February 2017
Issue 116

FIRST ON **PROTECTION**

1943
J. B. BODA
MEDIAN

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NEWS AT JBB

10th India Rendezvous Jan 18-20, 2017 Mumbai, India

Asia Insurance Review's India Rendezvous is one of the biggest platform where insurers, reinsurers, intermediaries across the globe including stakeholders in the Indian Insurance market come together to discuss business opportunities, ideas for betterment, and experiences. The 2017 rendezvous was the 10th event and was organized from Jan 18-20, 2017 at Mumbai.

J.B. Boda Reinsurance Brokers Pvt. Ltd. has been participating in the India Rendezvous since its inception. Like previous years, this year too, we arranged more than 225 meetings with various global clients. Some clients came before the rendezvous to discuss matters of mutual interest.

Primary theme for discussion was participation of Cross Border Reinsurers (CBRs) in reinsurance programme of Indian companies in the light of IRDA's new rules of new reinsurance cession, growing opportunities in agriculture insurance under Pradhan Mantri Fasal Bima Yojana (PMFBY), and liability programmes of various companies. Besides Indian companies, we also arranged meetings for clients of Bangladesh, Bhutan, Maldives, Nepal, and Sri Lanka alongwith various global reinsurers.

PRIME STORY

'Despite the tough market conditions, good insurers can still underwrite for profit'

Underwriting discipline, smart portfolio management and better use of data will mark out the winners over the next few years.

If 2016 proved anything conclusively, it was how difficult is to make predictions. As insurers, they too face an uncertain and rapidly changing landscape and one must be ready and agile than ever to respond to new developments, new challenges and new risks. 2017 will be no exception.

There are perhaps three broad trends that, will dominate the industry in Europe: a continuation of tough market conditions, a growth challenge, and a deeper debate about industry relevance.

The dynamics of the industry's capital base have shifted in a remarkable way with more than $75bn of new capital from alternative sources. There have been more than 200 new start-ups recently, challenging the traditional industry model.

At the same time, insurance rates have reached, or are in danger of reaching, unsustainable levels in many classes. Standard & Poor's expects price declines of around 5% on average in the year 2016 and in 2017. It cannot be recalled another time in recent memory when the rating environment has been more challenging – and it has got tougher, particularly in the large account space, and especially in the UK and London markets.

All this is taking place against a backdrop of unusually benign loss experience while the industry has continued to benefit from high levels of prior-year reserve releases. In fact, by the end of 2015 they reached the highest level for 30 years. The question is therefore: what will happen when these trends revert to the mean, as surely they will do?

Insurance cycles in the US property and casualty sector over the past 30 years, have tended to last around ten years. If that was to continue, it was expected that the next peak in RoE to be taking place about now. That seems unlikely to happen. Two market bellwethers have indicated some weakening recently: the US P&C industry combined ratio for the 9 months of 2016 was 99.7%. Lloyd's first-half results deteriorated by 8.5 points, to 98%. The cycle seems to have changed, with flatter peaks and shorter, more modest phases.

So that's the environment that we need to plan and prepare for. With so much capital everywhere (and potentially more waiting in the wings) it is hard to see why conditions should change significantly in the near term. Permanently tighter conditions may make the situation unsustainable for weaker insurers, but good insurers will underwrite for profit no matter what the line of business and have margin to reinvest for the future. Discipline; careful risk selection; smart portfolio management; and better use of the data – these are the behaviours that will mark out the winners from the losers over the next few years.

Struggle for growth

Against this backdrop, growth for the insurance industry in Europe will continue to be a struggle. Ultimately, in mature regions, demand for insurance tends to grow in line with GDP. Looking a year ahead, revenue growth is therefore likely to be very difficult for any European insurer.

Clearly, this growth challenge is a major factor behind the recent wave of M&A activity. The number of big deals has steadily increased in recent years from nine $1bn-plus transactions in 2013 to 14 the year after; and 25 in 2015. True, we may have seen fewer mega-deals recently – but *Insurance Day* recently reported another 25 of more than a billion in the current year, up until early December 2016. So the trend continues and, in this current tough environment, we might reasonably expect to see more consolidation – on both the carrier and the intermediary side of the industry.

Indeed, speaking from experience, the acquisition of Chubb by Ace will be instrumental in helping growth in Europe. For example, here in Europe, Ace was better known for its global accounts and multinational leadership. Legacy Chubb was better known for its middle market and personal lines expertise. In all these respects, we are confident that, in today's slow-growth Europe, the new organisation will have higher growth potential than the sum of its parts.

Last year's 'London Matters' report stated that perhaps the biggest challenge for insurance 'lies in finding solutions for new types of corporate risks'. This is indeed a key challenge and it must be worked out more closely and more collaboratively – insurers, brokers and clients – to ensure product offerings meet evolving needs.

But the debate about relevance will broaden and deepen in 2017. For one thing, remaining relevant is not just about products. It also requires to broaden out the services provided. One need to look beyond the traditional insurance policy and go beyond purely financial compensation. One must go deeper into risk management, loss control and "hands-on" crisis response.

At our multinational risk forum in October 2016, 44% of risk managers said that the area where the industry most needs to improve its offering is pre-event loss control. Another 13% said we most need to ‘up our game’ on post-loss support. Make no mistake, these aspects will help ensure continued relevance.

Remaining relevant is also about having the right model for the changing world. Some are already talking about the ‘uberisation’ of insurance. Meanwhile, it has been seen that the momentum around diversity and inclusion really pick up in London during 2016 and this will continue and gather pace in 2017. It is important that it does: millennials will make up 25% of the global workforce by 2025. They are the future of this industry, and they have very different expectations of their working life.

So agility is required. One needs to constantly challenge our traditional thinking and mindset. Ultimately, as learnt first-hand over the last year as we embed the new Chubb in Europe, navigating change is becoming part of all of our day jobs – every single day.

NATIONAL

Indian Accounting Standards: Insurers seek clarity on many issues

Even as the insurance industry is racing against time to comply with the Indian Accounting Standards (Ind-AS) from April, they point out some concern, particularly in regard to taxes that need to be addressed before the deadline by the insurance regulator Irda. Various industry players and sectoral experts cite taxation issue as the most teething concern coupled with the impact on solvency, determining free reserves, measuring investment property as well as the fair value accounting which can create volatility. Considering the short window, insurers have set up committees internally to ensure that the new accounting standard is implemented within the stipulated timeframe. While the new reporting system becomes mandatory only from April 2018, the Irdai (Insurance Regulatory & Development Authority of India) has asked insurers to submit their accounts in the new format from the December quarter onwards.

Source : The Economic Times

Govt asks Oriental Insurance, United India to improve finances

The finance ministry has asked two public sector general insurance companies—Oriental Insurance Co. Ltd and United India Insurance Co. Ltd—to improve their finances as the government looks to list the state-owned non-life firms. “There are issues with two firms and they have been asked to pull up their socks and rev up their finances,” people in knowledge with the matter said. Hopefully, situation is expected to get better soon, they said. Due to huge underwriting losses, United India Insurance and Oriental Insurance, have suffered net losses of Rs 4.29 billion and Rs 3.82 billion, respectively in the first half of the current fiscal. Both were profitable companies in the year-ago period. While United India had posted a net profit of Rs 3.56 billion, Oriental Insurance had registered a profit of Rs 3.35 billion a year ago.

Source : Mint

Riding without helmet? Forget insurance claim

The Nashik police have decided that they would mention in their records in case an accident victim was not wearing a helmet while driving a two-wheeler. Nashik police commissioner Ravinder Kumar Singal said, "This would prevent the bereaved family from staking insurance claims. We have decided to implement this measure to ensure that motorists wear helmets while driving their two-wheelers." Singal was speaking at the inauguration of the 28th Road Safety Campaign, which is implemented jointly by the Regional Transport Office and the city police, from Monday.

Source : The Times of India

Insurers vote against rule on foreign players

On the morning of January 5 2017, all general insurers in the country mustered the courage to meet at The Cricket Club of India in Mumbai to vote against a new rule which the government is pushing through and the regulator is reluctant to change. The insurers fear that the new regulation - which gives foreign reinsurers the first right of refusal in obtaining business in India — would push up insurance premium, throttle competition and concentrate risks. In a nutshell, it would pinch policyholders as well hurt the bottom line of local insurance companies. "The participants overwhelmingly voted in opposing the regulation. We have now taken it up with the IRDA," said the CEO of a large insurance firm. IRDA, or The Insurance Regulatory & Development Authority of India is the industry watchdog. The rule in question relates to the special right given to foreign reinsurers who open shop in India. In order to minimise risk, insurance companies buy covers (or insurance) from reinsurers with larger capital base. While general insurance companies welcome the government's decision to open the doors to international reinsurers and make India a reinsurance hub, they are challenging the first right of refusal that these global firms would enjoy.

While buying a cover domestic insurance companies, according to the new rule, will have to first approach global reinsurers who set up shop in India, unlike the current practice where they fish around the globe for the best rate from hundreds of reinsurers. Also, if they refuse to accept the rate offered by a global reinsurer branch in India and find a better one from an offshore reinsurer, then the former has to be given the chance to match it. "This could be time-consuming. It's certainly anti-competitive... Less than 10 percent of the participants voted in favour of the rule, and even those who did were largely representatives of insurance JVs having an international reinsurer as a foreign partner," said another person who attended the meeting. "Brazil is the only market where foreign insurers have such a right. Internationally it's considered to be a flawed structure. Singapore offers some tax incentive but no special right," said a senior official with an insurance intermediary. According to person familiar with the developments leading to the policy formulation, a senior official of a French reinsurer had actively lobbied with the finance ministry to extract the benefit of first right of refusal.

Source : The Economic Times

Soon, insurance cover while hiring taxi service

Soon, there will be chances to opt for travel insurance cover while travelling in a cab from one place to another within the same city. Taxi service providers and aggregators such as Ola and Uber are looking to tie up with insurance companies to provide cover to their passengers for any accident, medical emergency or even loss of baggage much like airlines and railways. The insurance cover will be over your own personal accident or third party motor insurance. Passengers will have to pay an additional 3-5 percent for this cover. The charges could change depending on the needs of the customers.

Source : Hindustan Times

Apollo Munich's offer for walkers

Apollo Munich Health Insurance on Wednesday announced an offer that would enable its policyholders to earn a discount of up to 8 percent on renewal premium depending on the distance one walks during a year. To avail the 'Stay Active' benefit, customers just need to download its newly launched 'Health Jinn' app on their Apple or Android mobile phones. The app will count the number of steps one walks and accordingly reward the policyholders.

Source : The Hindu Business Line

The different modes of paying premium for life insurance policies

Life insurance is a long-term product, which needs you to pay premiums regularly. In such policies, you need to decide on two more things: the premium payment term and the frequency of payment. From a premium payment perspective, there are two kinds of insurance policies: single premium policies and regular premium policies. A single premium policy asks you to make an upfront payment. So that, even if you buy a policy for, say, 10 years, you would pay the premium in one shot. On the other hand, with a regular premium policy you need to pay a fixed premium every year. Under a regular premium policy you can choose to pay the premiums throughout the policy term or for a limited number of years. Regular premium policies typically allow you to choose the period for payment. This is referred to as the premium payment term. So, even if you buy a policy for 15 years, you can choose to pay the premium for 10 years only, by choosing the premium payment term that suits you. The minimum premium payment term allowed, as per rules, is 5 years.

Source : Mint

Buying a used car? Transfer insurance policy in your name

The district consumer court has ruled that an insurance firm cannot be faulted for rejecting a claim against an accidental damage to a second-hand vehicle if the owner fails to get the insurance policy transferred in his name from the previous one. Section 157 of the Motor Vehicle (MV) Act provides for a 14-day grace period to the subsequent owner to get such a transfer done after the vehicle is registered in his name in the Regional Transport Office (RTO) books.

Source : The Times of India

PM Fasal Bima Yojana not reaching farmers who really need it

Last January, Prime Minister Narendra Modi introduced a new crop insurance scheme with the aim of bringing 50 percent of the country's farmers under insurance cover in three years. Data shows that in kharif 2016 — the first season after the scheme's launch — crop insurance coverage had risen. However, despite the Centre's claims, this growth is mainly due to the increase in insurance coverage of farmers who have taken crop loans (loanee farmers). Data from the Agriculture Insurance Company (AIC), a State-owned insurer that has covered 40 percent of all farmers under the new scheme, shows that in the 2016 kharif crop season, loanee farmers covered under crop insurance (Pradhan Mantri Fasal Bima Yojana and Weather-based Crop Insurance Scheme) stood at 26.9 millions (as of January 3, 2017). In the kharif season of 2015, the total loanee farmers under all crop insurance schemes was 21 millions. This 28 percent growth in loanee farmers under crop insurance is courtesy the push from banks.

Source : The Hindu Business Line

Experts see rise in motor insurance after passing of new vehicle act

The new motor vehicle bill 2016 with proposals to levy hefty penalties for violating road safety rules is expected to boost car insurance growth, experts said. National Insurance Co Chairman K Sanath Kumar said that about half of the vehicles run in India, especially two-wheelers, are not covered under risk cover despite the fact that third party insurance in mandatory under the law. He said that the rise in penalties might prompt owners to insure their vehicles. One of the major provisions in the Bill include rise in compensation for hit-and-run cases to Rs 0.2 million from Rs 25,000. It also provides for compensation up to Rs 1 million in road accidents fatalities.

Source : The Economic Times

Pvt. hospitals to stop treating patients with govt insurance cover

Health insurance schemes in Karnataka have come to a standstill with leading private hospitals refusing to entertain patients who come for specialized treatment with government insurance cover. Much-hyped health insurance schemes like Vajpayee Arogya Shree (VAS), Rajiv Arogya Bhagya (RAB) and Jyothi Sanjeevini schemes are aimed at providing cashless healthcare facilities to the poor. “Already, private hospitals are facing losses with the government health insurance scheme as the package offered under it is inadequate. Moreover, the government doesn't clear dues on time. Now it is again pressuring private hospitals to agree to these insurance schemes, which will run up losses for them and lead to deterioration of their health infrastructure," alleged a hospital owner in Bengaluru. Super-specialty hospitals in Dakshina Kannada and Udupi districts have decided to stop entertaining patients who come for treatment with government health insurance schemes.

Source : The Times of India

Insurance sector on growth path

The Insurance industry in the country is set on the growth trajectory and is expected to grow significantly in the coming years due to rising financial literary, according to a recent report. ‘Insurance-Sectoral Outlook 2017’, a report by Dun and Bradstreet, says that with the liberalization of foreign direct investment norms in the sector, many foreign insurance firm have entered India to explore the untapped potential of this industry.

Source : The Hindu Business Line

INTERNATIONAL

AM Best warns of risk of adverse reserve development

Rating agency highlights concerns about 'unsustainable' strategy to bolster profitability.

The trend for re/insurers to bolster their results with reserves is unsustainable, AM Best has warned.

The rating agency said it will become increasing difficult for carriers to sustain the present level of reserve releases being used to support earnings.

Over the past five years insurers and reinsurers in the US, European and London markets have become increasingly dependent on bolstering results with sizeable reserve releases, which has masked the sector's deteriorating fundamentals.

AM Best cautioned some companies may need to guard against possible reserve deficiencies to avoid a material depletion of capital.

In the London market, AM Best identified that a large proportion of releases in recent years had come from short-tail property reserves as benign large loss experience had allowed the release of catastrophe loadings. The rating agency said reserve redundancies at the level seen in recent years were unsustainable.

For the UK non-life sector, reserve releases have represented between 2.5% and 7.5% of reserves brought forward over the past 10 years.

AM Best said it was concerned reserve releases were continuing to be used to prop up underwriting profitability, which in turn was reducing confidence levels in reserves across the industry.

The rating agency highlighted the strong correlation between reserve development and the pricing cycle, warning reserve shrinkage coupled with weak pricing and the potential for above-average catastrophes pose a significant threat to companies' financial strength.

As well as reserve development, AM Best also cautioned the industry against the threats posed by accumulation risks, pandemics, low interest rates and energy prices.

In the prolonged soft market conditions, where organic growth remains difficult, AM Best predicted 2017 would see more consolidation. "Mega-deals cannot be ruled out," it added.

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