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PRIME STORY

Disaster insurers tap under-protected emerging markets

When an April 2015 earthquake ravaged Nepal, killing 9,000 people and destroying half a million homes, insurers say the money paid out to victims amounted to less than a tenth of that received by Americans hit by winter snowstorms earlier in the year.

The figures reveal a huge potential market yet to be tapped in the developing and emerging world, major insurers said at an annual four-day gathering of billionaires and the political and business elite in Davos, Switzerland.

Illustrating the paucity of insurance taken out in developing and emerging markets, re-insurance group initial estimates indicated that the US$6 billion in wreckage caused by the Nepal quake resulted in payouts of just US$160 million.

By contrast, the US storms two months earlier caused US$2.7 million in damage but resulted in insurance payments amounting to US$2.1 billion.

The difference between the storms in the United States and the earthquake in Nepal is an extreme comparison that really highlights the gap in terms of protection. Worldwide, 70 per cent of the damages wrought by natural disasters are not insured. But expanding into developing markets presents important challenges.

When people have fewer resources to subscribe individually to insurance, their governments have to shoulder a greater responsibility, placing public finances at risk. In this context, insurers must turn to new tools.

In Bangladesh, for example, a flood insurance product was launched in cooperation with the local authorities.

‘TRAPPED ON TINY ISLANDS’

Under the scheme, the insurance is offered to NGOs and the payout, which is linked to the level of flood waters, goes directly to the NGOs for them to distribute to disaster victims.

The scheme allowed the insurer to offer cover even in a country where two-thirds of the land is less than five metres (15 feet) above sea level, making it difficult and costly to assess flood damages in zones that are often inaccessible.

New technologies could help insurers to wade into the structurally under-insured markets by offering affordable yet profitable policies. Digital technologies are really going to make an impact. In the past, some attempts to offer affordable insurance to the poor had failed. The only way you can deliver it efficiently and in a cost efficient way is by using mobile technology, with just a few clicks without all these complex records.

Rapid urbanisation, and the resulting expansion of cities and infrastructure to previously uninhabited areas, presented a daunting task, like the months-long Thai floods of 2011 that interrupted the supply chain for the automobile industry. Nobody had ever really assessed the risks since nobody knew it was a flood zone because there was nothing there before.

Drones could one day help the task of insurers in assessing the damages wrought by disasters. Sending a drone to whizz around, take a few pictures and one could have all the information required.

Friendship an NGO, which intervenes in disasters with a hospital ship, testified to the difficulty of operating on the ground in disasters, notably when Cyclone Sidr struck Bangladesh in November 2007. They took a catamaran to go to the areas hit by the storm. With the rising tide, people were trapped on tiny islands that could crumble at any time and with the currents they could not go across the rivers that kept growing and growing.

NATIONAL

Integrated grievance management system for insurance policies

For dissatisfied insurance policy, one could approach the insurance company and lodge a complaint. And to make sure that insurers tend to complaints and resolve them quickly, the Insurance Regulatory and Development Authority of India (Irdai) set up the Integrated Grievance Management System (IGMS) in 2011. It works like a central repository of all consumer complaints received by life insurance and non-life insurance companies. It is an online consumer complaints registration system and all insurers have integrated their online complaint logging systems to IGMS, which is maintained by Irdai. Every insurer is required to have a grievance management system and policy approved by Irdai. One can register a complaint with an insurer, which will then be logged into the insurer’s system. It will then automatically flow into IGMS. Irdai gives the insurer 15 days to resolve the complaint and monitors the turnaround time. The system has defined turnaround times for different kinds of policy servicing and measures the actual time taken on all complaints. One can also approach IGMS directly by logging into igms.irda.gov.in and registering the complaint or calling the toll free number 155255 or 1800-4254-732 to register the complaint into the insurer’s system.

Source: Mint

Insurance regulator inks first bilateral pact with UAE

IRDAI has entered into its first bilateral agreement with the Insurance Authority of United Arab Emirates (UAE). The Memorandum of Understanding (MoU) was signed by the Chairman, with his counterpart in the UAE regulator. The pact assumes significance in the wake of the increase in the upper limit of foreign direct investment to 49 percent from 26 percent, and rising interest of global insurance players in India. “In fact, there has been interest from many other countries, including the US, in forging collaboration with IRDAI,” Executive Director said. These are expected to materialise soon. The MoU provides for sharing of information and documents, exchange of experience, insurance supervisory aspects, trends and policies, international issues, and sharing of information on cross-border establishments, among others.

Source : The Hindu Business Line

Motor insurers want cap on liability, time frame, geography

When an IIT engineer got hit in a road accident in Gurgaon, the courts ordered the insurer to pay a compensation of Rs 20.6 millions last December. For, 25-year-old Anshum Agarwal suffered serious abdominal injuries and was drawing an annual salary of Rs 4.65 millions when the accident happened. And according to the Motor Accident Claims Tribunal, cases like Agarwal aren't rare as more youngsters draw higher salaries. But for insurance companies, the rise of the high-earning youngster is just another cog in the chain that's setting their motor insurance portfolios bleed further. In recent years, insurance companies have booked loss ratios as high as 80-190 percent for settling motor insurance claims. Despite third-party liability being the highest for the commercial vehicle segment (trucks in the 2.5-5 tonne, above category), covering two wheelers and four-wheelers has also proved a loss making proposition given that courts have awarded as much as Rs 10-30 millions in compensation for young professionals with a high life expectancy and a soaring career graph. Every April, the IRDA revises third-party (TP) premium rates by 15-20 percent for the 28 non-life insurers despite which loss ratios abound -lending weight to the demand from insurers that the IRDA place caps on their liability. Insurers now want an amendment of the Motor Vehicles Act, as since 1989 there has been no cap on liability, time frame or geography .

Source : The Times of India

Use-and-file procedure

The Insurance Regulatory and Development Authority of India (IRDAI) has said that commercial products in general insurance will be sold under use-and-file procedures.

Use-and-file is a procedure where the insurer is permitted to market the product without prior noting of IRDAI. The guidelines will come into force with effect from April 1, 2016.

The procedure requires the products to be necessarily filed with the Authority before these are marketed. In its guidelines on product filing for general insurance companies, IRDAI said that all retail products (including their modifications) shall be filed with the authority under File and Use procedures.

Irdai for evolving risk coverage needs in products

Insurance regulator Irdai said the evolving risk coverage needs of the customer should be kept in mind while developing new products and revising existing products. The regulator issued guidelines on product filing procedure for general insurance products.

Source : The Economic Times

Gen Y prefers to buy pure life term plans online

Insurance in India has for long been confused with investment but, according to industry officials, this perception may have slowly started changing with many new generation policy buyers opting for pure life protection plans. According to top life insurers, the share of term policies to total business has doubled to about 5-7 percent in 2015 on an average. This is, however, just about scratching the surface as term policies account for around 50 percent share in developed economies such as the USA and Japan. Insurers said new generation buyers mostly buy pure life protection plans online. Digital marketing has helped term insurance sales of late. Customers who are buying term policies are typically better educated and financially strong. A term plan is the simplest of products to buy and it is easier to compare between policies offered by different insurers. Term insurance refers to life insurance policy that provides coverage for a certain period, or a specified "term". The insurer pays the sum insured in case of death within the specified term, but the insured does not get any returns when the term ends.

Source : The Economic Times

E-policies made compulsory for most categories

Soon, an electronic insurance number will be assigned when an insurance policy is bought. And, based on this number, an electronic or e-policy shall be received.

Source : Business Standard

INTERNATIONAL

Russia’s Supreme Court revokes ruling over insurance

Russia’s Supreme Court has reversed a lower court ruling ordering Kapital Strakhovaniye company to pay over $4 million to six foreign insurers in connection with the 2012 Sukhoi Superjet-100 crash in Indonesia killing 45, according to the court’s press service.

The court therefore granted a cassational appeal filed by Kapital Strakhovaniye and remanded the case for a new trial.

The plane crashed on its first ever demonstration tour, across six Asian countries, over Indonesia on May 9, 2012. All people on board the plane, including eight Russian nationals, were killed. The plane crashed into Mount Salak at an altitude of 1.6 km. The investigation found that the disaster was caused by human error.

The airplane was insured by Kapital Strakhovaniye, which later reinsured 95% of its risks on the foreign market.

After the crash, the plaintiffs transferred $3.5 million to Kapital Strakhovaniye, which was to compensate the relatives of deceased passengers. After conducting an investigation, the foreign companies decided that this was not an insured accident because the plane had crashed during a demonstration flight and because the insurance policy covered only test flights. In September 2014, the reinsurers sued the Russian company at the Moscow Commercial Court, demanding a refund, plus interest. Three court instances upheld their lawsuit.

Kapital Strakhovaniye in its cassational appeal insisted that the plane crash was an insured accident and, according to the Russian company, reinsurers admitted this fact when initially paid insurance indemnity.

Source : Moscow (RAPSI)

Property insurance rates to decline in U.A.E. in 2016

A report by U.S.-based insurance brokerage firm has said that property insurance premiums could decline in the United Arab Emirates in 2016 due to excess capacity in the market.

The firm expects rates to fall between 10% and 20% despite several high-rise fires recently, as these buildings are not excluded by reinsurance treaties, said the report.

Some insurers believe the recent losses could result in requests for more detailed underwriting submissions and being more vigilant on risk-management practice.

Source : The National

Egypt: Improving prospects spell good news for insurance

The long-term outlook for the insurance industry in Egypt remains positive in the wake of improving political stability and economic prospects.

The newly issued regulations around bancassurance, takaful, minimum capitalisation, and online distribution of products, are expected to help the growth of the insurance market in Egypt. The recent entry of a number of new players, through transactions and greenfield investments, bodes well for the attractiveness of the market.

Having said this, the industry faces a number of challenges. Insurers need to pre-empt demands from their customers and remain adaptive to the changing market landscape. The economic environment is expected to remain challenging due to lower oil prices, hence insurers need to look for niche growth avenues and become operationally efficient whilst remaining regulatory compliant, to deliver on stakeholders’ expectations.

The takaful industry in Egypt is expected to grow in 2016 as more players enter the market to meet the robust demand for Islamic insurance products and services.

Source: MEIR eDaily

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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 * Web : http://www.jbboda.net

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