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J. B. BODA

Issue 96

MEDIAN

June 2015

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NEWS AT JBB

Our J. B. Boda Sports Club ended as a RUNNER UP at the “SARAN CC7s 2015” cricket tournament on 24th May 2015 in the finals. This tournament was played between 24 teams.





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PRIME STORY

Floods: Bane of Indian insurance companies

Indian sub-continent is one of the most disaster prone areas in the world. About 59 percent of land area is liable to seismic hazard damage. Around 8 % is vulnerable to Cyclones and around 5 % land area (more than 40 Million hectare) is vulnerable to floods. These natural disasters not only disrupt human activities and progress of nation but also cause humungous loss for insurance and reinsurance companies.

Almost all river basins of India, are inundated. However, in some parts like Indo-Gangetic-Brahmaputra plains floods are annual feature. Thousands of acres of crop are damaged. Property including critical infrastructure gets damaged too.

A flood may be Fluvial (River Flood) or Pluvial (Surface Water Flood).

Fluvial (River Flood): Fluvial flooding occurs when rivers burst their banks as a result of sustained or intense rainfall. E.g. Uttarakhand Floods 2013, Jammu and Kashmir Floods 2014. It may also be termed Rural Flooding.

Pluvial (Surface Water Flood): Surface water flooding occurs when an extremely heavy downpour of rain saturates drainage systems and the excess water cannot be absorbed. E.g. Mumbai Floods July 2005. It may be considered Urban Flooding.

With increase in economic activities, risk is increasing. For example, to meet demand of electricity, more hydro-electric power plants are being constructed in hilly areas where river flow is strong. However, one flood could be catastrophic as reflected in the 2013 Uttarakhand Floods.

While River Flood / Rural Flood may be caused by natural factors such as Meteorological and Hydrological factors, Surface Water/ Urban Flooding can be caused by Human Factors besides the natural factors. In Indian context, Human Factors such as inadequate drainage network, altering passage of water flow, sudden release of water from dams, and indiscriminate disposal of solid wastes can be crucial. Combination of natural and human factors might cause billion dollar flood loss events in future.

Thus, urban floods are significantly different from rural floods as urbanisation leads to developed catchments which increases the flood peaks from 1.8 to 8 times and flood volumes by up to 6 times. Consequently, flooding occurs very quickly due to faster flow times, sometimes in a matter of minutes.





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Nowadays, urban areas are centres of economic activities with vital critical infrastructure risks of those should be constantly managed. In addition, they are home to workforce that contributes to economic progress of country. Therefore, loss of either infrastructure or workforce can be detrimental for country's economic progress. Therefore, urban flooding risks needs to be managed with priority and care.

Research shows that by 2021 more than 43 percent of India's population would be living in cities. These inhabitants would need living space, work in commercial and industrial places, and require other amenities such as transportation, health, and entertainment. With financial prosperity and enhanced awareness, they would seek insurance also from traditional risks as well as from natural catastrophes.

The 2005 Mumbai Floods is the perfect example of urban flooding. It exposed people and companies to a new, unseen dimension of risk. The city came to standstill because of the deluge caused by the unprecedented rainfall of 944 mm (94.4 cm) in 24 hours, starting 0830 on 26 July 2005 with 875 mm (87.5 mm) occurring in the 12 hours from 1430 noon to 0230 midnight.

The century old drainage network of Mumbai had been designed to carry only 25 mm (2.5 cm) of rainwater per hour while the drainage in the suburbs is mostly through the open storm water drains. With drains clogged at several places, it proved totally inadequate for the 944 mm rain, the 13th largest rainfall above 90 cm or more recorded in India so far, which lashed Mumbai that day.

The Mumbai Floods proved to be a costly disaster for insurance and reinsurance companies as they paid claims of around USD 770 Million; then, unprecedented in insurance industry.

In addition to the 2005 floods, the country has experienced some other urban flooding events which caused huge losses for insurance companies. Table 1 below shows loss caused by some recent flood events.





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Table 1 Economic and Insured losses caused by floods

Date	Region	Economic Loss (USD)	Insured Loss (USD) & Source
September 2014	Jammu and Kashmir (India), PoK (Pakistan)	936 Million (Estimated, Assocham, India), 5.1 Billion (India + Pakistan, Munich Re)	370 Million (India + Pakistan, Munich Re)
14-30, June 2013	Uttarakhand	1.5 Billion (2013 Dollars, Munich Re, 1.1 Billion Swiss Re)	600 Million (2013 dollars, Munich Re, Swiss Re)
August, 2006	Surat, Gujarat	3.39 Billion (2006 Dollars)	407 Million (2006 Dollars, Munich Re)
27 July 2005	Mumbai	4.5 Billion	770 Million (2005 dollars, Munich Re)

Insurance companies will benefit from urbanisation. However, they would need to be vigilant and proactive. They would need to collect more data such as location level details of a prospective insured property; be it residential or non-residential. They would need to work with local government bodies to get information of drainage network, topography of city /town, road network etc. before writing risks in urban areas.

Insurance companies writing risks in North and North East would have to be careful both as these regions are prone to floods. Hydroelectric plants in the North East especially Arunachal and Upper Assam and in Himachal Pradesh and Uttarakhand are more vulnerable and thus may impact profitability of insurance companies.

The Government of India, under its Act East Policy / Look East Policy, is putting more emphasis of development of North Eastern states. With increase in economic activities, insurance demand will increase and so will risks from natural catastrophes as some of the heaviest rainfalls of India were recorded in the North-Eastern region.

However, every cloud has a silver lining. The Government plans to develop 100 smart cities across India. These cities should have proper planning and good infrastructure. The risks located in these cities would be “Good Risks” and enable insurance companies to maintain their risks as well as portfolio more effectively; thus reducing risks due to floods.

Sources & References:

1. NDMA, India
2. Water Resources Information System of India
3. World Meteorological Organization
4. Munich Re
5. Swiss Re
6. Guhathakurta P. et al, “Changes in extreme rainfall events and flood risk in India during the last century” , National Climate Centre, IMD Pune





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NATIONAL

Insurers to ramp up teams for grievance redressal after Irdai whip

Irdai has asked insurers to handle policyholder grievances with seriousness, promptness and empathy to enhance the trust and confidence in the insurance sector

With the Insurance Regulatory and Development of Authority of India (Irdai) cracking the whip on insurers to handle customer grievances in a time-bound manner, companies are looking to strengthen redressal teams.

Source: Business Standard

The industry will continue to struggle for some time, need clarity

Leading representatives of the Indian insurance sector, who came together for the first time after the passage of the insurance Bill by Parliament at the Business Standard Insurance Round Table in Mumbai in March, said the real impact of the legislation would be felt only when the Insurance Regulatory and Development Authority of India brought in enabling regulations that would provide more clarity. The high-powered panel comprised of the top brass in the segment.

Source: Business Standard

More unresolved insurance complaints

Irdai pulls up companies on tardy handling of policyholder grievances and ignoring related guidelines

The Insurance Regulatory and Development Authority of India (Irdai), on 24 April, issued a circular advising all insurers to adhere to guidelines regarding consumer complaints and grievances. “Certain instances have come to the notice of the Authority that the complaints/grievances from policyholders are not handled in the prescribed manner giving rise to aggravated customer dissatisfaction and escalation of the complaints to the higher authorities. It is also noticed therein that the insurers are found wanting in paying attention, sensitivity and alacrity needed to be shown...,” the circular stated.

The reason behind the circular is that there has been a steep rise in the number of unresolved complaints, for both life and non-life insurance, for the year ending 31 March 2015.





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The circular further emphasized that there is a need to review the systems to sensitize not only frontline staff but also customer service executives at all levels on handling policyholder grievances.

Complaints made by policy holders are registered through the Integrated Grievance Management System (IGMS), which was set up by IrDAI in 2011. It is a central repository of complaints received by all insurers.

Source: Mint

Irda plans to trim insurers' exposure to BFSI

India's insurance regulator plans to include fixed deposits and bonds issued by housing finance companies and non-banking finance companies in the overall cap of 25% for banking, financial services and insurance (BFSI) sector, restricting further flow and trimming insurers' exposure to the sector.

With its newfound power after the passage of the Insurance Bill recently, the Insurance Regulatory and Development Authority has taken up the issue of linkage of financial services sector, something that the Reserve Bank of India has also been pointing out in its half yearly stability reports.

Insurance companies are, however, lobbying against the move, saying that it may reduce returns for investors when the sector is expected to revive economic growth.

Source: Economic Times





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55 percent of vehicles do not have third-party cover: IIB chief

The Insurance Regulatory and Development Authority of India (IRDAI) has launched an awareness campaign on third-party motor insurance, jointly with the Cyberabad Police. Fifty-five percent of the vehicles plying on the roads in the country does not have the mandatory third-party motor insurance, said R Raghavan, Chief Executive Officer, Insurance Information Bureau (IIB), an arm of the insurance regulator, at the launch of the campaign here on Wednesday. In terms of numbers, this translates into seven crore vehicles. "India ranks among the top five countries in the world in the number of accidents, which makes insurance vital. Lack of third-party insurance will not only lead to severe social security perils for victims but also losses to the insurers.

Source: The Hindu Business Line

Insured India

Two days of earthquake have set Nepal's economy back by more than a decade. Many roads, highways, hydropower dams and generators are structurally damaged. According to Kinetic Analysis Corp, a disaster-modelling firm, economic losses from the quake to Nepal could be about \$2 billion and only a fraction of the cost will be incurred by insurers. Damage in India could cost an additional \$800 million including property damage and long-term business interruption costs. India is extremely vulnerable to natural disasters with floods, droughts, cyclones, landslides and earthquakes being a recurrent phenomenon, and causing extensive damages to life and property. There are also several man-made disasters such as the Bhopal gas tragedy and Delhi's Uphaar cinema fire as well. Disaster risks are also increasing due to unplanned development processes exposing a larger number of people and assets to climate related hazards, as was the case in Uttarakhand. An independent study by the Centre for Economic and Business Research (CEBR) for Lloyds has highlighted that many high growth countries are badly prepared for natural disasters. It lists 17 countries as under-insured of which eight are in Asia, including India.

Source: Financial Chronicle

Provide insurance cover to all HIV positive patients: Par Panel

A Parliamentary Panel today suggested the government to provide insurance cover to all HIV positive patients without any discrimination with a preferably normal rate of premium. "The Committee is of the opinion that all HIV positive people should be provided insurance cover without any discrimination preferably at normal rate of premium or they may be charged slightly higher rate of premium... "...but in no case exorbitant rate of premium should be charged from them for both life and health insurance," the Parliamentary Standing Committee on Human Immunodeficiency Virus And Acquired Immune Deficiency Syndrome (Prevention and Control) Bill, said. The Committee also recommended that the Health Ministry should pursue the matter with Insurance Regulatory and Development Authority (IRDA) for providing insurance cover to all HIV positive people without any discrimination, the panel said.

Source: Deccan Herald





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56 percent of world's rural population has no healthcare access: ILO

More than half of the world's rural population (56 percent) does not have access to healthcare facilities compared with 22 percent of the urban population, says a new ILO report, which found the most extreme disparities in the Asia-Pacific region, which includes India. The stark neglect of the healthcare needs of the rural population, especially in developing countries, is also evident by the fact that only 23 percent of health workers are deployed in these areas, where over 50 percent of the world's population lives, says the report "Global Evidence on Inequities in Rural Health Protection: New Data on Rural Deficits in Health Coverage for 174 Countries." According to the report, in India, 87.5 percent of the population did not have legal health coverage in 2010, with 93.1 percent in rural areas alone. "The lack of legal coverage, insufficient numbers of health workers, inadequate funding, and high out of pocket (OOPs) have created life-threatening inequities in many countries," said Xenia Scheil-Adlung, Health Policy Coordinator, ILO, in a statement. Pointing out the sharp rural-urban disparity in healthcare as one of the key reasons for the rural population being unable to contribute to urgently needed economic growth, wealth and development, the report called for universal social protection through national health services and national and social health insurance schemes.

Source: The Hindu Business Line

UGB gives Rs1 L free accident insurance to its account-holders

The Uttarakhand Gramin Bank is the only bank in the State, which provides a free accident insurance of Rs1 lakh to its savings bank account holders. The National Insurance Company regional manager NN Mangla said this at a consumer meet in Dehradun on Wednesday. Speaking as the chief guest on the occasion, the UGB chairman Sanjay Agrawal said that the bank and insurance company had entered into a financial arrangement in 2007-08. The UGB is the sole bank in Uttarakhand to provide the Rs one lakh free accident insurance to its account holders. So far the families of 581 bank customers have availed of this facility. This year, 152 families have been provided the accident insurance amount.

Source: The Pioneer

Insurers appeal for new building code after Nepal earthquake

Non-life insurers, along with the Insurance Regulatory and Development Authority (Irda), will soon make a representation before the National Disaster Management Authority (NDMA), asking that earthquake-resistant construction codes be made mandatory for availing property insurance against earthquake damage. Three people familiar with the development confirmed this, adding that the move was aimed at minimizing potential losses to insurers and re-insurers arising from earthquake damage.

Source: Live Mint





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Insurance companies go virtual, reduce office cost

Insurance companies are going virtual and mobile. With the help of technology, insurers are connecting better with agents and customers and cutting down office infrastructure. Technology not just helps them serve customers better and faster, it also helps them penetrate faster into smaller cities and towns at minimal cost.

Source: Financial Chronicle

GIC to design policy to cover civil nuclear liability

An insurance product to cover civil liability for nuclear damages is in the works. This is intended for the benefit of operators of nuclear power plants as well as suppliers (both domestic and foreign). The Department of Atomic Energy (DAE) in coordination with the Department of Financial Services (DFS) is considering a proposal for developing an appropriate insurance product for this purpose. This insurance product will be developed by the General Insurance Corporation of India (GIC Re), Jitendra Singh, Minister of State in the Prime Minister's Office, said in a written reply to a Rajya Sabha question on Thursday. On March 20, GIC had conducted an international workshop in New Delhi to gather inputs from various stakeholders as well as clarify their doubts in the context of development of an appropriate insurance product to cover the liability under the Civil Liability for Nuclear Damages Act 2010, the Minister added.

Source: The Hindu Business Line

Global insurers eye GIFT City as insurance hub

After relaxing insurance norms for foreign investors by the Government to draw huge fund flow to support the country's economy, global insurers are eyeing Ahmedabad-based GIFT (Gujarat International Finance Tec) City as an insurance hub. As many as 12 global insurance firms have initiated their process to set up units in GIFT City to mark their presence in order to boost the insurance business. GIFT City is a dream project of Prime Minister Narendra Modi. The Government expects huge employment opportunity for more than 10 lakh people when the project will be fully operational. Keeping this development in view, sources, however, said that Mumbai-based large insurance broking firm has decided to set up a global skill knowledge centre to provide talents to such insurance firms there. The Government recently cleared the proposal to ease foreign direct investment (FDI) limit in the domestic insurance sector to 49 percent from 26 percent, signalling the Government's move to bring in huge capital and investment into the country's economy.

Source: The Pioneer





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INTERNATIONAL

Property/casualty reinsurers suffer big drop in net premiums

The group of 18 U. S. property/casualty reinsurers included in a survey of reinsurers' statutory underwriting results conducted by the Reinsurance Association of America wrote \$9.7 billion of net premiums during the three months ended March 31, 2015, down 49.2% from the year ago period, the association l.c. said in a statement.

Insurance regulator in talks to create ILS market in China

London-based Willis Group Holdings P.L.C. said that the China Insurance Regulatory Commission has started discussions on forming an insurance linked securities market, chiefly focusing on catastrophe bonds, Asia Insurance Review reports.

Disaster insurance pool proposed for Philippines

Emmanuel F. Dooc, Insurance Commissioner of the Philippines, has said that the country's Bureau of the Treasury is reviewing a proposal for a compulsory catastrophe insurance pool for small and medium-sized enterprises and medium-sized residential units, reports Business World Online.

Agriculture damage from floods in Australia tops \$78.7 million

Damage to agriculture from the recent devastating floods and storms in Australia's Hunter Valley region has topped \$100 million Australian (\$78.7 million), reports Abc.net.au.

Insurers in East Africa told to expect more M&A

Deloitte L.L.P. said in a report that East African insurers must brace for more dynamic mergers and acquisitions to beat competition in the sector, Xinhua reported.

Insurers factor "megathrust" quake into NZ models

Property professionals said that insurance premiums in New Zealand are unlikely to increase again following a recent study that showed the country is at risk of "megathrust" earthquakes, Stuff.co.nz reported.

Natural disasters cost Bulgaria \$579.3 million in 2014

Natural disasters cost Bulgaria more than 990 million Bulgarian levs (\$579.3 million) in 2014, reported FOCUS Information Agency.

M&A activity gains momentum in Middle East: A.M. Best

A.M. Best Co. Inc. said that with financially strong and profitable insurers in the Middle East looking to broaden their profiles, merger and acquisition activity and stake building is gaining momentum in the region, reported Asia Insurance Review.





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