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J. B. BODA GROUP

MEDIAN

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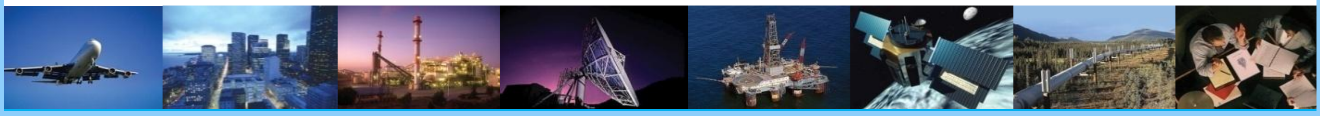

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ON "WRITE" SIDE

Value of "Market Value" ?

The term "Market Value" used in Fire & Perils Insurance coverage is required to be understood clearly. Some take it as the accounts depreciated value of a capital asset and others as the replacement cost. It is the Principle of Indemnity that is paramount in a Policy of Fire Material Damage Insurance. The term "Market Value" has, therefore, to fit in with the intention of providing an indemnity to the Insured at the time of a loss. The true meaning of "Market Value" can vary according to the circumstances and the insured property involved.

The simplest definition of "Market Value" is the cost at which the affected material/property in the condition in which it was, can be readily purchased immediately before the damage from its nearest / appropriate 'Market' or source of supply; or the price at which it can be disposed off readily in the market." "Market" itself would mean, the available or accessible source of normal supply.

In the case of commodities like cotton, jute, food grains and other agricultural commodities and other items of mass consumption, whose daily rates are quoted in the public domain, there is a clear Market Value ascertainable on a day-a-day basis. But, when it comes to industrial stocks at the manufacturers' premises, the concept of "Market Value" would vary from item to item, in accordance with the Principle of Indemnity.

RAW MATERIALS

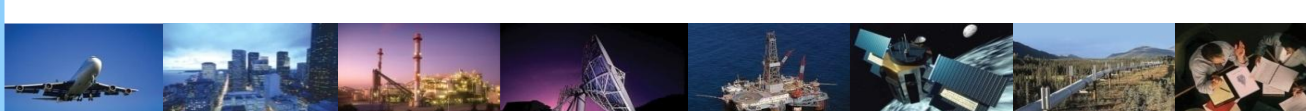
Raw Materials vary from industry to industry. Some raw materials are also imported and their cost can change from time to time depending on variations in exchange rate and import duty. Two manufacturers making the same generic product may be procuring their raw materials from different sources, depending on the quality of their finished products. Therefore, the Measure of Indemnity for raw materials for a particular manufacturer will be the cost they incur to procure the particular type and quality of raw materials they used (landed cost) for their product. If there is only one source of supply for them, that source will be their "Market", and the cost at which they get the material will be the "Market Value" for them.

STOCK –IN-PROCESS

For the purpose of claim under Fire & Perils Insurance, the Indemnity for Stock-in-Process is worked out by adding to the input cost of raw materials, the direct conversion or manufacturing costs incurred on the stocks upto the stage the manufacturing process has been completed when the occurrence of damage / loss took place. This means, cost of processes yet to be completed, finishing, testing, packing and other un-incurred costs will have to be eliminated. A proportionate share of direct factory overheads can also be taken into account, if warranted. The Stock-in-Process or an unfinished product, has often no saleable value as such; and hence no "Market Value". But, in the event of a loss, it has a value for the Insured, which is calculated in the manner prescribed above.

If during he course of manufacture, an Insured makes an intermediary product that is saleable as it is to another manufacturer, processor or trader in the market, the Indemnity thereon can be worked out as under:-

(i) The net cost of production of the manufacturer who sells it, and
(ii) To the buyer, the cost at which it is sold by the original manufacturer. This becomes the "Market Value" for the buyer.



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FINISHED GOODS

The Principle of Indemnity does not allow a claimant to make a profit out of occurrence of damage / loss. This would mean that, if the ex-factory selling price of a product is paid to .a claimant, he will derive a profit out of the occurrence of damage / loss, unless the ex-factory price is below the cost of production.

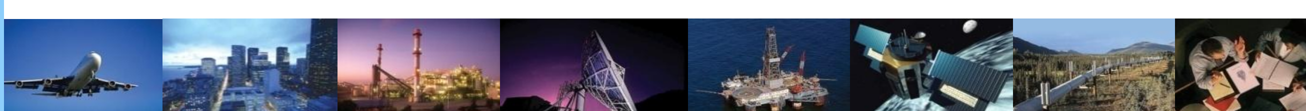
There are a number of manufactured products like sugar, fertilizers etc., which have to be sold to consumers at prices fixed by the Government, called “Levy Price” or “Issue Price”. In the case of sugar, while a part of the production is sold at the controlled price, the balance can be sold at the free market price, which is much higher than the levy price. Indemnity in the case of such stocks depends on which category of stocks was affected in the occurrence of damage / loss and at what rates the Insured would have sold the affected stocks in the normal course, had the occurrence of damage / loss not taken place, in accordance with Government Regulations in force at the time of the loss. Verification of the total stocks held by the Insured at the time of the loss; the extent to which levy obligation has already been met; how the levy and free sale stocks would have been released and sold after the occurrence of damage / loss will have to be carried out, keeping in mind all the Government Regulations, to arrive at a proper Indemnity to the Insured. The normal meaning of Market Value undergoes a thorough change when dealing with such commodities.

There are several companies making refrigerators or televisions, or cycles etc. The price in the Market for each brand of product varies widely. It is, therefore, necessary to have a flexible approach while determining the “Market Value” of each product and the variations.

Then there are certain materials like Beedi leaves, resin, timber, bamboo etc. (all forest products) , which are sold by Government agencies through auctions to various parties, on the basis of royalty rates to be paid to the Government for the quantities extracted by the contractor from the area in the forest allotted to them, as per the terms of the tender. The contractor exploits the area allotted to them at their own cost and removes the material after paying the fixed royalty to the Government. The true Measure of Indemnity to them for loss of the extracted / felled products accumulated or stored in the forest depots (Collection Points) or at by other point, would be the rate of royalty payable to the Government plus the actual approved costs incurred by them upto the time of occurrence of damage / loss in extracting and bringing the produce to the storage point. These products are also available in the free market at much higher prices. But, to the contractor who procures their entire stocks directly from the Government on the basis of the royalty rates, the only source of supply or “Market” for them is the system of Government supply through auctions, tenders etc. Therefore, the free market rates should not be the Basis of Indemnity to them as it is not their “Market”. To avoid a controversy at the time of a loss, it would be better to take care of this aspect by suitable mention in the Policy Wordings; or by exchange of Letters of Understanding at the time of taking the Insurance.

WASTE PRODUCTS

Many industries generate wastes of different kinds. The wastes market is a widely fluctuating one, and varies from place to place. Normally, many industries dispose off their scrap or waste products periodically by auction; or by contracts to the highest bidder for a particular period; to be revised again for the next term. They do not dispose off waste on a daily basis, and there is no clearly available Market Value, except in the case of metallic scrap. Even this varies widely depending on several factors. Therefore, one way of determining the Market Value or Indemnity is to take the latest average prices at which the Insured had been disposing off their scrap/ waste at their premises in the normal course. The other method is to advertise and obtain quotations; but this method sometimes does not fetch a fair price, as prospective buyers form cartels and suppress the rates. The quality and nature of waste products/scrap differ so widely that each case has to be evaluated on merits. No clear cut Market Value concept can apply.



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WHOLESALER / DISTRIBUTOR

The “Market Value” or Indemnity to a Wholesaler or Distributor is the net cost at which they obtain their supplies from their source of supply – the Manufacturer.

THE RETAILER

To the retailer, the Measure or Indemnity or “Market Value”, is the net cost at which they receive their supplies from the Wholesaler or Distributor. “Market” is a term indicating a place or location where there are several traders dealing in a commodity and due to competition among them and governed by the law of supply and demand, there is a ruling price for the commodity on a day-to-day basis. Wherever these circumstances do not exist, there is no Market Price as such and the value of the item has to be determined in accordance with the Principle of Indemnity and a sense of fairness. It would be better to use the term “Insurable Value rather than “Market Value”.

CAPITAL ASSETS

Buildings &Civil Structures

For the common man, the “Market Value” of a building is the overall price at which a building can be bought or the price at which it can be sold, which includes the price of land. This price depends on the place where the building is located (whether in the commercial centre of the city or far away in a non-commercial area); the accommodation shortage in the area; the prestige attached to the site and various other extraneous factors; which have nothing to do with the intrinsic cost of construction of the structure. The price of a building differs even depending on whether in that area water supply is adequate or it is in a violence – prone locality.

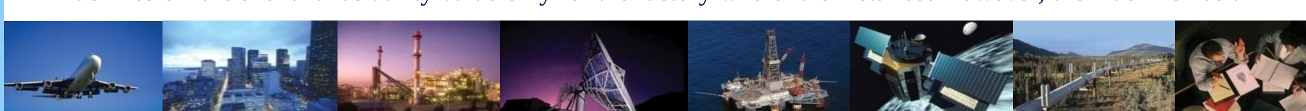
If there is a building or structure constructed within the compound of a factory to serve a particular purpose of the owner, this structure has no value for others. If a building cannot be legally sold or transferred to anyone, has it got a Market Value?

In view of all this, for the purpose of Fire & Perils Insurance, one has to ascribe some value to a building and consider it as the “Market Value”. This is done by taking into account the cost of reconstructing the superstructure at the same site, by using similar building materials; to the same specifications and quality of construction. This cost would practically be the same for all buildings of similar nature. In this computation, all extraneous factors are ignored. From this expected reconstruction cost of the superstructure, reasonable physical / technical depreciation from the date of original construction has to be deducted to arrive at the insurable value or “Market Value” for insurance purpose.

Plant, Machinery & Equipments

Fixing the “Market Value” or insurable value for plant, machinery & equipments is a tricky exercise. Every factory has common “machinery” such as electrical motors, pumps, switchgears, transformers, cables and others, which are made in India by several manufacturers. In such cases, there is an ascertainable Market Value, though prices of a similar product can differ widely depending on the quality and brand name.

In case there is a factory, which is the only one of its kind in India, having a specialised imported custom built machine not available with anyone else. It will not have a “Market Value” as such, because it has no buyer if the factory owner wants to sell it; and there is no ready market or source from where one can buy such sophisticated machines off the shelf. It has utility value only for the factory where it is installed. However, the machine has an



"insurable value", which can be computed after deducting due physical / technical depreciation on straight line method from its replacement cost. (In the case of Reinstatement Value Insurance, no depreciation is to be deducted).

Let us examine the case of very old machinery, which has been in use for say, more than 20 years; but still continues to give satisfactory production because of good maintenance. The manufacturer does not make this type of machines any more, but is producing technologically advanced models. If the factory owner wants to sell their old machinery, they may not find a buyer, because the entity setting up a new factory will only go in for the up-to-date machines. In the second hand market, the old discarded machines will be treated as scrap. But, since the old machine in the factory is still in working condition, and gives satisfactory production, a value has to be ascribed to it, not as scrap, but as working machinery, which can be called its Market Value for insurance purposes. This hypothetical value has to be arrived at by some reasonable method. These are:

(a) By escalating the original cost by appropriate inflationary factors, and making adjustments for exchange rate variations and import duty, in the case of imported machine;

(b) By first ascertaining the cost as new of the present advanced model available; deduct suitable factor for technological improvements, and then adjust the same for exchange rate variations and import duty, if the machine is an imported one.

Suppose a machine is more than 20 years old, but is still giving satisfactory production. The active, efficient, useful, economic life of the machine is technologically considered to be 20 years and at 5 % straight-line depreciation per year, the total depreciation comes to 100 %. Therefore, has the machine no value at all, or no "Market Value" for insurance purpose? In such cases, it would be reasonable to provide a maximum depreciation of say 75 % and consider the balance 25 % as the "Residual Value", and take it as its "Market Value". In the case of machines in a factory where the standards of maintenance are exemplary, the cut off rate of depreciation can even be reduced to 50 % to arrive at its "Market Value" – in agreement with the Insurers.

Where a machine is totally obsolete, and is also too old to give even partial production, its "Market Value" should be equated to its value as metal scrap by weight.

Due to rapid changes in the computer field, even a 3 year old computer may become obsolete. One who buys a computer always goes in for the latest type available. Therefore, the Indemnity payable on a computer is the replacement value of a new system, less deduction for upgradation or technological advancements, less appropriate depreciation.

CONCLUSION

The "Market Value" concept has been analysed in a generalised manner. It is explicit that each commodity and all contingencies cannot be dealt with item by item. If the method of approach is understood, misunderstanding can be avoided to a large extent. Special situations will still require careful consideration to determine the application of the "Market Value" concept in keeping with the Principle of Indemnity – especially in consultation, agreement and record with the Insurers.

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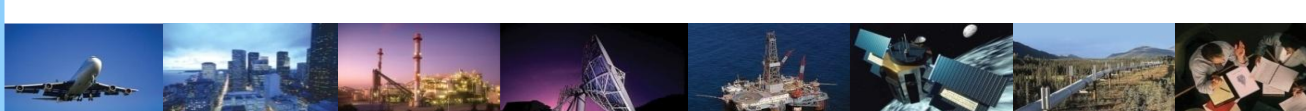

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NATIONAL

NON – LIFE

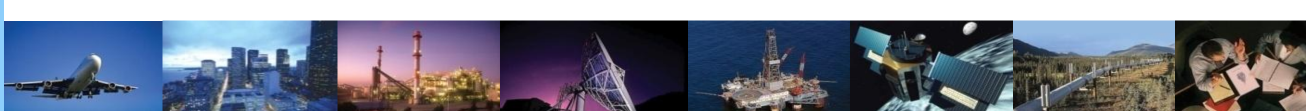
Schengen blacklists Indian Insurers

With effect from 10th March 2014, Overseas Travel & Medical Insurance Coverage issued by only Schengen Authority's approved 14 Indian Insurers will now be valid in 25 European countries bound by the Schengen Agreement. Indians travelling to countries in Schengen will now have fewer options to insure their journey. The Schengen Authority has blacklisted some Indian insurers for various inefficiencies. For Indian Insurance Sector, this is bad news as it comes right ahead of the busy April-May season for Overseas Travel & Medical Insurance sales. That Schengen countries attract maximum Indian tourists during summer also adds to their woes. Schengen Authority took this drastic step as the rejected insurers do not measure up to their standards. The reasons for rejection include high claim repudiation, inadequate service and IT infrastructure. The rejected Insurers have many claims- related complaints pending against them and a majority of them relate to mis-selling. Some Indian Insurers do not take Policyholders seriously. They do not provide appropriate services during emergencies. Travel Insurance needs a helping hand in other countries. Foreign authorities do not turn a blind eye to such operational inefficiencies. Schengen Embassy chooses Insurers which are well-equipped to handle such services for travellers.

Financial Liability Insurance for compliance

Amid rising compliance standards, coupled with greater integration of domestic companies with their global peers, general insurers are spotting a big growth opportunity in the financial liability insurance segment, which is poised to grow at over 30% annually going ahead. There has been an increasing demand for Financial Liability Insurance products like Directors' and Officers' (D&O) Liability Insurance, Professional Indemnity, and Errors & Omissions products among others in the recent past.

Companies are looking for products like D&O cover which include all kinds of liabilities arising out of activities like sexual harassment charges, discrimination of any kind or fraudulent actions done by directors or officers, etc, to cover rising claims. Importance of financial liabilities products have been realised after the Satyam scam. Currently, with provisions like class suits, personal liability of independent directors under the new Companies Act, financial liabilities products are likely to see higher demand from domestic corporates. With rising investor activism and employee awareness, these products would see greater momentum going ahead.



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Banks seek Online Fraud Insurance

Earlier, insurance policies did not include computer-related frauds, but now insurers expect it to be big in coming days. The situation has compounded the woes of the bank sector where lenders are facing huge non-performing assets. The Policy covers cyber extortion and breach of data privacy. There is a lot of talk about Cyber Insurance and people are actively looking to secure these exposures. Cyber Extortion Policy pays a ransom to a person who has hacked into the bank's website with a threat to divulge, destroy or steal confidential information.

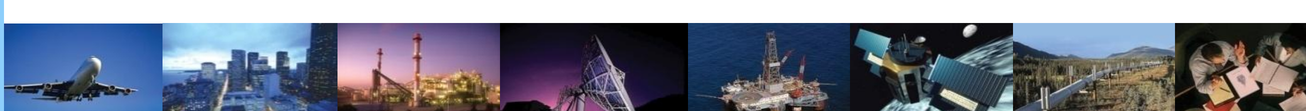
Loss from hailstorms

General insurers may face claims ranging up to INR1 billion (US$16.4 million) arising from massive crop damage, following hailstorms in the western state of Maharashtra in March 2014.

No readiness for Solvency-II

Solvency-II norms, which call for risk-based capital in insurance, may take longer than expected to be implemented in India. This is because not all players in the Indian insurance sector are ready for a solvency mechanism based solely on risk. Solvency-II is a European Union (EU) legislative programme to be implemented in all 28 EU member states. It introduces a new, harmonised EU-wide insurance regulatory regime. Its key objective is to have a uniform policyholder protection across countries through a robust system. This will enable a regime that will have sharper pricing and better allocation of capital, since solvency will be based on the risks.

Solvency-II norms are to insurers what Basel-III norms are for banks. These norms are made up of provisions related to the capital requirements of companies, regulatory assessment of a specific firm’s risk, and the regulator’s broader supervision of the entire market. According to industry experts, Solvency-II has not yet come into force in the EU and hence, it would be wrong to assume that India will adopt it immediately. Discussions are underway on whether Solvency-II should be implemented in several of the EU markets and the transition phase to be followed. Only after clarity emerges on it, will it be enforced in India.



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LIFE

Collection of Advance Premium

Life Insurers can collect Advance Premium upto three months in advance from the due date. According to Insurance Regulatory & Development Authority (IRDA), the premium collected in advance should only be adjusted on the due date of the premium.

Sales of new Policies

Sales of new insurance policies fell for the first time in nearly a decade in February 2014. The country’s largest Life Insurer Life Insurance Corporation of India recorded a 13% year – on – year decline in annualised premium equivalent, while private insurers reported an average 22 % drop from a year ago. February is generally a busy month for Life Insurers, as people tend to invest in Life Insurance Policies to maximise savings under Income – tax Rules ahead of the fiscal close on 31st March.

National Insurance Academy to tie up with UK Varsity for new course

The National Insurance Academy (NIA), promoted by the Union Finance Ministry and the insurance companies, is set to join hands with one of the premier universities in the United Kingdom (UK) to introduce basic and advanced courses in Actuarial Science. An actuary is a professional who deals with the financial impact of risk and uncertainty by mathematically evaluating the probability of events and outcomes to minimize the impacts of losses due to uncertain events like death or natural calamities. The task involves multiple skills ranging from asset and liability management, valuation, analytical and business knowledge, understanding of human behaviour and the vagaries of information systems - all this for designing insurance products that control risk.

The focus is on four UK institutions - the University of Kent, Cass Business School, Heriot-Watt University and Imperial College - which have expertise in actuarial science studies. A team from the Institute of Actuaries, UK, had recently visited the NIA for introducing the courses to the Academy. With the Indian insurance sector growing, there is a huge demand-supply gap for actuaries whose services are required by insurance companies and those into the IT, BPO/KPO segments involved in offshore product development for firms in the UK and Europe besides standalone healthcare companies. As of now, there are only 300 actuaries for the 54 companies in life and non-life insurance and standalone healthcare in the country. The UK tie-up will spur the need to hasten the roll out of such professionals at a relatively faster pace to meet the industry requirement. It takes 7-10 years for an actuarial science student to earn the tag of professional actuary from the Institute of Actuaries of India.

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INTERNATIONAL

Malaysia: US$110 mln paid for MH370 which 'ended' in Indian Ocean

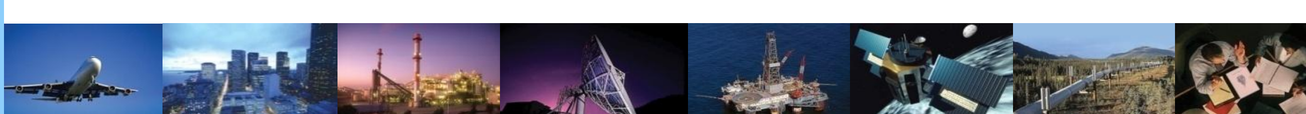
Malaysia Airlines (MAS) has already been handed US$110 million by insurers over the loss of its missing Boeing 777 on Flight MH370 which Malaysian Prime Minister Najib Razak announced on 24th March 2014 had "ended" its journey in the southern Indian Ocean. Speaking at an emergency press conference in Kuala Lumpur, Mr Najib said that fresh data gleaned from British satellite firm Inmarsat confirmed that the plane flew along a southern corridor instead of along a northern arc, which was one of the possible routes previously identified. Its last position was in the middle of the Indian Ocean, west of Perth. This is a remote location far from any possible landing sites. The aircraft disappeared on 8th March 2014 when it was scheduled to fly from Kuala Lumpur to Beijing.

The US$110-million payout was made in accordance with standard air travel industry Policy which says that if a plane has been missing for more than two days, then it is assumed it has been destroyed. The Policy was originally taken out in Malaysia but, as is common practice in the industry, it was reinsured with a group led by Germany's Allianz. The other reinsurers include GIC Re, Hannover Re, Lonpac Insurance, Malaysian Re and Eurasia. The primary insurance cover for the aircraft is written 100 % by Etiqa Insurance & Takaful, a domestic Malaysian carrier with the majority of the risk ceded to the global panel of reinsurers. Sources said that Etiqa retained only around 4.5 % of the risk.

The payout could also cover hardship payments to families of passengers on board the ill-fated flight. For the next-of-kin of the MH370 passengers, an international aviation treaty — the Montreal Convention — allows them to seek up to US$175,000 (RM573,475) each without proving any fault with MAS. Depending on the reason for the disappearance of the plane, the insurers could pay out tens of millions of dollars more to bereaved families of the 239 people on board. If terrorism or negligence is found to have played a role, it could alter the size and liability of the payouts.

Malaysia Jet Search Highlights Doubts over Air Traffic Radar

The ease with which a big jetliner melted into the ether after vanishing from Malaysian radar illustrates an uncomfortable paradox about modern aviation: state-of-the-art airplanes rely on ageing ground infrastructure to tell them where to go. While satellites shape almost every aspect of modern life, the use of radar and radio in the cockpit has, for many pilots, changed little since before the jet engine was first flown.



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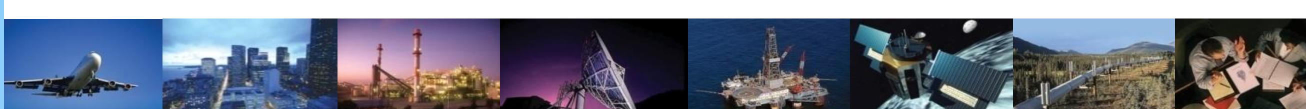
Even though Malaysia suspects someone may have hidden its tracks, the inability of 26 nations to find a 250-ton Boeing 777 has shocked an increasingly connected world and exposed flaws in the use of radar, which fades over oceans and deserts.

MENA: Businesses face increased cyber risks

It is only a question of time that organisations across the Middle East and Africa will be hit by cyber attacks, as businesses face unprecedented levels of cyber attacks, as global security vulnerabilities and threats against systems, applications, and personal networks have reached their highest-ever recorded level. This is part of the observations made by Cisco 2014 Annual Security Report which further noted that between 2012 and 2013, total global threat alerts increased by 14 %. A sample of 30 of the world's largest Fortune 500 companies generated visitor traffic to websites that host malware, with a sharp rise in malware attacks on the Middle East's oil and gas sector.

Adequate insurance cover: MAS

Malaysia Airlines System Bhd, which is facing a possible multi-million dollar insurance claim as well as lawsuits, says it has adequate insurance coverage. The national carrier said it is in touch with its insurers but could not estimate the total cost at this moment. Etiqa Insurance & Takaful, the insurance unit of Malayan Banking Bhd, is the local lead insurer, while Allianz Global Corporate & Specialty SE (AGCS SE), is lead re-insurer of the pool for hull and liability cover. A Credit Suisse report has put the estimated cost of the total insurance loss of flight MH370 at between US$500 million (RM1648.75 million) andUS$ 600 million. MAS said the estimation of the compensation to be paid will depend on various criteria using the Montreal Convention 1999 as a reference. The Montreal Convention of 1999, an international treaty that covers air travel, requires carriers to pay damages for each passenger killed or injured in an accident, even if its cause is unknown. Under the 1999 Montreal Convention, MAS will be held liable for damages suffered by the passengers' families without proof of fault, upto about US$175,504. MAS' liability could come close to US$40 million, considering the 239 passengers and crew on board. Under Article 21(2) of the 1999 Montreal Convention, the airline is liable for all of the plaintiff's damages unless the airline proves that it was completely without fault, or that the accident was caused solely by the fault of a third party. Unlike most laws that place the burden on the plaintiff to prove his or her claim, the convention imposes on the airline the duty to prove its lack of fault instead of the plaintiff to prove their claim. In this case, it remains to be seen whether the investigation will identify evidence that will allow MAS to mount a defence under Article 21(2).



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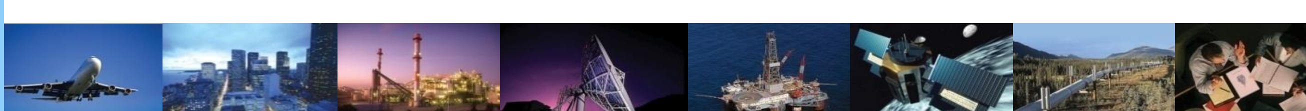
Local Pool has 3% exposure to missing plane

Domestic insurance companies that are part of the Aviation Insurance Pool for Malaysia Airlines' (MAS) fleet, which includes the missing MH370 passenger jet, retain only 3 % of the risk of the Aviation Hull & Liability Policy. According to Malaysian Reinsurance (Malaysian Re), the amount covered is small and shared among pool members and therefore does not pose a risk to domestic players.The aviation pool takes only 3% of the total coverage. The rest is insured outside. Malaysian Re is one of the insurers in the risk pool which is led by Etiqa Insurance and Takaful. Most of the risk for the missing Boeing 777 aircraft, which disappeared in the Indian Ocean on 8 March with 239 people on board, is reinsured with a group led by Allianz Global Corporate & Specialty. Malaysian Re, due to voluntary cession arrangements, also has Personal Accident Insurance coverage for some passengers on board the ill-fated flight. It is a small amount of about 2.5 %. Personal Accident Insurance will not be more than MYR500,000 (US$151,500). Under the existing voluntary cessions Market Agreement, all local general insurance companies are required to cede a portion of their business to Malaysian Re. Malaysian Re's total exposure to MH370 is not expected to have a negative impact on its earnings because of its small share in the risk. No insurance payments have been made to the passengers' next-of-kin, but the Insurance Pool has started to make payments into an Escrow Account. The payments were not for MAS but rather for related expenses such as payments to loss adjusters and others. MAS has provided an initial financial assistance of US$5,000 per passenger from its own coffers to the next-of-kin of those on Flight MH370. Meanwhile, reinsurers have agreed to share the US$100-million cost of the lost plane as it remains unclear how the plane went down. Reinsurance of the plane is divided between those insurers covering Hull & Liability, an All-Risks Comprehensive Policy that covers the loss of passengers and the plane, and a separate Policy that covers the plane itself, known as Hull War & Allied Perils cover. Lloyd's Insurer Atrium is the lead on the MAS Aviation War Policy against a Malicious Act, such as terrorism or suicide, and has offered to pay half of the value of the plane. Reinsurers in the separate All-Risks Insurance Contract led by Allianz have agreed and are already in the process of making payouts. These do not cover passengers' individual Life Insurance Policies or compensation from the airline.The Agreement by the reinsurers does not signify that any side accepts full liability and the size of payment from all sides for the lost plane will be subject to negotiations among themselves, even as the airline is paid in full.



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REINSURANCE

General Insurance Corporation stares at claim for missing Malaysian flight

GIC Re participates in consortium of global reinsurers who write protection for insurance companies, which, in turn, insure projects such as factories, airlines and railways against natural calamities. Insurance companies seek protection from a bunch of reinsurers such as Munich Re, and Swiss Re, as keeping huge risks such as the latest airline claim could wipe out an insurer. The airline was insured for USD 300-USD 400 million for passenger liability and USD 100 million for its parts. The incident may push up the premium for insurance as well as reinsurance of aviation companies, say insurers. The rates were soft since 2010 as there were not many large claims, thanks to safety records. Indian airline companies will renew their policies in later part of the year. There were no major claims since 2009 when an Air France flight crashed in the Atlantic, and Libyan airline Afriquiah Airways at Tripoli International Airport and Air India crashed in Mangalore. Air France led total claim of US$650 million on global insurance industry in which GIC bore 3.5% of the claim.

Global: Munich Re targets ambitious profits

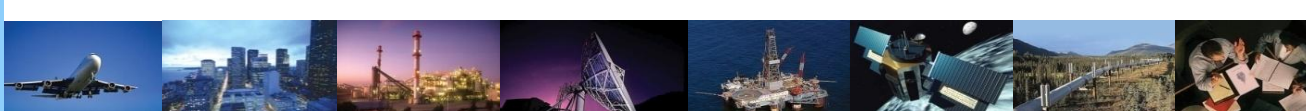
Munich Re, the world‘s biggest reinsurer, is aiming for a profit of EUR3 billion (US$4.1 billion) for 2014, or around 10 % lower than for 2013 when it reported a profit of EUR3.3 billion, the third-best result in the Company's history.

GCC   -   Reinsurance rates in GCC to soften in 2014

Reinsurance rates in the Gulf region are expected to decline this year as local and regional insurance firms are increasingly retaining more insurance business on their balance sheets and cases of extreme losses in the GCC was relatively low during 2013, according to analysts.

Despite the slowing reinsurance prices (rates) in the GCC, stagnant growth in many major Western markets make opportunities in the Gulf attractive to many global reinsurers.

The use of reinsurance in the region is generally significant, with premium retention [keeping the risk on insurer’s balance sheet] levels in the Middle East often low — on average 66 %, compared to over 90 % for some of the largest global insurers. These low retention levels are often a result of providing insurance coverage to large hydrocarbon-related companies in the region that potentially expose insurers to high risks in relation to their capitalisation levels.



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GCC: Insurers in the region retaining more risk - Moody's

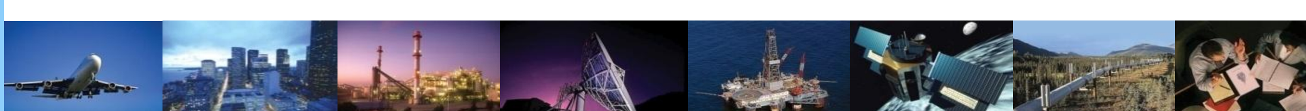
Reinsurance buyers in the Gulf Cooperation Council (GCC) member countries are benefiting from softening rates as a result of local insurers retaining more premium and therefore ceding less to reinsurers, together with relatively benign natural catastrophe losses during 2013 in the GCC and globally, says Moody's Investors Service in a commentary. Another factor is global reinsurance overcapacity.

Lloyd’s takes US$220M hit from Alberta floods

Alberta 2013 floods were the most costly disaster for one of the world’s largest reinsurers. But despite taking a US$220 million hit, Lloyd’s of London reported its biggest annual profit in four years, as overall claims from natural catastrophes declined.The year was remarkable for the absence of hurricanes crossing the U.S. coastline, as well as the relatively low level of major catastrophes resulting in annual global claims from natural catastrophes falling below their ten year average, the Corporation said in a statement. For 2013, Lloyd’s reported an underwriting result in reinsurance of US$2.4 billion on gross written premiums of US$17.4 billion. 43 % of the Corporation’s business is in North America. Their total market in Canada in 2012 was US$1.7 billion. Canada had a record year for catastrophes from flooding in Alberta and Toronto to a winter ice storm.

Reinsurer Swiss Re has estimated the high waters in the southern half of the province last June was Canada’s costliest natural disaster, with insured losses of US$2 billion and another US$4.8 billion in damages that will be borne by Government or individuals.

Recent industry studies have found the cost of natural disasters in this country have doubled every five to seven years for the last half century. Reinsurance analyst, Guy Carpenter and Company LLC, has labelled 2013 as the year of the flood with significant events in Europe, Australia, the Western U.S. and Alberta. Still, worldwide losses of US$40 billion from natural and man-made disasters were a third less than the 10-year average. In a 2006 report, Trevor Maynard, Lloyd’s Head of Exposure Management and Reinsurance, warned of the rising cost of weather-related payouts and the need to factor that into future pricing and Policy Wordings. Climate change is likely to bring us all an even more uncertain future. If we do not take action now to understand the risks and their impact, the changing climate could kill us.



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April Fools' Day !

April Fools' Day or All Fools' Days is celebrated on 1^{st} April every year. This day is widely recognised and celebrated in various countries as a day when people play practical jokes and hoaxes on each other called April Fools.

1^{st} April is one of the most light – hearted days of the year. Its origins are uncertain. Some see it as a celebration related to the turn of the season, while others believe it stems from the adoption of a new calendar.

Ancient cultures, including those of the Romans and Hindus, celebrated New Year's Day on or around 1^{st} April. It closely follows the vernal equinox (20^{th} or 21^{st} March) in medieval times, much of Europe celebrated 25^{th} March, the Feast of Annunciation, as the beginning of the new year.

It is noteworthy that many different cultures have had days of foolishness around the start of April, give or take a couple of weeks. The Romans had a festival named "Hilaria" on 25^{th} March, rejoicing in the resurrection of "Attis". The Hindu calendar has "Holi" and the Jewish Calendar has "Purim". Perhaps there is something about this time of year, with turn of season, that lends itself to lighthearted celebrations.

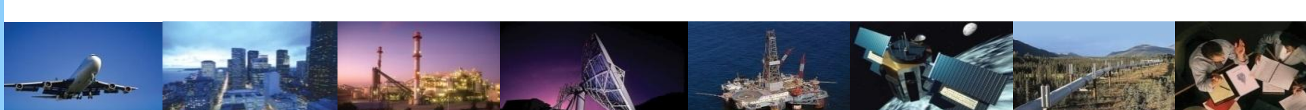
Days are celebrated for all sorts of reasons. Some to honour heroes, others to commemorate religious events. But 1^{st} April stands out as the only day that celebrates foolishness. It is an odd celebration. Which other day asks us to play tricks and dupe our unsuspecting friends and acquaintances?.

Come April Fools' Day, several cities and towns across India will host the "MAHA MOORKH SAMMELANS", meaning the Conclave of Colossal Fools. The brightest and dumbest fools will compete at different locations for the title of King of Fools and for the precious prize of a ride on a donkey. In reality, Maha Moorkh Sammelan is not a gathering of fools and dim wits. The Conclave of Colossal Fools is a celebration of humour, poetry and wit. And contestants are often doyens of Indian literature.

Though confessed fools abound, the conclaves are held across India. Playwrights, writers, poets and other wordsmiths come together to participate in a nonsense verse and poetry competition. The subject could be anything – the state of the country to mundane experiences of life. Often the subject of the wit is the poet himself / herself. Another favourite topic is the fear of the spouse.

Take a chill pill and remember it is just good natured fun on April Fools' Day in India.

Only a Fool would contest that – but not a Full Fool !.



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