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FIRST ON **PROTECTION**

J. B. BODA

MEDIAN

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NEWS AT JBB

J B Boda celebrated wave of ecstasy and we could witness a round of joy and happiness sparkling the female employees of the organisation. We got all the female employees to meet up together on the occasion of the Hindu auspicious month of Shravan.

It was long due that they all know each other face to face and respect their presence as a part the team rather only working in sync without knowing each other.

We had few games and got winners… the #**QUEENS** of the DAY… here are some photographs of the moment…

The #**RED** & the #**YELLOW**

ON "WRITE" SIDE

FOCUS ON PRUDENT UNDERWRITING, GOVT TO PSU GENERAL INSURERS

Sensing a gross violation of underwriting advisory, the Government has directed all State-owned general insurers to strictly focus on the Government's prudent underwriting in their respective companies, a move aimed at reducing insurers' stress on their financial stability and protecting the interests of the policy holders as well.

"In order to protect the interests of the policy holders, ensure that the public sector general insurers continue to be an effective players in the market for provision of insurance services on a long term basis, and ensure that unhealthy underwriting practices in these companies do not cause unnecessary financial strain on their financial stability. It is desirable that prudent underwriting practices suggested in the Government advisories are followed strictly," said the Department of Financial Services under the Ministry of Finance.

Underwriting services are provided by some financial institutions, such as banks, insurance or investment houses, whereby they guarantee payment in case of damage or financial loss and accept the financial risk for liability arising from such guarantee.

Underwriting losses not only cause financial strain to the insurers due to inter-company competitions but also result in spiking the policyholders' premium in some way or the other. Raising serious concerns over various undue practices on underwriting by indulging in unhealthy inter-company competition, the Department has shot a letter to chiefs of all Public Sector Unit (PSU) general insurers, saying that they need to strictly follow the Government's advisory in this regard.

The Government's move came after the department found gross misuse of underwriting practices in almost all PSU general insurance firms in the country. In the letter, the Finance Ministry said that a proper underwriting mechanism should be put in place. "In order to contain the underwriting losses of the PSU insurers on account of various practices, including lack of prudent underwriting by indulging in unhealthy inter-company competition so as to snatch each other's business by offering uneconomical and unviable discounts, it was felt necessary that a proper underwriting mechanism be put in place."

When contacted, a senior official of the concerned department in the Ministry told, "It is true that we have noticed the gross misuse of underwriting rates in almost all general insurance firms in India. So, we have decided to take prompt and corrective action against those wrongdoings in the interest of customers/policy holders in this matter. We have also asked Chairmen and Managing Directors (CMDs) of all PSU general insurers to kindly note the concern and strictly focus on prudence in underwriting."

However, the Ministry further said in the letter that it found flouting Government advisories by PSU general insurance firms, leading to huge underwriting losses. “As a result, these companies are solely dependent upon the investment income or profit from sale of investment. However, these are limited investments and are fast depleting as a result of indiscriminate disposal by the companies to make up for the losses on underwriting premium. Such an arrangement is not sustainable in the long run and has the capacity to permanently harm the competitiveness of the public sector insurers,” it added.

In most of the cases, it has been observed that insurers, both life and non-life, generally show huge underwriting losses following 'fake or unjustified claims by policyholders in some way or the other. In general insurance case, natural death is often passed off as an accident to get personal accident claims. Further, in areas like health insurance and motor insurance, fake bills for hospitalisation or vehicle repair are presented so that an insurer is forced to pay cash to the policyholders.

Citing examples, the Ministry said that a case of violation in health insurance scheme was brought to its notice and disciplinary action against the insurer was also contemplated. Issuing a note of warning for such insurers, it further said, “An appropriate pricing mechanism for pricing group health insurance should take into account the existing incurred claims ratio or ICR, management expenses, medical inflation, commissions, likely increase in quantum of claims due to ageing of covered group, increase in size of group, cost of underwriting of business and other such associated factors.”

Even after 17 years of liberalisation, the insurance industry continues to register huge underwriting losses every year, and it is an investment income which drives the growth of the industry. As per industry estimates, the general insurance industry pays around Rs 700-750 billion in claims annually, mostly towards motor, health and marine cases. However, experts said that numerous false road accidents have become a curse for general insurers in most parts of the country.

“In an investigation, it was found that it was flooded with disproportionate road accident claims from Uttar Pradesh. In many cases, those who died of natural causes were filed as road accident victims, causing enormous losses to insurers. After getting a handle on a few false claims, it managed to file 30 complaints with the police after the Lucknow High Court ordered special investigation into the cases,” said a top insurer on condition of anonymity.

NATIONAL

Include bank locker in home insurance

Since banks won't compensate customers for loss of goods in locker, onus is on the customer to safeguard them. Finance Minister informed the Rajya Sabha that banks are not liable to compensate customers, in case goods in the lockers are lost due to theft burglary or a natural calamity. At the same time, Minister of State for Finance said that nearly Rs 1.8 billion was lost in 2,632 cases of robbery, theft, dacoit and burglaries at 51 banks in the past three years (2014-15 to 2016-17).

“As banks don’t ask you for contents of the locker, they are not responsible for its loss. The relationship between the two is like landlord and tenant. The landlord is not responsible for theft inside the house of a tenant,” says, head-general insurance. He suggests, “It’s, therefore, necessary for the individuals to look for options that protects their belonging.”

One option is to go for a home insurance policy that also covers valuables kept inside the bank locker. But be sure to understand the caveats in these policies. These plans cover only valuables such as precious metal jewellery (including watches), diamonds, work of art and curios. If you have important papers or cash or any other valuables, there’s no insurance available.

For valuables below a certain limit, the insurer may ask you to give a self-declaration on the market value of the bank locker content. Insurers allow self-declaration as there could be jewellery that’s passed from one generation to the other and customers may not have bills for it. If the market value of your goods crosses the threshold, you need to get a valuation certificate from a recognised valuer compulsorily. The premium cost for the jewellery and valuables depends on the proposed value for insurance.

If you give a self-declaration, the insurance premium would vary, depending on how the price of the gold or diamond changes every year. In case of valuation certificate, the premiums remain constant.

Some insurers also put sub-limits. The maximum cover may be, say 25 per cent of the total sum insured. It means if the contents cover for all home insurance product (including gadgets, home appliances, etc) is Rs 0.5 million, jewellery worth only Rs 0.125 million will be covered.

Over half of the country vulnerable to earthquakes

More than half of India's area is vulnerable to earthquakes and several of its cities are at "high risk", global catastrophe risk management firm RMS has said.

Dr Robert Muir-Wood, Chief Research Officer of RMS, speaking at the Asian Ministerial Conference on Disaster Risk Reduction in New Delhi, organised in collaboration with the United Nations Office for Disaster Risk Reduction, said: “More than half of India by area is vulnerable to earthquakes, and almost 40 cities are at particularly high risk. The rapid expansion in population and development in India is moving too fast to ensure adequate standards of protection. The widespread damage from earthquake to ordinary buildings recently seen in neighbouring Nepal, could equally be the outcome in many cities in India.”

Dr Muir-Wood also noted that India has the highest number of people exposed to flood risk of any country worldwide, and the fastest increase in flood risk from development and climate change. Referring to events such as 2001 Gujarat earthquake, 2005 Mumbai floods and inundation in Chennai last year, he said that “the protection gap in India must be closed”.

At a conference to be hosted by RMS in partnership with GIC Re, global catastrophe risk experts will discuss how catastrophe modeling can support the expansion of the Indian insurance industry by giving confidence in how risk is priced and portfolios are managed, RMS said in a statement. At the conference, RMS modelers will outline the company’s plans to release its first fully probabilistic flood risk model for India in 2018, in addition to its India flood hazard maps in 2017. The maps will highlight, at high precision, the areas of India which are vulnerable to floods even down to the level of individual streets and buildings.

Govt report endorses use of climate insurance tools

The government's Economic Survey has suggested the use of climate insurance instruments to counter losses which the country faces each year due to extreme weather events. The second volume of the Economic Survey 2016-17 notes that India suffers extreme weather losses of US$9-10 billion annually, of a significant part is uninsured.

The survey said innovative products supported by risk models and reinsurance pools can provide a huge opportunity to the insurance industry. “One such model is that of Catastrophe Risk Pool (CRP) that aims to put the focus on proactive financial planning to deal with adverse impacts of natural disasters, instead of relying on fund-raising efforts after disasters, resulting in reduced economic losses as well as lowering the impact of disasters on the national budget,” the report said.

The Survey says that low insurance penetration in India was evident from data on recent calamities, a case in point being the 2014 Kashmir floods. While the total losses caused by unprecedented rains were in excess of INR 1 trillion (US$15.6 billion), insurance companies were required to pay only around INR 40 billion because of low insurance coverage. In addition, while total losses from 2014’s Cyclone Hudhud reached $ 11 billion, insurers paid a bill of $ 650 million.

In India, climate-related insurance is limited to the agriculture sector, primarily in the form of crop insurance. “We need to have a rational approach that balances environment, climate, economic development and energy security needs. We need to concentrate on cleaner forms of energy including cleaner coal, renewables and natural gas to fuel inclusive economic development,” the Survey also said.

Crop insurance making insurance companies richer

To save hefty premium and take early decision on crop loss claims under Pradhan Mantri Krishi Fasal Bima Yojana (PMFBY), the state government is to decide on floating its own crop insurance company by the month-end. The decision came after Union agriculture minister who agreed 'in principle' to a demand raised by some states to this effect. A letter was shot to all states allowing them to set up their own insurance agencies to enrol farmers under PMFBY and Restructured Water Based Crop Insurance Scheme (RWBCIS). He said the decision was taken by the government after states raised their concern over the hefty amount being paid to insurance companies even if there is no crop loss, said a senior officer in the agriculture department.

"Some states are of the view the empanelled insurance companies are making huge profits and paying less claims. These states have expressed their desire to float their own crop insurance company to take the benefit of less claims during good or normal crop years and to make reserve for future high claims," read the letter sent by agriculture minister.

First private local reinsurer indicates it may give up licence

India's first private reinsurance company, ITI Reinsurance (ITI Re), is ready to surrender its licence, arguing that current reinsurance regulations are illogical and create an uneven playing field. ITI Re, which received the IRDAI's final approval for a reinsurance licence last December, is promoted by listed Fortune Financial Services (India) (FFSIL) which in turn is promoted by Mr Sudhir Valia.

Under the rules, primary insurers in India are to reinsure with a domestic reinsurer which has a credit rating that signifies financial stability for the past three years. "How can a new company like ours have a credit rating for three years," said ITI Re's COO Mr R Raghavan to the Indo-Asian News Service (IANS). He urged the IRDAI to remove the three-year credit rating criteria for new reinsurers to enable them to secure business from primary insurers.

The issue has been brewing for some time. In March, ITI wrote to IRDAI, asking that it be given a share of the reinsurance premiums which go to government-owned GIC Re under existing rules. GIC Re reported gross premiums of INR 335.85 billion (US$5.2 billion) in the financial year ended March 2017.

Mirage

Mr Valia told IANS that the obligatory cession rule continues to be skewed and other regulations have not been suitably changed. Mr D Varadarajan, a Supreme Court advocate specialising in company, competition and insurance laws, said: “The regulation is not only illogical but also anti-competitive." Mr Varadarajan said that the IRDAI had granted the licence to ITI Re after proper due diligence. He sees no impediment to ITI Re exiting the market as the company has not underwritten any risk since it received its licence in December 2016.

Fortune Financial has invested INR 5 billion in ITI Re, which is asking that INR 15 billion of obligatory cessions be reserved for it. Mr Raghavan said: “Unless a nurturing policy for new entrants is implemented in obligatory cessions, building up domestic reinsurance capacity will continue to be the mirage that it has been for the last 17 years or so."

INTERNATIONAL

South Korea: 20% of medical spending deemed unnecessary

About 20% of medical costs in South Korea are being incurred for some unnecessary hospitalisation, medical treatment, surgery and visits to the emergency room, an OECD health expert has said.

Head of the OECD Health Division, said at a recent symposium in Seoul that South Korea needed to ensure sustainable health insurance by cutting down on unnecessary medical costs.

Acclaimed as one of the world's most effective in terms of universal coverage, the national health insurance system faces challenges from a rapidly ageing society. The national health system is funded by a 6.12% premium rate this year, lower than the 15.5% for Germany, 13.6% for France and 10% for Japan in 2014. Coverage of hospital bills by the Korean system stands at about 60%, compared with the OECD's 73.1%.

The coverage gap in Korea has boosted the development of the commercial health insurance market. About 88% of Korean households have commercial health insurance, with the average household paying KRW 310,000 (US$269) in monthly premiums, according to statistics by the National Health Insurance Service (NHIS).

About 19.3% of the country's total households spent more than 10% of their annual incomes on medical expenses in 2013, according to the NHIS data.

Global cyber attack could result in $53 billion in economic losses: Lloyd’s

A major, global cyber-attack could trigger an average of $53 billion of economic losses, a figure on par with a catastrophic natural disaster such as U.S. Superstorm Sandy in 2012, Lloyd’s of London said in a report.

The report, co-written with risk-modeling firm Cyence, examined potential economic losses from the hypothetical hacking of a cloud service provider and cyber-attacks on computer operating systems run by businesses worldwide.

Insurers are struggling to estimate their potential exposure to cyber-related losses amid mounting cyber risks and interest in cyber insurance. A lack of historical data on which insurers can base assumptions is a key challenge. “Because cyber is virtual, it is such a difficult task to understand how it will accumulate in a big event,” Lloyd’s of London Chief Executive said.

Economic costs in the hypothetical cloud provider attack dwarf the $8 billion global cost of the "WannaCry" ransomware attack in May, which spread to more than 100 countries, according to Cyence. Economic costs typically include business interruptions and computer repairs. The Lloyd's report follows a U.S. government warning to industrial firms about a hacking campaign targeting the nuclear and energy sectors.

In June, an attack of a virus dubbed "NotPetya" spread from infections in Ukraine to businesses around the globe. It encrypted data on infected machines, rendering them inoperable and disrupted activity at ports, law firms and factories. NotPetya caused $850 million in economic costs, Cyence said. In the hypothetical cloud service attack in the Lloyd's-Cyence scenario, hackers inserted malicious code into a cloud provider's software that was designed to trigger system crashes among users a year later. By then, the malware would have spread among the provider's customers, from financial services companies to hotels, causing all to lose income and incur other expenses.

Average economic losses caused by such a disruption could range from $4.6 billion to $53 billion for large to extreme events. But actual losses could be as high as $121 billion, the report said. As much as $45 billion of that sum may not be covered by cyber policies due to companies underinsuring, the report said. Average losses for a scenario involving a hacking of operating systems ranged from $9.7 billion to $28.7 billion.

New Zealand: Less than 34 office buildings meet quake restraints norms

Office buildings in New Zealand which comply with earthquake restraints standards, number fewer than 34, in what has been described as a "shocking state of affairs". This is despite the fact that the standards have been in place for 34 years.

Reveal Seismic technical principal Terry Johnson said that the standards relate to the design, construction and installation of seismic restraints. Non-structural, seismic restraints hold air conditioning, fire-sprinkler, telecommunication, electricity systems, lighting and ceiling support systems in place. These can collapse and pose risks to life and property, an Insurance Council of New Zealand spokeswoman said.

Mr Johnson said the design and installation of proper restraints fell through the cracks between engineers, designers and trades. "Project building information shows extraordinary levels of clashes with other services and shows no allowance for the correct amount of space for compliant seismic restraints. In other words, in some buildings that we actually look at, there is not enough real estate for us to put seismic restraints in because somebody else has taken the space," he said. There needed to be a more coordinated approach right from the start of the project, he said.

Last week, Mr Hawkins, told a building industry conference that a high level of non-compliance made it difficult for insurers to know what to rely upon. "As an industry, we place a heavy reliance on codes and new building standards for our risk rating.” He warned commercial building owners that earthquake cover could be withdrawn because of New Zealand's seismic risks.

Malaysia: Health insurers under probe for levying admin fees

The Health Ministry (MOH) will work with the central bank Bank Negara Malaysia (BNM) to investigate the ongoing practice of private health insurance companies imposing administrative charges on private hospitals.

Health Minister Dr S. Subramaniam said that the practice was unethical and could cause medical costs in the country to soar. “For example, a hospital bills the insurance company a total of MYR 1,000 for the patient’s treatment, the insurer only pays MYR 900 to the hospital while the remaining MYR 100 is calculated as an administrative or service charge.

He said this practice has been longstanding among almost all private health insurance companies nationwide but was only brought to his attention by several private hospital representatives recently.

Dr Subramaniam said private hospitals had to follow the health insurance company’s requirement or risk losing patients. If a private hospital refuses to pay the administrative charges, the insurer will remove them from the list of panel hospitals and advise their clients to seek treatment at another hospital,” he added.

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