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2

## **CONTENTS**

## **PAGE NOS.**

### **NEWS AT JBB**

3

Yoga session for stress management

3

### **PRIME STORY**

4-6

Monsoon is here but it alone won't help

4-6

### **NATIONAL**

7-11

IRDA sets up panel to probe into insurance payout fraud

7

State, not companies must implement govt health insurance scheme: PIL

7

How to stay insured digitally

8

PM gives nod to umbrella health insurance scheme

8

Rising incomes, but static insurance: Survey

8-9

Insurance e-commerce norms take shape

9

Onus on insurer to prove wear & tear of product

10-11

Going bungee jumping? You can now buy insurance

11

### **INTERNATIONAL**

12-13

Brexit vote prompts fears over U.K. insurers' capital strength

12

Innovation beneficial to reinsurance buyers: Official

12

Financial crisis hits Nigerian insurers

12-13

Bahrain: Insurance mart expected to grow modestly this year (2016)

13

### **J.B. BODA GROUP SERVICES**

14





1943

**J. B. BODA**

3

## **NEWS AT JBB**

### **Yoga session for stress management**

As an Employee Wellness initiative by the management, we had a YOGA session following the International Yoga Day.

We had yoga trainers from Vivafit, Powai who performed and guided our participants on Breathing and Meditation and helping us to deal with stress at work and home.



## PRIME STORY

### MONSOON IS HERE BUT IT ALONE WON'T HELP

**The southwest monsoon finally hit Kerala on Wednesday 8<sup>th</sup> June 2016, but scientists say good rains will not solve the country's growing ground water problems. Only sensible agriculture practices will.**

The heavy rains and subsequent floods last year in Chennai had one positive impact on the city: it raised the shallow ground water levels while also improving its quality. Scientists expect a good recharge of ground water this year around the country due to a good monsoon, but good monsoons may not do much to improve ground water levels in the long run. The reason is well known to all policy-makers. In many parts of the country, ground water is being withdrawn well above the capacity of rains to recharge the aquifers, even with manual intervention.

Science supports what people already know by experience, but research is now beginning to throw up remedial measures that can solve the problem over a decade or two. Five years ago, some scientists from Columbia University decided to take closer look at the problem, to figure out some remedial measures through mathematical modelling and optimisation. The results of the recently-completed study match well with common sense. But the recommendations are hard to implement as it has a huge impact on the socio-political and electoral dynamics.

Farmers already know what sophisticated mathematics tells us. India's groundwater woes are closely related to changing crop patterns after the Green Revolution, and exacerbated by a lopsided grain procurement system. Indian farmers grow water-intensive crops -rice and sugarcane in particular -in areas with poor rainfall like Gujarat and Punjab. The main reason for this, as farmers and policy makers also know well enough, is the lopsided procurement system in the country. Says Upmanu Lall, professor at Columbia University and director of the Columbia Water Centre: "Ground water depletion in many areas can be linked to the promotion of rice and free electricity."

### **DEPLETING FAST**

These areas are Gujarat, Haryana, Punjab, western Uttar Pradesh and parts of Andhra Pradesh. Rice forms 75% of the area under cultivation in north western India, and has been instrumental in depleting ground water quickly in these areas. Punjab, for example, gets 60 centimetres of rain while rice needs 1.6 metres. Paradoxically, irrigation canals had increased the ground water levels initially in the state, but intensive cultivation is depleting at the rate of nearly 100 centimetres a year in some areas. Scientists say recharging isn't going to stop or reverse this depletion unless withdrawals slow down significantly.





1943

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5

Modelling by Lall and his colleagues shows that a lot of ground water can be restored simply by switching to crops that were common in these areas before the Green Revolution, but it involves a change in the procurement system that farmers, bureaucrats and politicians do not want to make. They also find that large dams or other forms of storage cannot meet the current demand for water, but a change in the cropping pattern makes it possible to support 12 crop varieties around the country using purely water from rains, and not drawing ground water. They also found that sustainable agriculture is possible around the country in the future with minimum irrigation. Some results of the study are yet to be published in a peer-reviewed journal.

Scientists in India have long studied ground water from a narrow geophysical perspective. They get scientific data, and model the dynamics of ground water in their computers. In recent times, however, many scientists have broadened their research, bringing in perspectives from related topics like monsoon modelling, economics, people's water usage patterns and government policies. A lot of this research confirms what people have suspected. Intensive agriculture is the main culprit for the country's water problem. They also show that climate change is going to make it worse as temperatures rise and the monsoon becomes highly variable over the next few decades.

It isn't easy to forecast how the monsoon will behave over the next few decades as global temperatures rise. High school physics predicts that a warmer atmosphere holds more moisture. The corollary is that rains will increase with global warming, but monsoons have sophistications that are missed in simple forecasts. Some high resolution models indicate that the monsoon can become stronger in many parts of the country but weaker in some other parts. Specifically, there are indications that the monsoon can weaken over the Western Ghats over this century. This is supposedly due to more rapid warming of the Indian Ocean relative to the land, thereby reducing the strength of winds.

## **EXPECT MORE DROUGHTS**

The behaviour of the monsoon over the next few decades will impact water availability in the country, and especially how ground water will behave. Although the total rainfall is expected to increase in many places, rainfall variability can put stress on the ground water. For example, temperatures are very high this summer around the country, and many models show that droughts are going to increase over the next few decades. High temperatures increase evaporation and decrease water levels in lakes, rivers and reservoirs. It also reduces soil moisture. Highly variable rainfall, especially it comes in bursts punctuated by long dry spells, can decrease the natural recharge of water reduce ground water levels. "Droughts create a double negative," says Vimal Mishra, hydrologist and professor at Indian Institute of Technology at Gandhinagar. "On the one hand your recharge is less and on the other pumping is high."





1943

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6

So there is no doubt that water levels will go down further due to variable monsoons over the next few decades, creating a crisis if current agricultural practices continue. However, scientists expect water usage in agriculture to decline. “If we use technology and reduce water for agriculture,” says Sekhar Muddu, hydrologist and professor at the Indian Institute of Science in Bangalore, “suddenly we have water that can be used for other purposes.”

Cities would be one of the major beneficiaries of this surplus water. Ground water is a major source of drinking water in many cities, but water levels are not uniform across cities, or even within the same city. Although water shortages abound in cities, the future may not be as alarming as we think. Around the world, India included, cities bring water from outside for drinking and other purposes. These underground pipelines leak and recharge underground wells. Utilities are trying to reduce leakage by using high technology, but engineers maintain that leakage cannot be reduced to less than 20%. In India the leakage is as high as 40-50% in many cities. Sewage also leaks and charges the ground water levels in cities. So water tables are high in these places compared with surrounding areas. “Leakage is a huge component of ground water recharging,” says Veena Srinivasan, fellow at the Ashoka Trust for Research in Ecology and Environment in Bengaluru. “Its contribution is greater than from rain.”

In Bengaluru, for example, the water table is high in central areas with piped supply, and low in surrounding areas that depend on ground water. Manual recharge is picking in the city as elsewhere, and will contribute significantly over the next few decades to recharge of wells. According to the government's revised master plan unveiled two years ago, 1.1 crore artificial recharging structures are to be constructed around the country, at a cost of 79,178 crore. Sensible recharging can improve not just the water in those areas but even surface water flow. “Water recharge is good for rivers,” says S Vishwanath, director of Biome Environmental Solutions in Bangalore, “when ground water levels go up rivers start flow even in summer.”

Satellite maps of Indian ground water situation show serious depletion in about two-thirds of the country, but scientists say they do not tell the whole story. These maps do not have high resolution, as they use changes in the earth's gravity to map surface water loss. The true picture can be known only when mapped accurately by monitoring stations across India. The government is building such stations now, and they number over 30,000. Over the decade, they might provide a true picture of ground water in the country.

Source: The Economic Times





1943

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7

## NATIONAL

### IRDA sets up panel to probe into insurance payout fraud

The Insurance Regulatory and Development Authority of India (IRDA), the watchdog of Insurance sector in the country has constituted a committee to inquire into the alleged fraud in the payouts of motor dealers by the General Insurance companies. The Uttarakhand division of National Action Forum for Social Justice had submitted a complaint on the fraud and the subsequent loss to the common public and the general insurance companies. Addressing newsmen at Press club here on Thursday, the joint secretary of the forum, Ajay Saxena said that the automobile dealers and the big insurance brokers have made cartel by means of which they are blackmailing the companies to raise their payouts.

Source: The Pioneer

### State, not companies must implement govt health insurance scheme: PIL

The wife of a government school teacher has filed a public interest litigation (PIL) at the Madurai bench of the Madras high court stating that implementation of the Tamil Nadu government's health insurance scheme should be done by the government itself and not by insurance companies. On this petition, a division bench of Justice Nooty Ramamohana Rao and Justice SS Sundar ordered notice to the state's additional chief secretary and principal secretaries of finance and health and family welfare and adjourned the case by eight weeks. "A total 150 is deducted from a government employee's monthly salary towards the scheme, which is said to be cashless. But, many hospitals which are approved under the scheme demand the beneficiaries to pay for the medical expenses. Besides, insurance companies do not reimburse the expenses borne by the beneficiaries properly," charged petitioner R Vimala from Aruppukottai in Virudhunagar district.

Source: The Times of India



## **How to stay insured digitally**

In a move to make insurance policies paper less, the regulator has notified Issuance of e-Insurance Policies Regulations under which every insurer soliciting insurance business through the electronic mode will have to create an e-proposal form similar to the physical proposal form approved by the authority. It will capture information in the electronic form that will enable easy processing and servicing. The e-proposal form will capture the electronic Insurance Account (eIA) number, which can be quoted by the customer. The Insurance Regulatory and Development Authority of India's (Irdai) regulations state that every insurer will issue electronic insurance policies directly to the policyholder or through the registered insurance repositories. Physical version of the electronic insurance policies will not be issued by the companies when electronic insurance policies are issued. Similarly, copies of the proposal form will also be sent in electronic form to the insured along with the electronic insurance policies. However, the electronic policy will be deemed compliant only when issued with digital signature.

Source: The Financial Express

## **PM gives nod to umbrella health insurance scheme**

After protracted deliberations decks seem to have been cleared for introducing an integrated health insurance scheme with Prime Minister (PM) giving his approval to the proposed welfare measure. The new scheme which is likely to be named-National Health Protection scheme (NHPS) aims to bring together all existing health insurance schemes and in its new avatar is expected to offer increased coverage. Sources said that after extensive deliberations, a final presentation was made before the Prime Minister on Monday soon after he came back from Chandigarh after the grand international yoga day celebrations. "The road appears to be ending now. The Prime Minister seemed convinced with the final proposal," sources said.

Source: The Asian Age

## **Rising incomes, but static insurance: Survey**

India is an underinsured country; there isn't enough financial knowledge about insurance. And of those who have insurance, many use it as a means to save tax or as an investment. The fact that India is underinsured is hardly news anymore. As the case for market entry, every study on life insurance cites a sub-5 percent penetration (with our 1.2 billion strong market) versus almost







1943

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9

twice that what is seen in most developed markets. The life insurance industry has shown a rather tepid growth over the past few years (in terms of new business premiums underwritten) and steadily dwindling renewals on savings products that are guised as insurance. A recent study conducted by BigDecisions.com reveals that the low levels of risk coverage—which has largely remained unaddressed—is a bigger problem. Data from across 80,000 users who have used the portal’s life insurance calculator, showed that 80 percent of them have little or no coverage when compared when what they really need. This in itself is a big opportunity to increase real risk cover and meaningfully insure the vast number of middle-income and mass affluent Indians who have already been sold a policy. For the survey users gave information about their income, assets and liabilities, using which their insurance needs were calculated.

Source: Mint

### **Insurance e-commerce norms take shape**

The world is moving online and so should the way to buy the most important instrument in the money box: insurance. To help build an online platform for insurance, the Insurance Regulatory and Development Authority of India (Irdai), earlier this month, drafted the Insurance E-commerce Regulations. With the digital platform, and by promoting e-commerce, Irdai hopes to lower the cost of transacting insurance business and bring higher efficiencies and greater reach. The draft, which was available for public comments till 20 June, lays out guidelines for a self-network platform to sell and service policies online. According to the draft, any entity that wants to offer policies online will do so through a self-network platform—this can be your regular website or a mobile app or both. “You will still continue to be able to buy policies through a regular website, but what will change is that not just web aggregators but agents and brokers will also be able to sell policies online. Secondly, these intermediaries will now have to fulfil end-to-end customer requirements and have to build linkages with the insurer not just for sales purposes but also for policy service requests so that they own the customer and service them on an on-going basis,” said Sanjay Tripathy, senior executive vice president-head, marketing, analytics, digital and e-commerce.

Source: Mint



## **Onus on insurer to prove wear & tear of product**

Every machine has a lifespan. It can break down any time, due to a sudden fault or because of wear and tear due to usage. In the former case, the insurance company will be liable to settle a claim. But breakdown due to wear and tear is not covered. To avoid paying claims, insurance companies often attempt to attribute a breakdown to regular wear and tear. Till now, the insured was required to prove the reason for the breakdown. Now, in a landmark ruling, the national commission has put the onus on the insurance company to substantiate its stand if it seeks to reject a claim by attributing the loss due to wear and tear.

Case Study: Gujarat Guardian Ltd was in the business of manufacturing float glass at its Kondh plant in Gujarat, for which it had an Industrial All Risk Policy. This policy was bifurcated: one dealt with material damage and the other with business interruption.

During the policy period (April 1, 2005, to March 31, 2006), a water cooler attached to the furnace for processing float glass had to be replaced. While carrying out the work, hot molten glass lava of temperature of 1,100°C leaked and the processing unit had to be shut down. The incident caused material damage and production loss due to business interruption.

A claim was lodged with the insurer, which appointed a surveyor to assess the loss. The surveyor quantified material damage at Rs 4.5 lakh and loss due to business interruption at more than Rs 1.10 crore, totalling about Rs 1.15 crore. Instead of settling the claim, the insurer appointed a second surveyor who recommended payment to-wards material loss, but repudiated the loss due to business interruption, attributing the incident to the failure of the furnace due to wear and tear, erosion.

The insured requested for arbitration of the claim, but the insurer did not agree. So Gujarat Guardian filed a complaint before the national commission, claiming nearly Rs 1.71 crore. The insurer contested the complaint, finding fault with the report of the first surveyor. Reliance was placed on the report of the second surveyor who had opined that the equipment was about 12.5 years old.

The commission observed that the glass furnace had been designed to work for 15 years, withstanding up to 1,600°C, after which it would have to be rebuilt with fresh refractory bricks. So the insurance company was not justified in contending that it must have worn out. Also, the first surveyor, assisted by a glass technologist, had investigated the incident. It was reported that



change of water coolers is a normal and routine activity. An accidental leakage of water from the hose pipe had resulted in an unexpected leakage of molten glass from the glass melting furnace. Even though it was not possible to know precisely what had happened, the leakage of molten glass was a sudden and unexpected accident.

By its June 1 order, the commission held that the insurance company had failed to produce evidence to substantiate its contention that the loss was due to normal wear and tear of the insured equipment. It ordered the insurer to settle the claim in eight weeks by paying Rs 1.14 crore with interest at 9% per annum from January 1, 2006.

Conclusion: A claim cannot be rejected on unsubstantiated surmises, conjectures and presumptions.

Source: The Times of India

### **Going bungee jumping? You can now buy insurance**

With an increasing number of Indian tourists indulging in adventure sports like bungee jumping, parasailing and mountaineering, insurers see a new market. Private insurance company has come out with a specialized personal accident policy to cover such risks, which until now were excluded.

The Global Personal Accident Cover is targeted at travellers who engage in adventure sports and allows them to choose from a host of covers, such as adventure sports, air ambulance evacuation and accident hospitalization. While most of the covers are available worldwide, the air ambulance evacuation is available only in India.

Source: The Times of India



## **INTERNATIONAL**

### **Brexit vote prompts fears over U.K. insurers' capital strength**

Market falls triggered by Britain's vote to leave the European Union will hit British insurers' capital, raising concerns over their ability to pay dividends or hand cash back to investors.

New European capital Solvency II rules introduced in January require insurers to account for investment risk, and solvency models to be regularly updated.

Life insurers in particular invest in bond markets to match their long-term pension liabilities, and have increasingly moved into corporate bond markets which offer higher returns.

But confidence in U.K. corporate bonds is dipping, and equity markets, in which insurers also invest, are weaker too.

### **Innovation beneficial to reinsurance buyers: Official**

The imbalance between supply and demand in the overcapitalised reinsurance marketplace has helped drive innovation in space, which has ultimately benefitted buyers of reinsurance protection, according to Steve Johnston, director of corporate reinsurance at The Co-operators.

The abundance of capital from both traditional and alternative reinsurance sources is one of the drivers of persistent rate declines across the majority of reinsurance business lines, with the steepest dips occurring in the property catastrophe space.

The resulting softening landscape, that in some instances is resulting in ill-disciplined underwriting practices, aggressive reserve releasing, and loosening of terms and conditions (T&C) as a means of bolstering return potential, is a challenge for all in the industry.

In an effort to offset the impacts of the soft reinsurance marketplace, some have embarked on some form of merger and acquisition (M&A) activity, while others have sought restructure and adopted varying, innovative approaches to increase demand and improve profitability.

### **Financial crisis hits Nigerian insurers**

Nigerian insurers are being affected by the current financial crisis in the country as they are finding it difficult to pay reinsurance premium to their overseas reinsurers.



Foreign exchange scarcity is particularly hurting insurers. Up to 90% of the risks in the market are being ceded abroad, said an official at Chartered Insurance Institute of Nigeria, adding that with no foreign exchange in the country, insurers "are actually sitting on a keg of gun powder that can explode anytime."

Source: THISDAY Live

### **Bahrain: Insurance market expected to grow modestly this year (2016)**

Insurance premiums in Bahrain will grow modestly in 2016, at a rate slower than those of previous years, as predicted.

The proposed mandatory health insurance scheme for Bahrain, currently being worked out by the government, will have a significant impact on the insurance sector, if it was implemented according to the model adopted in Saudi Arabia. The health insurance scheme would lead to insurance companies restructuring their business if it was applied to all workers.

Auto insurance premiums accounted for a big share of the Bahraini insurance market, amounting to around 30% of total insurance premiums in 2014.

Given the intense competition in the Bahraini market, it is imperative for small insurers to expand their size or they would otherwise go out of business. The small insurers could seek to consolidate via mergers or acquisitions. According to the Central Bank of Bahrain, there are 25 local companies and 11 branches of foreign companies engaged in insurance, reinsurance, takaful, retakaful and captive business. The locally incorporated firms consisted of 14 conventional insurance firms, six takaful operators, two reinsurers, two retakaful firms and one captive insurer. Foreign insurance entities consist of eight conventional insurance companies and three reinsurers.

The Bahrain insurance market posted growth of 5% in 2014 with gross premiums reaching BHD271 million (US\$777 million), according to figures released by the Central Bank. The growth rate in 2013 was 8%.





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#### Head Office :

Maker Bhavan No. 1, Sir Vithaldas Thackersey Marg, Mumbai 400 020 (INDIA)  
Telephone : + 91 22 6631 4949 / 6631 4917 \* Telefax : + 91 22 22623747 / 22625112

E-Mail : [jbbmbi@jbbodamail.com](mailto:jbbmbi@jbbodamail.com) \* Web : <http://www.jbboda.net>

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