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J. B. BODA GROUP

Issue 89

MEDIAN

Nov. 2014



**WE WISH OUR READERS
HAPPY DIWALI
AND
A HAPPY & PROSPEROUS NEW YEAR**
From
The Management & Team at J. B. Boda Group





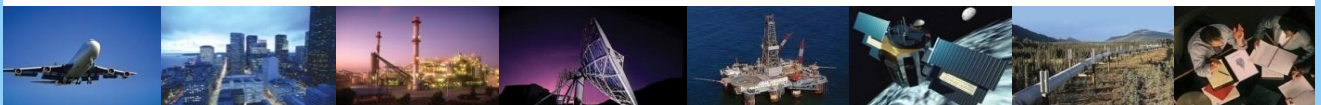
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J.B.BODA GROUP OF COMPANIES

INDIA & OVERSEAS



DIWALI MESSAGE



Dear Colleagues,

J. B. BODA GROUP IS NOW IN ITS 71ST YEAR OF SERVICE.

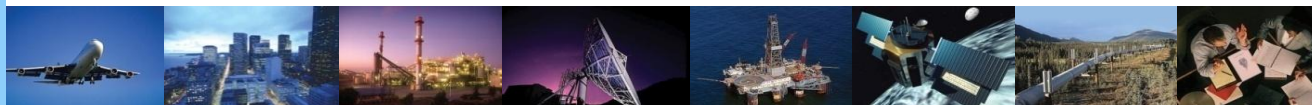
This milestone is achieved only by our collective and dedicated efforts in continuously meeting changing requirements of our Group clients from time-to-time and faith & belief we have in ourselves.

Samvat 2070 which will be ending on Thursday, 23rd October, 2014 has been a year of mixed events. The year passed has brought unexpected changes in the political scenario and we expect that the new government at the centre will use mandate of the people to usher new economic and financial reforms including insurance domain which will benefit to all our group companies. Unfortunately, there are also some painful natural calamities during the year with the latest event of cyclone Hudhud in the state of Andhra Pradesh. We pray Almighty to rest the departed souls in eternal peace.

Accepting the reality is life and moving on so has to be.

India with the ongoing political changes hopes to bring fast economic development and reforms in the country which will bring exciting opportunities for J. B. Boda Group together with challenges as these reforms will also allow multinational companies to establish their operations in India in both service and manufacturing sectors. In addition, close ties with neighbouring countries and good relationship with BRICS countries, USA and China is expected to transform India into a hub for global financial activities. It is now time for us to accept this fast changing scenario and to enlarge our horizon, ideas and expand our physical presence in India and globally as well. Optimistic approach, tireless efforts and positive attitude is the best way to work on opportunities knocking our doors even in highly complicated and competitive market environment which is unavoidable. We can reinvent ourselves with our tested and trusted superior brand identity, expectations of our clients that is borne out of trust in us, personal relationship, transparency, integrity, collective experience and self-confidence that we possess as our valuable assets of which we can make use to enhance our profile and performance in both Indian and international markets. Let us deliver from the heart and excel at the responsibilities entrusted to us. We can achieve this with:

- Dream big
- Work hard with focussed approach
- Identifying the right opportunities
- Team player
- Building and sharing relationship.





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We are well aware of the growing competition which cannot be stopped and being an impediment in our path of progress. However, we in J. B. Boda Group shall not sacrifice our integrity and sincerity for the sake of temporary gains. We believe that these are our strong pillars which has given and will continue to give great level of satisfaction to our Group clients. We always look forward to our continued long and lasting partnership in all our business relationship built on mutual trust, respect and good faith.

With the growing requirements and the changes, the clients are looking for additional and value added services. It would therefore be always good to initiate our steps in this direction and identify the related value added services that we can provide to our clients. We believe that they will sincerely appreciate this and will also strengthen our relationship and provide enhanced reliability of our services with which we can get preferential treatment from the clients in this competitive scenario. I would therefore request all of you to please look at this carefully for your clients. We in the Management would be pleased to support your ideas and suggestions.

As you may be aware the regulatory environment in India and worldwide is changing fast and we as a Group are putting all our dedicated efforts to ensure that all the requirements are strictly followed and complied with in order to maintain our legal entity undisturbed.

The Management has immense confidence and trust in each and every one of you and committed to take the Group to greater heights of glory as we strongly believe in ourselves with our collective contribution and unmatched experience.

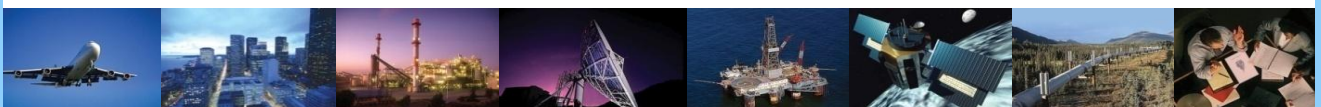
Let us all join together and pray Almighty to shower blessings on all of us to achieve desired results and exceed our expectations with our sincere and tireless efforts.

Gautambhai, Rohitbhai and all members of Boda family join me to wish you and your family a very happy celebrations of this **DIWALI / BHAI BEEJ** festival and wishing prosperous New Samvat Year- 2071 with good health and peace.

WE BELIEVE IN US.

With personal regards to each one of you,

A . D . Boda
Group Chairman





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INTERNATIONAL

Philippines: Nonlife insurance sector reporting faster growth

The Philippine Insurers and Reinsurers Association has said that the nonlife insurance industry is recording faster growth, mainly because of strong vehicle sales and construction activities, Inquirer.net reported.

Michael F. Rellosa, deputy chairman of PIRA, said the insurance sector has been recording a "slightly higher" growth than the GDP growth.

In 2013, gross premiums from fire insurance increased 12.37% year on year, while motor insurance reported a 6.84% growth, data from PIRA showed.

Overall gross premiums from the sector reached 62.61 billion Philippines pesos (\$1.4 billion) in 2013, up 7.34% from 2012.

Source: Business Insurance

Dutch insurer Delta Lloyd abandons sale of Belgian banking unit

Netherlands-based insurer Delta Lloyd N.V. has dropped plans to sell its Belgian bank, Bloomberg reports.

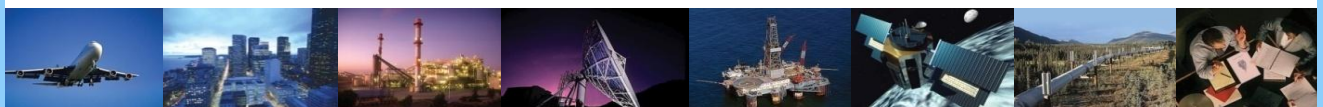
Failed talks with a potential buyer prompted the insurer to call off the plans.

The insurer had put the bank on sale a year ago.

Delta Lloyd's solvency ratio was 207% in the second quarter of 2014 and the sale would have added another 10 percentage points to the ratio.

Japanese Insurers Likely To Purchase More Reinsurance And Cat Bonds: Fitch

Fitch Ratings Inc. has said that nonlife insurers in Japan are likely to tighten their disaster risk management and may buy more reinsurance and catastrophe bonds in a bid to reduce catastrophe losses, reports Artemis.bm.





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NATIONAL

RISE OF SME

Small and medium enterprises (SME) make up a huge proportion of broker business and offer a diverse range of services. It is a big draw for the broker market. SMEs can, according to the Companies Act, be anything from a lone person – perhaps one running a cupcake-making business from their home – to slick, professional organisations with up to 250 employees.

They all fit under the SME umbrella and this leaves insurers and brokers with the difficult task of creating the right products for these wildly differing types of business. There is a clear challenge of trying to cover the diverse range of risks from nano-technology to window cleaning.

RSA's SME trading director, David Swigciski, points out: "It's an interesting time around SME and what is happening in the market.

"It's rapidly growing with lots of new SME business. The other part of that is the operational change around entrepreneurs. The SME sector is becoming younger and more digital – it influences how brokers need to behave."

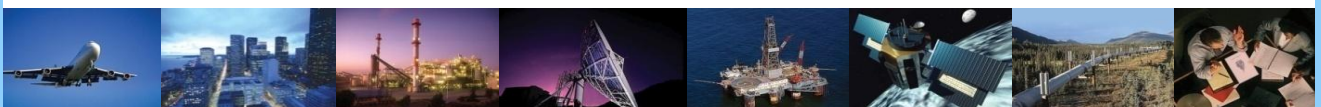
The market itself is also forcing brokers to change. The lower end of the SME market, comprising micro-businesses and one-man-bands is particularly problematic.

Brokers can find themselves selling relatively low cost policies in this area – deals they want to get done and dusted quickly in order to protect the profitability of the business. But with the low risk the premium would definitely be less, so why spend time on such transactions, is another remark.

Recent ongoing development designed to help insurers and brokers save time creating and selling policies to SME organisations is e-trading – it is supposed to be faster, more efficient and help brokers stretch their margins. It can be split into two sections, the broker to insurer element and the broker to client section.

For the former, the broker to insurer interface, many brokers are embracing e-trading and work with both extranets and with a variety of software houses to try to generate quotes quickly and efficiently.

E-trading can speed a process and still an emerging market; not all insurers play on the same field. Some of them offer an extranet which requires more time.





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In theory it should be quicker for a broker to generate six comparable quotes using a software house than to separately input details into six insurer extranet sites.

These software houses, are competing strongly for a slice of the broker market with the promise of faster quotes. This can help brokers sell through the system and eliminate human error and make efficiency gains. The brokers need an efficient way to find a solution and be able to price the quote immediately.

Insurers are also driving the use of technology. Across the board, providers are investing heavily with each extranet designed to provide constantly higher levels of quote delivery.

For certain parts of SME business, RSA no longer accepts initial contacts over the phone – it does offer support once a broker has been in touch via an extranet or software house. Some view at e-trading as an integrated solution and always has underwriters available on the phone for more complex queries.

Buying online

The other part of the equation is the broker to client interaction. Not all brokers quote or allow customers to buy online, and those that do are competing with the ever-present price comparison sites where historically the focus has been predominantly on price.

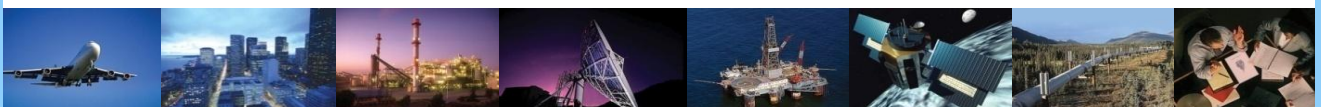
This does not mean the sector is leaving the technological stuff to the aggregators. Some brokers are striking out on their own to help their customers buy insurance via their own websites. Simply Business is just one firm making the most of the technology available and targeting the SME market.

Commercial director Deborah Reid tells Insurance Age that the broker is “working hard to make its products easier to understand” to enable people to buy from their site if they want to.

The company has taken on staff specifically to understand the customer and has developed the language on its website to ensure it is clear. It has also been through a rigorous testing process to ensure there is no confusion about the policies on offer. “We are at great pains to make sure the cover is explained clearly,” comments Reid.

This has led to around two thirds of its clients buying directly through its online offering - a third buy through its call centre. “Some just want to buy quickly but some want the human touch,” she points out.

There are no arguments that the overall package of e-trading offers efficiency gains, but with it comes a higher level of risk that the customer won’t get the right policy.





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Some brokers are frustrated by the creep of commoditisation because not everyone fits into a list of products. People with different needs and occupations has to be able to fashion it [a policy] on their own.

Commoditisation is making some brokers feel uncomfortable because “one size does not fit all” and SME is a complex market.

Insurers are also worried about need to have a way of ensuring that the right people are getting the right cover. It’s something in the personal lines space as well. There is almost an over-focus on price. In SME it is magnified because the risk of misunderstanding is worse. As e-trading develops it will improve further and there is space for improvement in the sharing of information.

Has e-trading also reduced the range of products available to brokers compared to calling an underwriter in a more traditional way? “I do not equate choice with the best solution,” argues Stutz. “More choice can complicate matters. It’s about finding the best solutions for the client.”

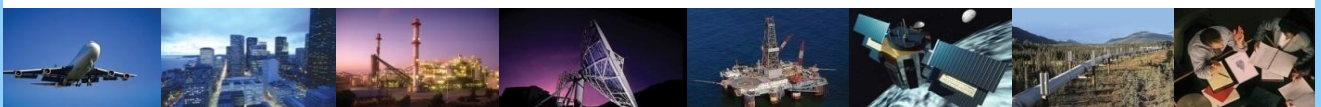
Offering variety

Increasingly it seems the way to offer solutions to SME clients is to provide access to a variety of platforms - online, on the phone and in person. Despite the concerns about the issues surrounding commoditisation brokers are encouraged to not be afraid of technology – instead they should be mixing it with traditional broking methods.

Simply Business’ Reid says: “SME will probably never be fully commoditised because business is so personal and important to people. We will always have the two prongs to our operation.”

Whether brokers are happy or unhappy with the advance of commoditisation, the best approach then appears to be a pragmatic one. But the consensus is that there will always be room for more traditional brokers in SME, not all sectors will be able to go down the fully automated route.

As Swigciski concludes: “Do not be afraid of technology, it is here and it is an enabler. Technology and traditional methods can co-exist.”





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Merger and acquisition activity gathers momentum in insurance

Over the past 18 months, there have been at least six instances of stakeholders in insurance ventures expressing their desire to exit

M&A DEALS IN INSURANCE

2011: Nippon Life buys 26 per cent stake in Reliance Life Insurance at an aggregate value of Rs 3,062 crore

April 2012: Japan's Mitsui Sumitomo (a unit of MS&AD Insurance Group Holdings) announces buying of 26 per cent stake in Max New York Life for Rs 2,731 crore. The life insurer re-branded Max Life Insurance Company, as the US-based New York Life exited the joint venture after nearly 10 years

July 2012: Tata AIG rechristened AIA following the exit of American International Group from Hong Kong-based insurer AIA Group

September 2012: IRDA approves the 30 per cent stake purchase by Punjab National Bank in MetLife India Insurance (now PNB MetLife Insurance)

January 2013: Exide Industries decides to acquire remaining 50 per cent stake in ING Vysya Life Insurance for Rs 550 crore, subject to regulatory approvals. ING exits venture, which was later re-named Exide Life Insurance

March 2013: Pantaloon Retail inks an agreement with Industrial Investment Trust Limited to sell 22.5 per cent of its stake in Future General India Life Insurance

March 2013: L&T, Future Group and Generali Group signs a non-binding term sheet for the merger of L&T General Insurance and Future Generali India Insurance. Deal later called off in April 2014.

July 2013: DLF says it is selling its stake in DLF Pramerica Life Insurance to Dewan Housing Finance. Later re-named DHFL Pramerica Life Insurance

June 2014: Jammu & Kashmir Bank looks to exit PNB MetLife Insurance by selling its five per cent stake. Deal has not yet been completed

September 2014: Religare Enterprises says it intends to exit AEGON Religare Life Insurance
Source: Business Standard

India: Damage from cyclone Hudhud likely to exceed \$1 billion

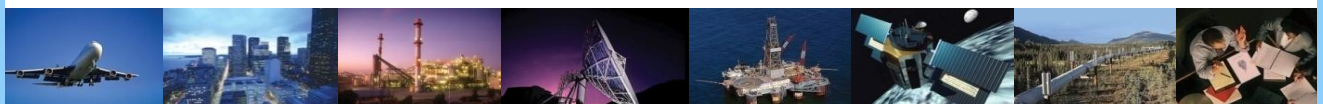
The Indian states of Andhra Pradesh and Odisha have been hit by cyclone Hudhud with massive destruction being caused.

Damage from the cyclone is being pegged at 100 billion Indian rupees (\$1.63 billion), reports The Weather Channel citing The Times of India.

Huge crop damage has been reported in Andhra Pradesh.

Several flights to and from Visakhapatnam Airport had to be cancelled, while roads and railways have also been majorly hit.

Power lines were also affected. Six people have been killed so far, the BBC reported.





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LIFE

Life insurers oppose Sec 45

Life insurers have raised objections to a major change in one of the provisions of the revised insurance Bill, likely to be passed in the winter session of Parliament.

Section 45 in the new Bill says no claim can be repudiated after three years of the policy being in force, even if a fraud is detected, has sent life insurers into a tizzy.

According to Section 45 of the Insurance Act, 1938, no life insurance policy can be called into question on grounds of mis-statement or wrong disclosure after two years of the policy coming into force. However, if the insurer is able to prove that the claim was fraudulent, it need not be passed.

Now, under the proposed Bill, this has undergone changes. Insurers said that in the new Bill, several organised rackets of fraudsters would use the facility to defraud insurance companies. This would mean the life insurer would have the onus of proving that the policy had been taken for false purposes and this has to be done within three years of the policy being taken.

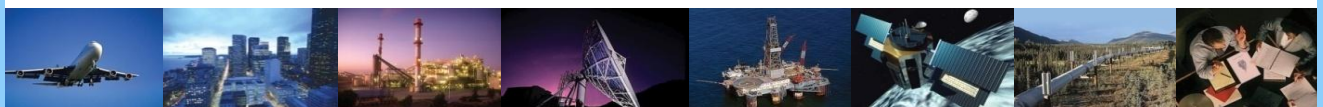
Life insurers have sent a representation through the Life Insurance Council to the Rajya Sabha committee. Further, industry bodies have also taken up the matter with government officials. However, the government is yet to take a final call on this issue.

"There are several organised persons who take fake insurance either on the names of people who do not exist or on dead persons. If this proposal, that says no claim can be rejected after three years, is implemented, we as a industry will face major losses," said a senior private life insurance executive.

Industry sources said there were several cartels operating in this space that take up policies and make fraudulent claims. They are said to remove all evidence so that a claim is not rejected for fraud.

Senior IRDA officials said that whenever there is an opportunity, they would express their opinion on this matter. IRDA is on the side of life insurers on this issue.

Overall, industry sources said that while both public and private life insurers would be impacted, public insurer Life Insurance Corporation of India would be heavily impacted since it has a larger volume of policies.





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In the earlier version of the Bill that was to be passed in 2008, it was proposed under Section 45 that no life insurance policy could be called into question on grounds of mis-statement or wrong disclosure after five years of the policy coming into force. This has now been revised to bring it to three.

Insurers also fear that this would lead to a rise in litigations, since there could be different interpretations according to the legal system. "A person may want a claim to be paid. However, while after three years even a fraudulent claim will be paid, an insurer may take recourse. We do not know whether it will be either the Act (if passed) or other laws that will hold in the court of law," said a risk officer with a private life insurance company.

In August, the insurance Bill was referred to a select committee of the Rajya Sabha. The House adopted a motion to refer the Bill to the select committee after Finance Minister Arun Jaitley announced a 15-member panel had been formed. The Bill aims to increase the private equity from 26 to 49 per cent in the insurance sector among several other major provisions.

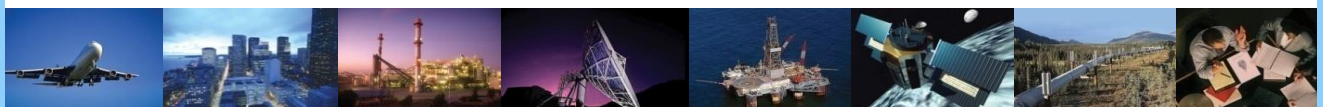
Industry players said that if the Bill was passed in the current format, there would be a higher scrutiny of individuals at the time of policy issuance. Verifications would be made stringent and if heavy losses were reported from fraud claims, and the costs would be passed on to all customers as a premium increase on a gradual basis.

Source: Business Standard

50L households targeted under LIC scheme

A social security meeting was organised by the LIC pension and group scheme unit here on Saturday to mark the social security month, which is observed by the LIC every year in October to spread social and financial security messages among the economically backward people mostly in rural areas. Principal Chief Conservator of Forest Amiya Kumar Mohapatra attended the event as the chief guest while Panchayati Raj Department Deputy Secretary Smruti Ranjan Pradhan joined as the guest of honour. The LIC included 5.03 crore people in its social security scheme by the end of the last financial year. In Odisha, while 50 lakh households under the BPL category are to be covered under the Government sponsored and LIC-run Aam Aadmi Bima Yojana, 22 lakh people were covered by last year, it was revealed.

Source: The Pioneer





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NON-LIFE

IRDA looking to allow insurers to deal with equity derivatives

The insurance regulator has already allowed insurers to deal in rupee interest rate derivatives

The Insurance Regulatory and Development Authority (IRDA) is looking to allow insurance companies to deal with equity derivatives. R K Nair, member-finance & investment, IRDA, revealed this while speaking at a function here on Thursday. According to him, this could be considered for unit-linked portfolios, in particular.

IRDA has already allowed insurers to deal in rupee interest rate derivatives, including Forward Rate Agreements (FRAs), Interest Rate Swaps (IRS) and Exchange Traded Interest Rate Futures. The regulator had earlier said participants could undertake different types of plain vanilla FRAs or IRS. IRS having explicit/implicit option features are prohibited.

Nair said the regulator will also look at Real Estate Investment Trusts (REITs) and if it is viable, they might discuss with markets regulator Security and Exchanges Board of India to see if this could be used as an investment opportunity by insurers. REITs are expected enable easier access to funds for cash-strapped real estate players.

On the risk management and mitigation front, Nair said the regulator was studying the catastrophe or cat bond market to see if such an instrument would have investor appetite in India. Cat bonds are used to fund claims after a catastrophic incident. These bonds help re-insurers transfer the financial risk of a catastrophe in a year to investors.

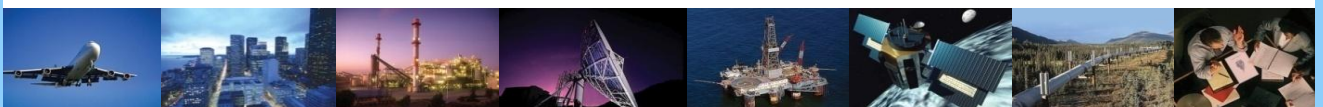
India's sole re-insurer General Insurance Corporation of India is also actively looking at cat bonds and their viability. Industry players say a combination of Indian rupee and US dollar denomination would be the best-suited model.

Source: Business Standard

More features likely in domestic travel insurance

Additional features could include assistance for emergency evacuation during domestic travel, apart from covers for hand baggage

Travel insurance, especially on the domestic front, is to come with more features for customers.





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"The product is one of the cheapest in the market. Hence, even if claims are low, it will not be possible to bring down the cost further. What we as an industry can do is to add more features to the basic policy," said a senior general insurance executive. Of the total non-life product portfolio, travel insurance contributes barely two to three per cent of total business.

The premiums for domestic travel insurance range between Rs 150 and Rs 2,000, depending on tenure and coverage. Currently, domestic travel policies are usually offered in association with travel portals and are priced at Rs 100-Rs 200 for domestic air travel. The shortest duration for which one can buy travel insurance is seven days. For instance, on an annual policy, which allows unlimited trips of less than 30 days each, the premium is around Rs 2,700. Sector executives said the additional features could include assistance for emergency evacuation during domestic travel, apart from covers for hand baggage. This would be available at the same price.

"This could help increase the purchase of travel insurance, very low on priority among individuals while travelling in India," said the underwriting head at a private general insurer.

A survey by ICICI Lombard said while Indians travel more frequently and on longer duration trips, there is low demand for travel insurance. The ICICI Travel Trends 2014 survey said for domestic trips, only four per cent of respondents took a travel cover, though 86 per cent were aware of it and 64 per cent thought it was essential.

Travel insurance offers medical expenses due to emergency ailments or accidents. Other expenses covered include costs on missed or delayed flights, alternative accommodation, misplaced baggage and evacuation in case of an accident due to natural calamities. In addition, these policies offer additional amounts for accidental death and associated transportation for family and accommodation for extended stay.

Given the rising popularity of adventure sports such as motor rallies, bungee jumping and rafting, insurance companies also offer policies for such holidays, albeit at a higher premium. Accidents or death resulting from these sports are not covered under a basic travel policy.

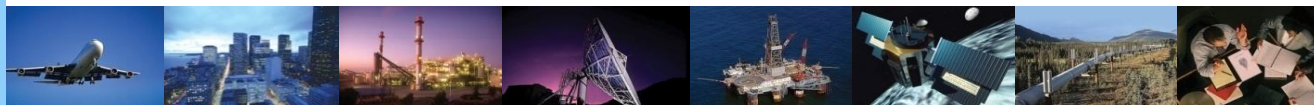
Source: Business Standard

India: Government panel considers merger of four state-owned insurers

An Indian legislative house panel is mulling over the merger of four state-owned general insurers in a bid to indirectly increase their profitability, reports The Financial Express.

The merger had been proposed by the employee unions of the four insurers, namely New India Assurance Co. Ltd., National Insurance Co. Ltd., United India Insurance Co. Ltd. and Oriental Insurance Co. Ltd.

A former insurance regulatory official said competition among these insurers has affected their profitability and the merger would result in significant cost savings.





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