June 2016
Issue 108

FIRST ON **PROTECTION**

1943
J. B. BODA
MEDIAN

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ON "WRITE" SIDE

Disastrous April

The forest fires in Uttarakhand rounded off a month dominated by a string of man-made disasters of gigantic proportions. Each of them was underpinned by failure of governance. April began with the collapse of an overbridge in Kolkata, a result of repeatedly overshot deadlines which exposed the half-built structure to several cycles of rain and sun. The bridge was meant to solve urban congestion, but it criminally added to that congestion over the long years it lay under construction. Then there was the temple fire in Kerala. In both cases, there was tragic loss of life. Then in mid-April came the Case of the Disappearing Food Stocks from Punjab godowns, funded with food credit from public sector banks estimated at between Rs. 120-200 billion. And there was the overarching drought enveloping much of the country, a natural disaster, but exacerbated by official neglect of something whose inevitability was known at least six months ago.

Aside from the malfeasance involved in the Kolkata overbridge, it was the wrong solution to congestion caused by concentration in the same urban locality of wholesale markets for spices, garments and plastics. Any one of these could have congested the area just by itself. What was needed was decongestion by dispersing those wholesale hubs. Why was this not the chosen course of action, and why do successive governments dither instead of emphatically reversing an earlier bad decision? Each congested knot in urban India calls for a solution addressing the congestion cause specific to it. After the bridge collapsed, the impossibility of access for disaster rescue workers further raised the death toll.

The Kerala fire once again posed problems of rescue access in congested areas. Even small towns like Paravoor, where the temple fire happened, which had a population of less than 50,000, can have congested knots like that in which the temple was located, as bad as any in a larger city. The Thirteenth Finance Commission attempted to improve urban fire safety, a listed responsibility of municipal government, through the structure of its grant to municipalities over the horizon 2010-15. Like all such grants, this one too was carved up into state-wise allocations.

One stream of the municipal grant had a performance component, which was contingent among other things on all municipalities with a million-plus population in the state having a published fire hazard response and mitigation plan in the state government gazette. The subsequent grant flow was meant to fund those plans. The intent was that responsibility for the entire area of the state would be partitioned between these million-plus city hubs.

Kerala received the urban performance grant right from 2011-12, the very first year of the performance grant provision, from which we have to infer that they had a published fire response plan in place for all their million-plus cities. But we don't know for sure. It was the responsibility of the Ministry of Urban Development to check that the conditionalities were met, but they in turn outsourced the work. We do not know what the outsourced agency did, since none of the data given to them to decide on which states qualified is available on any website. Whatever we know about the flow of the urban grant is courtesy of the website of the Ministry of Panchayati Raj.

But the Kerala disaster was actually located in a different type of governance failure. Here was an instance where permission for fireworks at a temple event was actually denied, but where the flouting of that denial was not monitored. A fireworks display of those dimensions takes several hours to assemble. Surprisingly, information about these preparations did not reach the ears of the district administration. Governance in India has become a matter of file movement. Cognisance cannot be taken of anything that is not written down in a file.

The disappearing foodgrain in Punjab again was something that happened over several months, to the knowledge of several dozen people. Heists of that magnitude take team effort. Those grain purchases were legitimately financed by food credit from commercial banks. Sovereign default, by the Centre or by state governments, is so rare that the normal presumption by the banking regulator, the Reserve Bank of India (RBI), would have been that the loans would be serviced notwithstanding the underlying physical loss. But the RBI this time instructed banks, among them the State Bank of India, to make the usual loan loss provision towards potential default.

How have we come to this? Purchase of food stocks, their transfer from the agricultural market yard to godowns, is supposed to be monitored by processes of long standing including physical checks. This scandal in Punjab had been circulating in the grapevine for months, but was publicly recognised in April only because of the decision by the banking regulator to provide for possible default by the borrower (the Punjab state government).

Food credit is a standard component of bank credit. Quarterly monitoring by banks, involving bank inspection of foodgrain purchase and storage is not routinely done, since the borrowing government is supposed to do it. The implicit trust of banks in governmental processes has been utterly betrayed in this case.

The RBI governor has spoken out against crony capitalism, but what we have in India is a somewhat different variant. Classical cronyism of the wink and nudge variety happens between associates of long standing. What we have here is marketised cronyism, where you don't start out as a crony, but pay your way. It is a more equal opportunity variant.

Finally, as an overlay, there was the drought in many parts of the country, particularly acute in Maharashtra, with adults and children hauling water over long and parched distances. Field intelligence about the water situation should have been reaching the agriculture and panchayati raj departments of the relevant state governments as much as six weeks ago. These should have morphed into alarm bells a month ago. Trains should have been routinely running since then to Latur and other affected districts.

The endlessly delayed (and unnecessary) bridge, fires, theft of official stocks of foodgrain, drought—the governance failure in all these cases is at the level of state governments, ruled by parties varying widely in political alignment. What has led to governance right across the political spectrum being locked into such inaction?

The Kolkata bridge traversed right across a change of guard between bitter political rivals. The party in power does not seem to matter. Is government so populated by internal enemies, that an honest responsive official gets his hands tied by jealous colleagues threatening a vigilance complaint? A cricketing analogy would be if betting accusations are hung over every good batsman, so that he feels obliged to check with his captain after each ball is bowled before he plays his shot. The forces who have betted on India losing get to romp home with their loot.

Before the forest fires in Uttarakhand rounded off the month, there was a small intervening forest disaster. In a lapse of a moment while forest guards at Kaziranga were diverted from their duty posts to attend to the royal visitors from the UK, several bullets were pumped into a rhino and its horn yanked out while it was still alive to feed into the Chinese medicine industry. In such a closely fought battleground, where several poaching episodes had happened even when all guards were at their duty posts, why were replacements not brought in from the Border Security Force (BSF), or other such agencies whose personnel populate the Northeast?

We can see why that could not happen. The request for such a temporary loan of personnel would have had to travel up from Kaziranga through the forest department of the Assam government to the home department, a new file created (titled Royal Visit to Kaziranga: Diversion of Forest Guards reg.), a message sent to the central office of the BSF, which then would have had to check with its Assam office to see whether such a loan of personnel might be possible. The final response most likely would have been to say there were no surplus personnel because of budget stringency. Even if the BSF could not spare anyone for forest duty, surely it was their assigned task, in a poaching episode whose date of extraction they knew so precisely, to stand ready at the Myanmar border?

Every so often, the Indian voter obligingly goes to the polling booth, in the hope that a change of guard will help. But structural gridlock remains because the political rewards to keeping them in place are so much greater than the political rewards to unlocking them.

Many countries have a national memorial to the unknown warrior. We need in addition a memorial to the unknown victim of misgovernance.

Source: Mint

NATIONAL

18 percent population of urban area covered under health insurance

As per the latest data there are only 18 percent of people in urban areas of the country are covered under any kind of health insurance scheme, the government said. "As per latest data report of National Sample Survey Office (NSSO) on Health and Morbidity known as 'Social Consumption on Health' conducted during NSS 71st round (January - June 2014). "...percentage of persons having covered under any health insurance scheme is 14.1 percent in rural areas and 18.1 percent in urban areas," Health Minister said in a written reply in the Lok Sabha. He said that according to information received from Insurance Regulatory and Development Authority of India (IRDAI), 28.80 crore people were covered under health insurance policies provided by public sector and private sector during 2014-15 (including government sponsored schemes like RSBY) which is 24 percent of India's total population. He said that Rashtriya Swasthya Bima Yojana (RSBY) is a centrally sponsored scheme to provide health insurance to Below Poverty Line (BPL) families and 11 other defined categories of unorganized workers namely building and other construction workers, licensed railway porters, street vendors, MGNREGA workers (who have worked for more than fifteen days during preceding financial year) amongst others.

Source: The Economic Times

Insurance ombudsman upping its act, disposes 92 percent cases in 15-16

The Insurance Ombudsman of India has seen more success in disposing the grievances of the public when it comes to non-settlement of insurance claims, with the quasi-judicial body seeing a 92 percent clearance of cases as compared to 78 percent the previous year. The drive to increase awareness — at its 17 centres in India — has picked up with faster disposal, larger settlements and no backlogs, said the insurance ombudsman's office, which handles claims in personal lines of life, motor, health, housing and personal accident insurance. The Tamil Nadu and Pondicherry office, in particular, has seen a 100 percent settlement of cases in last two years with 1,170 cases being disposed for the 2015-16 fiscal and 1,527 cases for 2014-15.

Source: The Times of India

DBT scheme for health insurance soon

The Government plans to extend the direct benefit transfer (DBT) scheme for health insurance, even as trials are on to use the programme for fertiliser subsidy to check leakage of funds. Responding to queries in the Lok Sabha during Question Hour, Minister of State for Finance said government intends to use the DBT scheme for health insurance and pensions in the coming days in collaboration with States.

Source: The Hindu Business Line

Mega health shield scheme may include ESI plan

The overarching health protection scheme to provide an insurance cover of Rs 1 lakh per family, announced by finance minister in budget this year, may also include Employees' State Insurance (ESI) medical scheme, official sources said. The inclusion of ESI will extend the insurance benefits to over 100 million people. Currently, the health protection scheme is targeting to cover around 80 million families. “We are planning to expand the reach of the health protection scheme and develop it into an overarching scheme. Since, ESI is a parallel scheme run by the Centre and already have a large user base, we are trying to work out a plan wherein it can be merged,” a senior official said. He added, the move will enable ESI beneficiaries to avail medical insurance from places registered under the health protection scheme. Apart from the Rs 1 lakh coverage, the scheme also provides an addition top of Rs 30,000 for senior citizens. According to the official, the health ministry is also in talks with various state governments to merge state run health insurance into the universal scheme.

Source: The Times of India

Prisoners get insurance cover under PMJDY

In a bid to secure the lives of their families in case anything happens to them, prisoners languishing in Telangana jails are now applying for insurance under the Pradhan Mantri Jan Dhan Yojana (PMJDY). Nearly 1,500 convicts and undertrials at the Cherlapally central prison have enrolled for the PMJDY, sources said. The cover ensures that the family of the inmate gets Rs 2 lakh in the event of his death. It costs just Rs 12 per annum for the insurance cover, and the amount needed for their annual premium will be deducted from wages that prisoners earn for their work in jail. If a prisoner is released from jail, he can continue to pay the amount from outside. Prisoners suffering from ailments are usually taken to the Gandhi Hospital for treatment. Death of prisoners due to ailments or other reasons has been a cause of concern for some time now. The National Human Rights Commission (NHRC) takes cognisance of deaths in jails and directs governments to send a report whenever such cases occur. In practically every case, the NHRC recommends payment of compensation to the kin of the deceased prisoner. There have been instances in erstwhile Andhra Pradesh, where NHRC ordered payment of compensation of up to Rs 5 lakh where negligence on the part of jail authorities was cause of death. Irrespective of compensation, prisoners' families are to get the amount specified under the PMJDY.

Source: The Times of India

How insurers let down farmers

The Telangana government wants insurance companies to review the manner in which they assess agricultural loses by putting the interests of the farmer front and centre. “If an industrialist makes losses for whatever reason, insurance firms will assess losses at his unit. But when a farmer is faced with crop loss, the same firms take the village as a unit for assessment. This must be changed,” says Telangana Agriculture Minister. “We passed a resolution in the Assembly asking the Centre to craft crop insurance policies that protect the interests of individual farmers,” he added. “Should we have to pray for loss of crops for the entire village so that the individual farmer gets compensation,” he asks, rhetorically. During an interaction with farmers as they prepare for the kharif season, he noted that farmers were in serious distress, and were forced to depend on banks for their working capital needs year after year. “Industrialists, on the other hand, need working capital loans for at most a year or two,” he pointed out.

Source: The Hindu Business Line

Health, motor drive growth for non-life insurers in FY16

Health insurance, motor insurance drove the growth for the non-life insurance industry during 2015-16. A rise in car sales and an increase in motor third party premium rates helped non-life insurance companies to grow their motor insurance business by 14 percent with a gross premium of Rs 424.11 billion during 2015-16 compared to Rs 373.14 billion, a year ago. In the overall motor business, the mandatory motor third party insurance grew by 19 percent with a gross premium of Rs 212.42 billion during the year compared to Rs 179.01 billion in the year ago period. The insurance regulator last year had increased the motor third party premium rates by 40-50 percent in various segments. Motor own damage grew by 9 percent to 211.68 billion during the year. Motor insurance continued as the largest component of the general insurance market with a share of 44 percent during 2015-16 (44.1 percent in 2014-15) and is linked to the growth in the automobile industry. According to the society of India automobile manufacturers, car sales in India grew at the fastest pace in five years, up 7.87 percent in 2015-16 driven by new model launches and heavy discounts in a challenging environment. The domestic car sales stood at 2.03 million units in 2015-16 as compared to 1.88 million units in 2014-15.

According to the data, the total passenger vehicle sales, which include cars, utility vehicles and vans, registered a growth of 7.24 percent to 2,789,678 units. Project insurance is likely to pick up, auto industry may do better going ahead. The government is also pushing for more penetration in the weather insurance that could aid growth this year.

Health insurance business increased by 22 percent with a gross premium of Rs 247.84 billion during FY16 compared to Rs 203.48 billion in FY15. This was lower than previous years that saw health growing by 25-30 percent. Experts said the growth rates were affected as the present government discontinued the mass health insurance scheme of the UPA government — rashtriya swasthya bima yojana in several districts. In addition, insurers continued to offer steep discounts to corporates for buying group health insurance covers for insuring their employees. Severe competition among insurers to grab property insurance business that led to a drop in premium rates, resulted in fire insurance business growing by mere 8.7 percent at a gross premium of Rs 87.28 million during the year.

Source: Financial Chronicle

Irdai okays 16 FDI proposals

Insurance regulator Irdai has approved as many as 16 proposals amounting to Rs 145.92 billion as foreign investment, Parliament was informed. "Post notification of the Insurance Laws (Amendment) Act, 2015, Irdai has approved 16 proposals as foreign investment in the insurance sector," Minister of State for Finance said in a written reply in the Rajya Sabha. The Insurance Laws (Amendment) Act, 2015, provides for an increase of foreign investment cap in an Indian insurance company to 49 percent from 26 percent with the safeguard of Indian ownership and control, he said. The government had notified the Indian Insurance Companies (Foreign Investment) Rules, 2015, to facilitate foreign investment in the insurance sector. "Indian Insurance Companies (Foreign Investment) Rules, 2015, have been amended on March 16, 2016, to allow foreign investment up to 49 percent through automatic route in the insurance sector," Sinha said.

Source : The Economic Times

INTERNATIONAL

Two-thirds of big UK businesses hit in cyber attacks in 2015: Survey

Two-thirds of big UK businesses have been hit by a cyberattack in the past year, with most of the attacks involving viruses, spyware or malware, costing millions of pounds, according to government research.

A quarter of large firms experiencing a cyber breach did so at least once a month, according to the Cyber Security Breaches Survey.

Commenting on the frequent cyber attacks on UK firms, Digital Economy Minister Ed Vaizey said it was "absolutely crucial businesses are secure and can protect data".

In some cases the internet-linked attacks cost millions of pounds.

The survey's results have been released alongside the government's Cyber Governance Health Check, launched following the TalkTalk cyber attack in October last year, the BBC reported.

The phone and broadband provider, which has over four million UK customers, said some of their banking details and personal information could have been accessed in the breach.

In light of these surveys, businesses are now being urged to protect themselves better.

Vaizey said: "The UK is a world-leading digital economy and this government has made cyber security a top priority.

"Too many firms are losing money, data and consumer confidence with the vast number of cyber attacks. It's absolutely crucial businesses are secure and can protect data," Vaizey said.

The survey also suggested seven out of 10 attacks could have been prevented, and added that only a fifth of businesses understand the dangers of sharing information with third parties.

The British government is investing 1.9 billion pounds over the next five years to tackle and prevent cyber crime, and a new National Cyber Security Centre will offer security support.

Also, a national cyber security strategy will be published later this year, setting out proposals to improve online security for the government, among businesses and for consumers, the report said.

Saudi Arabia: Vision 2030 to fuel >15% insurance growth per year

The Saudi Arabian government's long-term economic blueprint to transform the country is forecast to push growth in the insurance industry by at least 15% per year over the next five years, according to an industry expert.

He said that the insurance sector will be among the biggest gainers of “Saudi Vision 2030”, because of spending on projects and privatisation of programmes that would increase the demand for insurance products.

Among the several goals in “Saudi Vision 2030” is a plan to wean the Kingdom off dependence on oil by 2020. The government aims to diversify its revenues through increased privatisation in areas like health care and education, as well as expanding the country’s manufacturing base and investing in alternative energy sources. Major infrastructure projects including urban development and housing are on the drawing board. The Kingdom would also open its doors wider to tourists, other than pilgrims. These moves spell increases in demand for such insurance as construction, engineering, medical, property, etc.

There would be enhanced expectations of growth in the insurance industry of 15% a year, reported the Aawasat news website. The size of the Saudi Arabian insurance market was around SAR35 billion (US$9.3 billion) in 2015, an increase of around 15% from SAR30.5 billion in 2014.

A spokesman for insurance companies in Saudi Arabia, said that “Saudi Vision 2030” would lead to an insurance boom. The economic transformation would have a direct impact on a broad base of residents. He said that healthcare services would be improved with state-owned medical institutions competing with one another and with the private sector. Beneficiaries would be able to choose the appropriate service provider for their needs.

There are 35 insurance companies in the Kingdom, offering a wide range of insurance services, the most important of which are health and auto insurance. These two classes of business account for more than 80% of the insurance market in the Kingdom.

Africa: Insurers must step up to reap the potential of the continent

Africa holds great potential for the insurance industry but operators need to work hard and improve their standards to keep pace with the growth prospects, said speakers at the 43rd African Insurance Organisation (AIO) Conference in Marrakech.

Insurance sectors in Africa are still not mature with issues such as operators’ weak capitalisation and lack of experience. However, the dynamics to catch up on what is needed have started rolling, said the Director of Insurance Supervision and Social Security Commission (ACAPS) of Morocco. He said that despite the financial and monetary challenges which have weakened the currencies of some countries on the continent, and big challenges such as terrorism, the richness of Africa is huge especially with expectations for annual economic growth of 6% until 2030.

With a large number of players which is hampering progress in the insurance industry, it was recommended working on consolidating the continent's markets to create strong insurance conglomerates capable of serving the sector efficiently and to benefit from economy of scale. He also called for harmonisation of regulatory systems and for more power, independence and authority to be given to insurance supervisors. Additionally, he encouraged concentrating on microinsurance offerings that respond to the needs of the African populations.

He also urged reinsurers of the continent to increase the retention of premiums, calling on them to strengthen their financial and technical capabilities. This would add real value to their markets where some providers currently act merely as intermediaries. He said that Morocco has abolished the reinsurance compulsory cession since 2014.

General Manager of the Moroccan Federation of Insurance and Reinsurance Companies (FMSAR), said that Africa is moving ahead in development but insurance penetration remains very low. This means that the insurance industry should exert more effort and revisit its strategy to be in line with the needs of the market. He said that Africa is the continent of promise as it encompasses 25% of the world's population and one third of its resources.

Another speaker, the President of the AIO, said that the African insurance industry should move fast to benefit from the high-speed rhythm of development on the continent whose insurance premiums currently account for only 1.4% of global premiums. She said the African markets are extremely undeveloped and the insurance industry needs to gain better access and reposition strategies to change the equation.

She said that over the past 10 years, the continent faced many challenging circumstances that hindered progress, including falling oil prices, cyber risks, climate change and even food insecurity. However, the future of Africa is not dark and insurers need to take part in improving the lives of the population. She also noted that liberalism, transparency, and the role of law have been revived in Africa in recent years compared to previous eras, a development which presents opportunities for the African insurance industry.

She called upon African insurers to set up joint strategies to deal with inadequate capacity, lack of human capacity, increased exposure and poor public awareness.

Held under the theme "African Insurance Amidst Current and Emerging Challenges", the two-day AIO event has attracted over 900 delegates.

UAE: Calls for more affordable health insurance for the elderly

Families in the UAE are searching for affordable medical cover for their elderly relatives as they face a situation in which many health insurance companies are either not accepting the high-risk age group or are charging high rates to cover senior citizens.

While health insurance is becoming mandatory in the different emirates, many expat families with elderly parents are facing the dilemma of either paying high premiums or sending their elderly home where there may be no one to take care of them – if insurance is refused, reported the Emirates 27/7 news website.

In particular, in Dubai, the situation is becoming more serious as health insurance will be mandatory for all residents, including dependents, in the emirate after 30 June.

In addition, even where aged residents manage to secure health insurance, there is a waiting period, for pre-existing diseases, of two years or more before the cover takes effect.

Source : MEIR eDaily

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