covers for accidental death, providing cover against injury could be difficult due to high cover prices.

IT spend will rise 12%

Indian insurers will spend more on IT products and services in 2014, a 12 % rise over 2013. This forecast includes spending by insurers on internal IT (including personnel), hardware, software, external IT services and telecommunications. The software segment is forecast to be the fastest external segment, growing at 18 % in 2014 overall, lifted by accelerated growth of insurance-specific software.

Health Insurance Portability Benefits

Mobile Number Portability (MNP) has brought about flexibility to a lot of mobile phone users who wanted to shift to a better network without having to change their numbers.

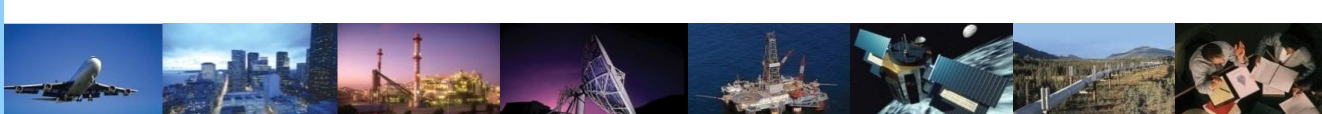
Similar concept was introduced by IRDA in the Health Insurance domain. They call it Health Insurance Portability.

What is it?

It is a facility to transfer your Health Insurance Policy from an existing insurer to another without many hassles.

How to do it?

It is a pretty simple process. You need to submit a Form to the new insurer stating the porting of your Policy. It should be sent 45 days before your Policy renewal date. The new insurer will take a decision on accepting this Policy within 15 days.



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What are the benefits of Health Insurance Portability?

1) You can change the insurer if you are not happy with the existing insurer's service.

2) You can choose any new individual/family Policy with the new insurer.

3) Benefits of the previous Policy would continue to exist.

4) Your new insurer has to insure you at least up to the Sum Insured under the old Policy.

Few Conditions

1) Portability is allowed only at the time of Policy Renewal.

2) Submit the Application at least 45 days before Renewal Date.

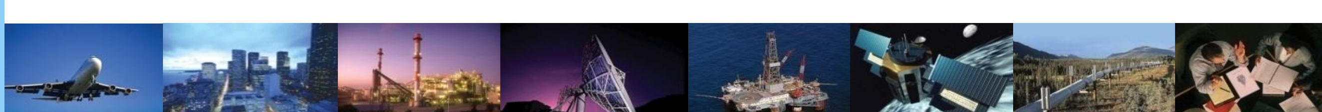
3) The new insurer has the authority to fix a higher Premium.

4) Policy should be in continuation. The new insurer may reject the portability, if the Premiums are not paid.

The IRDA has clarified that all insurers issuing Health Insurance Policies shall allow for credit gained by the Insured for pre existing condition(s) or critical illness in terms of waiting period, when he/she switches from one insurer to another or from one plan to another, provided the previous Policy has been maintained without break.

For example, if under a previous Policy, the Pre-existing Disease(s) Condition was excluded from coverage for two years and under a new Plan with a different insurer, the Exclusion Period for the same Condition is three years, the new Health Insurance Policy can only exclude the Condition from coverage for one extra year.

This credit (in terms of waiting period) would be limited to the Sum Assured (including Bonus) under the previous Policy. There will be a common database, which all insurers will have access to. As part of this Portability feature, all details including claims will be shared among the insurers. This will enable the new insurers to obtain data on history on Health Insurance of the Policyholders, who apply for Portability.



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NATIONAL LIFE

Expect more from Life Insurance this year

For the Life Insurance industry, 2013 was a year when the regulator and the industry took a series of positive measures that have far-reaching implications. The high points were the IRDA approval of open architecture and the launch of e-repositories. These measures showcase how this once fledgling industry is now matching international standards and getting organized at a rapid pace. In 2013, the Life Insurance industry took a big step forward in introducing innovative products - term plans with deferred payouts being the highlight, and, of course, reviving the pension's category. In 2014, innovation in products and distribution will continue to be the key focus for insurers.

Insurers would also continue to leverage technology to deliver superior customer service and increase penetration levels in the country. In the past two years, this platform has already proved to be a game-changer for the Life Insurance industry in India. Mobile commerce will grow to become an important platform to watch out for. Insurers and Intermediaries will leverage this platform in a big way and reach out to customers. Technology, will drive innovations in customer service.

Apart from open architecture, another effort from IRDA to improve the infrastructure of the Life Insurance sector was through the launch of e-repositories, which will provide the facility to keep Insurance Policies in electronic form. The benefits of this will play out in 2014. E-repositories will not only offer insurers easier means to drive know-your-customer norms, but the insurers will also be able to identify customers with specific insurance needs. Launch of e-repositories will also boost the insurance space as it facilitates easy and fast transactions such as modifications and revisions for policy holders as well. Significantly, dematerialization of policies will help insurers improve service standards, including in terms of delivery of documents, managing policies, etc.. It will also help in checking frauds and false claims.

Another segment that insurers will focus on is launch of more pension products, on both traditional and market-linked platforms. Given the lack of a proper social security net in India, such schemes are much needed. While protection will continue to be the focus for the industry; the new year may also witness a revival in unit-linked insurance plans (Ulips). This product category has been the most affected since the industry went into a tail-spin in 2010. Once the general elections this year are over and with new Government in place, the stock market is likely to rally. This will further benefit Ulips as a category. Like many other sectors, insurance sector also feels the effects of internal as well as external changes.

The industry also needs to take the onus of helping consumers achieve their needs, which today include basic survival planning. We need to help clients determine the right amount of insurance to address their needs and objectives for the future.

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BIZARRE CLAIM MANAGEMENT PRACTICE !

If you consider the world of insurance to be dull, it's time to ponder in a lighter vein.

We have listed some of the world's most bizarre insurance claims that people have made.

Gown on fire: For one Italian bride, her wedding day was more memorable. Things were going on as planned, suddenly her wedding gown caught fire. Fortunately, her husband threw her in water and saved her life. An insurer compensated her for her burnt dress.

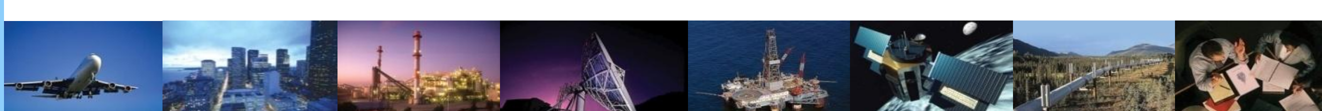
Up and away: A woman is making her dog walk. Suddenly, from nowhere, a seagull swoops down and takes away her phone. This is what a woman in UK had claimed.
A seagull took away a phone.

Life moves on : A farmer in UK claimed to have lost his phone in the behind of his cow. How did the phone get there.? He was using the phone as a torch to help the pregnant cow deliver and that's when this happened. The phone was found later in a non-working condition.

His insurer made good the loss.

Falling coconuts: A British travel agency offers insurance against falling coconuts. Their contention being that nearly 10 times more people are killed by falling coconuts than by sharks.

Merry Christmas. A Christmas tree tied to a moving car flew off and landed on the roof of another car coming from the opposite direction. A good thing followed. The insurer paid for the damages sustained by the car.



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