Since 1943

J.B.BODA GROUP

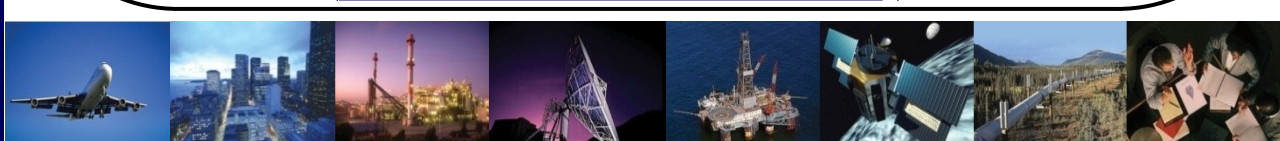
MEDIAN

Issue 64 October 2012

CONTENTS PAGE NOS.

Visit us at: www.jbboda.net

(Click on "NEWS" for back Issues of "MEDIAN")



Since 1943

PRIME STORY

Protecting Policyholders' Interests - I

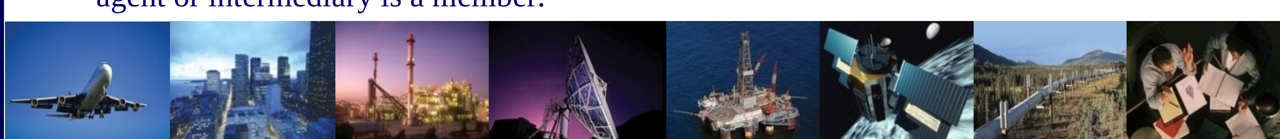
B.K.Pathak

There is Insurance Regulatory and Development Authority (Protection of Policyholders' Interests) Regulations 2002, which is of particular interest to the small, isolated and defenseless individual Policyholders facing the large, powerful and the mighty colossus companies of insurance. Quite appropriate to its name, this piece of legislation by the IRDA is absolutely meant for providing added protection to the Policyholders. This prescribes the duties and obligations of insurers and intermediaries during the Pre-Sales and the Post Sales Stages of an Insurance Policy. In its Pre-Sale Stage, the Policy is being canvassed by the intermediaries to the prospective customers. The various benefits of the Policy like basic plan, rider benefits, terms and conditions of the Policy, proper filling of Proposal Form etc. are explained to the customers. Customers are also made aware of the various mechanisms to address Policy holders' complaints and grievances. The Post-Sales Policy stage refers to providing after sales services like issue of Policy Bond, providing various Policy services like change of address, nomination, assignment, loan, surrender etc and finally culminates in settlement of claims.

Some very important matters to be taken care of during Pre-Sale Stage –

1) There has to be utmost transparency at the time of sale and promotion so that the prospect is made to feel confident that he is being given complete information regarding the product. Clear and complete information about products is not only a fundamental expectation, but also a necessity to ensure fair treatment to Policyholders by insurers. While providing such information, it is obligatory on the part of the insurers to take care of the following important points.

   The prospectus of any product should state clearly the scope of benefits and the extent of cover. It should explain the Warranties, Exceptions and Conditions of the insurance cover. The riders of the product should be clearly spelt out with regard to their benefits. In no case, the sum total of the premium of all the riders put together should exceed 30% of the premium of the main product. An insurer or its intermediary should provide all material information regarding the proposed cover so as to enable the prospect to decide on the best possible cover that would serve his interest most. In the process of sale, the insurer or its agent or any intermediary shall act according to the Codes of Conduct prescribed by the IRDA, the Councils that have been established by the Insurance Act 1938 and the recognised professional body or Association of which the agent or intermediary is a member.



2) In all cases of insurance save and except Marine Insurance, there has to be a proposal for grant of a cover under life or general business and that too in shape of a written document. Forms and documents must be made available by the insurers in all languages recognised by the Indian constitution. Where a Proposal Form is not used, the insurer shall record the information obtained orally or in writing and confirm the same within a period of 15 days thereof with the proposer and incorporate the information in Cover Note or Policy. Any information not so recorded, but the insurer claims that the proposer suppressed any material information or provided misleading or false information on any matter material to the grant of cover. Onus of proof shall rest on the insurer in respect of any information not so recorded.

Wherever the benefit of nomination is available, the insurer shall draw the attention of the proposer to the same. The insurer shall encourage the prospect to avail the facility. The proposals shall be processed by the insurer with speed. All decisions shall be communicated to the prospects in writing within a reasonable period not exceeding 15 days of the receipt of proposals by the insurer.

Post Sale

Policy bond is a legal document setting out the terms and conditions of the contract. It is a document that is given after the Proposal for insurance is accepted by the insurer. The risk coverage commences after acceptance of Proposal. The conditions and privileges of the Policy are mentioned in the Policy bond. This is an important document, which would be referred to various Policy servicing functions to be performed by the insurers. Finally, it is required at the time of settlement of claims on the Policy. It is the duty of the insurer to ensure that the contents of the Policy document are easy to understand. The language has to be simple. The legal jargons are to be avoided, while conditions and privileges are spelt out. It should be easy to read and on top of it, it should be so simple that the consumers should find it convenient to understand. It should clearly bring out the risks covered for the Policyholders and the commitments and the obligations to be fulfilled by them for a successful tenure of their policies.

The free-look period is an option under a life insurance Policy, which serves beautifully as a protection of Policyholders' interest. Under this option, a customer is allowed to cancel the Policy after making a purchase, if he disagrees with or is not comfortable with its terms and conditions. The option has to be exercised within 15 days of the receipt of the Policy. Under this option, a customer gets an opportunity to go through the fine prints of Policy conditions and privileges to understand them and analyse them in full-detail and then decide whether he wants to go with the financial commitment under the plan of insurance. In order to make this privilege operational, customer is required to send the

original Policy document with an application for the cancellation of the Insurance Policy.

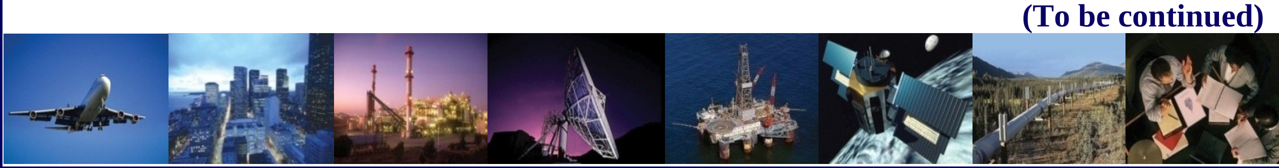
It is essential to send the document within 15 days of the receipt of the Policy from the insurer, if the customer wants to avail the cancellation option.

Matters to be stated in Life Insurance Policy

a) Name of the plan governing the Policy, its terms & conditions.
b) The Policy, whether it is with profit or without profit.
c) The basis of participation in profits – whether it is cash bonus, deferred bonus, simple or compound reversionary bonus.
d) The benefits payable under the Policy and also the contingencies under which these are payable and the other terms and conditions of the insurance contract.
e) The details of the riders attached to the main Policy.
f) The date of commencement of risk, date of maturity and also the dates on which the benefits are payable.
g) The premium payable, periodicity, grace period allowed for payment of premium. The implications of discontinuing the payment of installments and also the provisions of a guaranteed surrender value.
h) The age at entry and the same has been admitted.
i) The requirement for the Policy (i) to get converted to a paid up Policy, (ii) to assume surrender value (iii) the non-forfeiture regulations and iv) revival of lapsed Policies.
j) Contingencies excluded from the scope of the cover – both in respect of the main Policy and the riders.
k) The provisions for Nomination, Assignment – Loans on security of the Policy, the rate of interest payable on such loan amount.
l) Any special clauses or conditions such as Apprenticeship Clause, Hazardous Occupational Clause etc.
m) The documents that are normally required to be submitted by a claimant in support of a claim under the Policy.
n) The address of the insurer to which all communications in respect of the Policy shall be sent.

While forwarding the Policy, the insurer shall inform the insured by the letter forwarding the Policy that he has a period of 15 days from the date of receipt of the Policy document to review the terms and conditions of the Policy. In case, the insured is not agreeable to any of those terms and conditions, he has the option to return the Policy stating the reasons for his objection, when he shall be entitled to a refund of the premium paid, subject to a deduction of a proportionate risk premium for the period on cover and the expenses incurred by the insurer on medical examination of the proposer and the stamp duty charges.

(To be continued)



Since 1943

REINSURANCE

Monte Carlo Snippets

(1) Top 10 Reinsurers

The world's top 10 reinsurers accounted for 59% of USD 207 billion reinsurance market in 2011, with the top 5 players controlling the market with 44% share, compared to about 17% in 1980, according to information given at recent Monte Carlo Rendezvous.

(2) CAT Losses pose Challenges

Low risk Nat CATs have recently seen a higher concentration of losses and the industry will have to re-evaluate risk exposures in emerging markets. This was the general view at recent Monto Carlo Rendezvous.

(3) Global Premium Growth

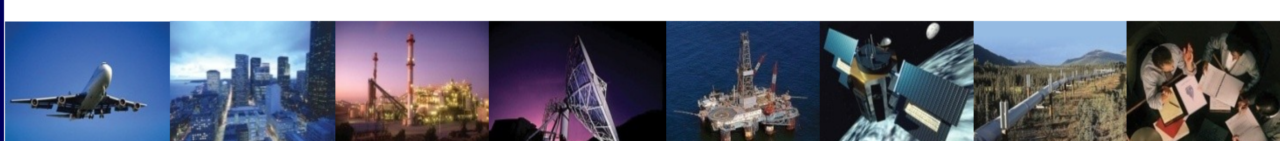
The global real premium growth is expected to strengthen despite the unprecedented challenges the industry faces. There is general perception that the industry is in a strong position, having quickly recovered from the asset impairments in 2008, leading to high solvency levels in 2010.

(4) Insolvent Reinsurers

Only eight reinsurers have been declared insolvent during the past twelve years, representing less than 1 % of global reinsurance capital. They paid claims of more than USD 150 billion.

(5) Reinsurers' Issue

The key question will be how quickly and to what extent insurers and reinsurers will succeed in factoring the low interest-rate level into their price calculations, as reinsurers face the challenge of achieving stable earnings in their core business and reducing their dependency on investment results.



Since 1943

Global Reinsurance Outlook

Fitch Ratings has opined that global reinsurance outlook remains stable, as capital, underwriting and operating trends are expected to support reinsurers' current ratings over the next couple of years. The anticipation is for the sector's already strong capitalisation to strengthen further and to continue premium growth into 2013.

Global Reinsurance Value Chain

There are flaws in the insurance and reinsurance value chain due to insufficient pricing in the primary market, several industry leaders said at the annual CEO Breakfast Roundtable in Monte Carlo.

Delay in new Capital Rules

The European Union could postpone strict new capital rules for insurers because of wrangling amongst member countries over the final shape of the new regulations.

Exposure to RI Credit Risk

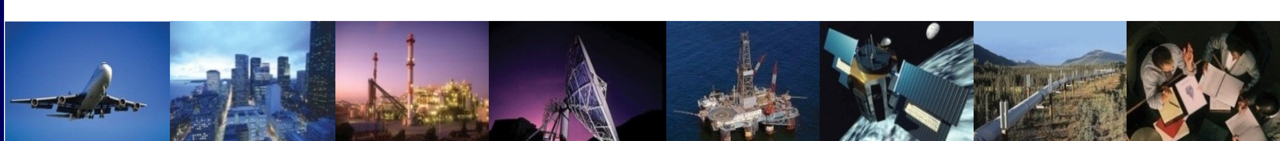
Defined Contribution Members could be unaware that their Policy is not protected against losses resulting from the collapse of an insurer. The problem stems from a lack of clarity from insurers of re-insurance credit risk. If someone takes out a Pension Policy with an insurer, they are protected by the Financial Services Compensation Scheme. This protects against the event that the insurer collapses and pension assets are lost.

However, if one of that insurer's external fund links are used, the individual may not be protected against the collapse of the secondary insurer. This is because the individual doesn't have a direct contract with them. The use of third party funds was becoming increasingly common, particularly with trust-based and contract-based DC clients.

The preferred solution is that the primary insurer provides protection. The alternative is that, if they don't, they must disclose that there is no protection. Trustees, insurers and members need to understand what compensation mechanisms exist and more importantly, where they are not protected.

Rich ties with Reinsurance !

Forbes Magazine's list of "The 400 Richest People in America" is out and it includes several billionaires who have ties with Bermuda and the reinsurance industry.



Since 1943

Highest on the list with a connection to the island is the “Oracle of Omaha”, billionaire Warren Buffett who came in at No. 2 on the list. With a net worth of USD 46 billion, he got into the reinsurance business back in 1998 when he acquired General Re (Gen Re). In 2002, he became involved with Hank Greenberg at AIG with General Re providing the company reinsurance. Since then, he has ventured into other reinsurance companies. In 2009, he invested USD 2.6 billion as a part of Swiss Re’s raising equity capital. Berkshire Hathaway already owns a 3 % stake with rights to own more than 20 %. In 2010, Mr. Buffett became Munich Re’s largest single shareholder with 10.2 % of the Company.

At No. 15 on the list is George Soros, a Hungarian born American business magnate, investor and philanthropist. He is the Chairman of Soros Fund Management. He held shares in Bermuda-based IPC Holdings, a subsidiary of which was International Property Catastrophe Reinsurance Company Ltd.. He also had a major stake in Q Re, which folded in 2011.

At No. 28 is American Hedge Fund Manager, John Paulson. Worth USD 11 billion, he is the Founder and President of Paulson & Co., which made headlines in April 2012 when it became one of many hedge funds to become involved with Bermuda’s reinsurance industry. Paulson’s Company partnered with Bermuda-based Validus to form PaC Re Ltd., with an initial capitalisation of USD 500 million to write reinsurance.

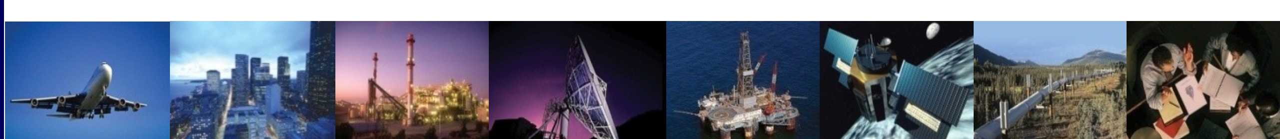
At No. 40, Steven Cohen is worth USD 8.8 billion. He is the founder of SAC Capital Advisors, which launched a Bermuda Reinsurance Company called SAC Re Ltd. with USD 500 million of capital in July 2012.

Two hedge fund managers on the list – No. 347, Daniel Loeb and No. 360 David Einhom also have reinsurance ties. Mr. Loeb founded Bermuda-based Third Point Re in 2011, and Mr. Einhom is a major shareholder and Chairman of Greenlight Capital Re, a Cayman-based reinsurer.

Incidentally, the richest American on the list for the 19th year running with a net worth of USD 66 billion is Microsoft co-founder, Bill Gates.

Munich Re

German Reinsurer Munich Re, the largest reinsurance Company in the world is considering to deepen its involvement in the insurance-linked securities market by launching an Insurance Linked Securities (ILS) Fund. Munich Re are already very much involved in the ILS and catastrophe bond space, as a sponsor of cat bonds regularly using ILS as a risk transfer tool, their Risk Trading Unit is active in the areas of consultancy, product development, structuring and placement of ILS and Munich Re are themselves an investor in catastrophe bonds as well.



Since 1943

Swiss Re

Swiss Re published the European Insurance Report 2012 highlighting potential gaps between the insurance industry's product offerings and current consumer demand. The report includes the results of a survey commissioned by Swiss Re among 15,000 consumers in 14 European countries and comes up with the following key findings:-

The main reason for the insufficient market penetration of life insurance is that consumers consider it to be too expensive.

The industry should look to develop products to fill the gaps taking into account the consumers' price sensitivity.

The insurance industry and governments should work together and build awareness to the benefit of consumers.

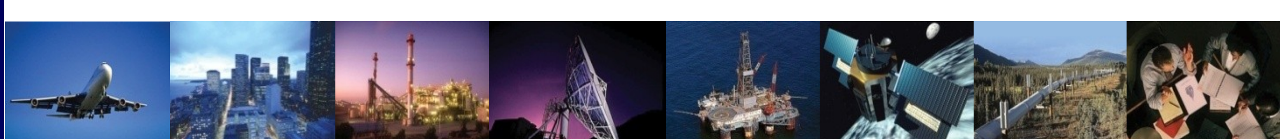
Europe's consumers under-insured by EUR 10,000 billion – Swiss Re has calculated a mortality protection gap amounting to sums assured of more than EUR 10,000 billion across all 14 European countries featured in the report. As Swiss Re reported, the gap is the difference between the money needed by dependents in the event of the untimely death of a breadwinner and the financial provisions put in place should the unexpected occur. The financial crisis and related savings programmes have had a serious impact on public trust in state pensions and benefits, and consumers have grown aware of the necessity for private provision.

Scor

Scor has received two prestigious Global Awards, as part of the Awards Programme organised each year by Reactions Magazine in New York. The Group was named "Best Reinsurance Company for Life" for the second year in a row and "Best Reinsurance Company for the London Market".

Swiss Re

Swiss Re Corporate Solutions, the commercial insurance arm of Swiss Re Group has been named the official insurance provider of Solar Impulse Aircraft Project.



Since 1943

INTERNATIONAL

Somalia Piracy Threat

The piracy threat in Somalia remains despite change in Government. While the number of attacks so far this year is well down on previous years, ransoms continue to rise, causing problems for those affected. According to EU-NAVFOR, as of September 12, some 28 attacks had been undertaken, with 5 vessels actually captured. In the whole of 2011, 25 vessels were hijacked from 151 attacks. The existence of on-board security personnel has been the major reason for this fall. Piracy yields almost USD 200 million each year. The global shipping industry will have to boost efforts to avoid capture on the high seas.

Hull Market Aches

For Sixteen consecutive years, the Hull Market has been underwriting losses. There is need for underwriters to embrace a new system that looks beyond pure claims experience when measuring exposures was the general view at recent Annual Gathering in San Diego of the International Union of Marine Insurance (IUMI).

Salvage Equipment Investment Role

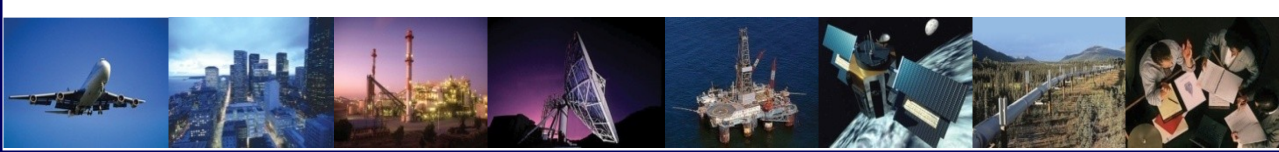
At the recent International Union of Marine Insurance (IUMI) Conference held in San Diego, marine insurers have acknowledged that they will have to contribute to investment in improved salvage technology, as the size and sophistication of modern vessels makes existing equipment increasingly obsolete. Recent incidents such as mid-ocean explosions and fires, remote coast stranding, problems seeking port of refuge, container handling, dangerous cargo and reef damage had highlighted the mismatch between the equipment available at present and what is actually needed.

Flood Losses

Insured flood losses are rising at an alarming rate and went up from USD 1 billion to USD 2 billion in 1970 to USD 15 billion in 2011, while the insurability of floods are posing challenges to the industry, according to Swiss Re.

Cloud Computing Market

The global cloud services market will grow 19.6% this year to USD 109 billion, according to IT research firm Gartner. Although North America is the largest market in cloud computing and is expected to produce the largest increase in market size, Gartner expects high growth rates in the emerging markets of India, Indonesia and Greater China.



Lloyd's Approach

Lloyd's is following a measured approach in its efforts to expand into emerging markets and will not "chase business", according to CEO Richard Ward.

Hedge Funds

Several hedge funds have backed new reinsurance vehicles for using stable premium flows in the underwriting business to support higher returns on firms' asset portfolios. However, this business model is a challenging one.

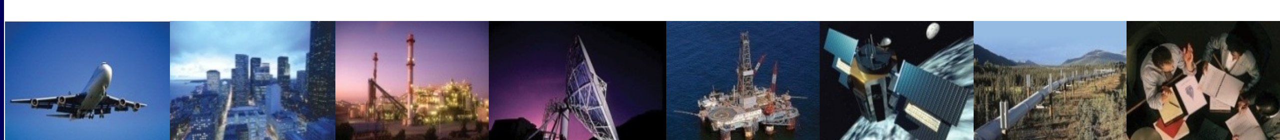
Hacking Insurance

A UK-based information privacy Company has launched Britain's first Social Media Insurance, which would protect web users against reputational damage, account hacking and ID theft, in case their social site accounts are hacked. Hacking of users' accounts on Facebook, Twitter, LinkedIn and other social media sites are quite common, where another user logs in and posts derogatory or offensive messages and can cause huge damage to an individual or business's image.

According to this service, ALLOW, insurance perhaps wouldn't have been needed a few years ago. That's all changed now. Every internet user faces a certain level of risk that one day a digital criminal will target them or that they will suffer damage to their reputation. The cover, at a cost of 3.99 pounds a month, will pay for legal advice and support if someone suffers an online attack and seeks some form of redress. The insurance includes the cost of disabling accounts, suppressing offensive material and stopping any legal action triggered by hacking, for example, if a hacker posts illegal material under a victim's name. The insurance is available via the ALLOW Protect Service, which also allows users to monitor how their personal data is used online.

Abatement Insurance

Louisville, Ky. Headquartered Intellectual Property Insurance Services Corporation (IPISC), which focuses on Intellectual Property (IP) Insurance risks, has launched the inventPro Abatement Insurance programme. The InventPro programme is designed to help enforce the policyholder's IP rights against infringers, who are often larger and better equipped financially to withstand costly IP litigation. The inventPro programme offers an affordable Insurance Policy specially for accommodating inventors and small Companies who have one to three patent applications, issued patents, trademark applications and/or registered trademarks.



Since 1943

NON - LIFE

Deposit Insurance Coverage

Finance Ministry has clarified that in terms of the provisions of the Deposit Insurance and Credit Guarantee Corporation Act, the Deposit Insurance Coverage is also applicable to the eligible deposits held in all eligible Co-operative Banks.

Ire of Fire – Short-circuits spark city fires

Around 75% of fires in Mumbai occur because of short-circuit caused by loose wiring. The reason, officially called defective electric circuits (DEC), was behind 9,711 of 13,185 fires in the last three years.

In order to prevent fires, the cause of every incident should be found and scientifically studied. For example, we know that throwing away lit cigarette butts can cause fires. You will be surprised to know that indeed they do. 1,806 fires between April 2009 and January 2012 were caused by careless smoking or improper disposal of cigarette butts and matchsticks.

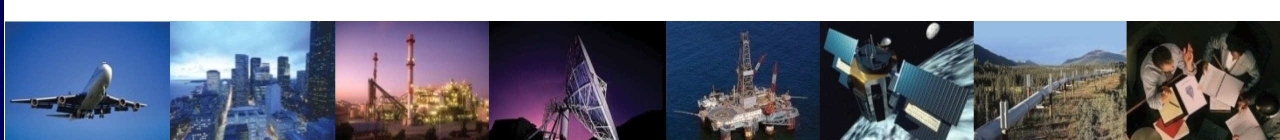
Short-circuits mostly occur in old buildings, especially in densely populated areas or crowded markets. In the period mentioned, the maximum number of short-circuits occurred around busy markets followed by all thickly populated areas. The "Mantralaya" (Government Secretariat) building fire, too, is not an exception to this trend, since this structure is old.

Short-circuit, the reason for most of the fires in the city, usually occurs in buildings in crowded localities. A fire expert said that had the authorities gone through the data and taken preventive action, "Mantralaya" could have been saved. The non-renewal of wiring capacity against increased load because of additional equipment ultimately results in overheating and fire. This phenomenon is common to all old, ill-maintained establishments, said an expert.

Power experts recommend regular checking of earth wires, circuit breakers and fuses, which cut off power supply, if a short circuit occurs. Also, one should use gadgets with quality certification from well-known agencies.

Though there are rules for electrification and maintenance, there are not enough men and machinery to ensure that these are followed in letter and spirit.

Top officials monitoring the probe into recent "Mantralaya" fire have said that the blaze was caused by hydrogen batteries that were required to keep the UPS alive, in case of power failure.



Since 1943

Despite cutting off the supply, the hydrogen batteries continued to provide power and one of the batteries exploded that resulted in sparks and spread the fire beyond controllable levels.

Inmates found smoke emanating from a 2.5 x 4 ft local server box located right in the middle of the offices. The officials were able to douse it with files and bunch of papers. But a few seconds later, the fire spread with a minor blast and reached heaps of papers and files outside cabins. The strong wind also made matters worse, fanning the flames across the entire floor and to the top floors too.

Local server's hydrogen batteries, one of which is suspected to have exploded, led to fire, which soon assumed larger proportions. These batteries are highly inflammable and continued to supply power even when electricity was cut-off due to short-circuit.

Major Causes of Fires

Reason	Incidents*
Defective electric circuit	9,711
Careless smoking or disposal of stub	1,806
Naked flame (stoves, candles)	637
Firecrackers	247
Overheating of gadget (AC)	123
Mechanical spark or heat	43
Electric spark	40
Light-throwing	32
Hot ashes	28
Burning of waste	23
LPG explosion	22
Unknown	22
Doubtful	80
Others	101
Under Investigation	270
* April 2009 to January 2012	

Exercise Caution

General safety regulations of the Fire Department:-

Maintain fire alarms, sprinklers and hydrants.

Do not allow passages, corridors and staircases to get obstructed.

Keep the area around buildings unobstructed to allow easy entry of fire tenders.

Arrange for alternative power and water supply.

Keep open spaces unobstructed to allow easy entry of fire tenders.

Keep cable ducts clean.

Keep as many fire extinguishers as needed for facilities in the building.

Since 1943

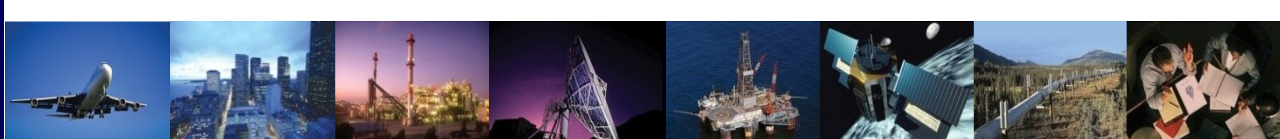
J.B.BODA GROUP AT YOUR SERVICE

J.B.BODA Group, well-known internationally for its capabilities, well-spread network around the world and personalised services for almost seven decades.

24 Offices in India & 4 Offices Overseas

J.B.BODA & COMPANY PVT. LTD. MUMBAI	Insurance & Risk Management Consultants, Life Valuation, Life & Employee Benefit Schemes, Training Academy, Assistance for Actuarial Valuations
J.B.BODA & BROTHERS PVT. LTD. MUMBAI	Valuation of Land, Building, Plant & Machinery
CROWE BODA & COMPANY PVT. LTD. MUMBAI	Protection & Indemnity Insurance Services. Correspondents in India for • Steamship Insurance Management Services Ltd., London • Shipowners Mutual Protection & Indemnity Association, Luxembourg
J.B.BODA SURVEYORS PVT. LTD. MUMBAI	Fire, Engineering, Miscellaneous Accident Surveyors & Loss Assessors. Marine Cargo Surveyors, Loss Assessors, Superintendents, Container Surveyors, Tank Calibrators, Samplers & Analysts
J.B.BODA REINSURANCE BROKERS PVT. LTD. MUMBAI	International Reinsurance Brokers (Non-Life & Life)
J.B.BODA INSURANCE BROKERS PVT. LTD. MUMBAI	Direct Insurance Brokers (Non-Life & Life)
J.B.BODA & CO. (S) PTE. LTD. SINGAPORE	Reinsurance Brokers
J.B.BODA & CO. (U.K.) LTD. LONDON	Insurance & Reinsurance Brokers
J.B.BODA REINSURANCE BROKERS PVT. LTD. DUBAI	Representative Office
J.B.BODA REINSURANCE BROKERS PVT. LTD. KATHMANDU, NEPAL	Representative Office

Head Office : Maker Bhavan No. 1., Sir Vithaldas Thackersey Road, 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



Since 1943

Team Co-ordinator : **Sanjiv Shanbhag,**
Executive Director,
J. B. BODA & Company Pvt. Ltd.,
Mumbai, India.
sanjiv@jbbodamail.com

We value feedback at : median@jbbodamail.com

DISCLAIMER

Visit us at:

www.jbboda.net

(Click on "NEWS" for back Issues of "MEDIAN")