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FIRST ON **PROTECTION**

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J. B. BODA
MEDIAN

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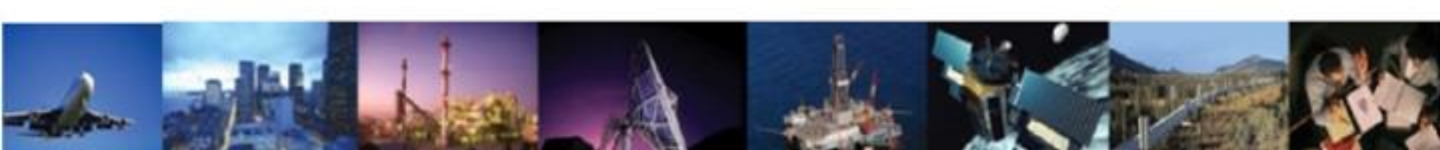


NEWS AT JBB

NABL Accreditation

JBB Insurance Surveyors and Loss Assessors Pvt Ltd, Quality Control testing laboratory was accredited with NABL for Coal Proximate analysis, GCV testing and Moisture, TML and FMP for iron ore with effect from 30th May 2016.

NABL is a society which provides accreditation recognition of the technical competence of a testing, calibration or medical laboratory for a specific task following ISO/IEC 17025:2005, ISO 15189:2007 Standards. It is associated with Asia Pacific Laboratory Accreditation Corporation (APLAC), Mutual Recognition Arrangement (MRA) and International Laboratory Accreditation Cooperation (ILAC). Accreditation from NABL, assures the client that the procedures are technically valid and endorses the quality management system.

The NABL accreditation of our Quality Control Testing laboratory at Visakhapatnam demonstrates our dedication to quality management systems and standards.

Pan India Meet

We also had pan India - senior officials and the management meet to analyse the figures for the last year and set off the sail for the current year. We had various ideas coming up to meet up the competition and market penetration was also a part of the discussion.

ON "WRITE" SIDE

Attaching a fair value to collateralised reinsurance assets

The move from cat bonds to collateralised reinsurance poses some specific problems for investments funds, not only in their portfolio, risk and collateral management, but also in their ultimate fund valuation

Only three years ago, "alternative capital" was being touted as detrimental to the reinsurance industry. Alternative funds were considered to be forcing the sector into a "race to the bottom", and many industry participants were fully expecting insureds and investors would have egg on their faces when disaster struck.

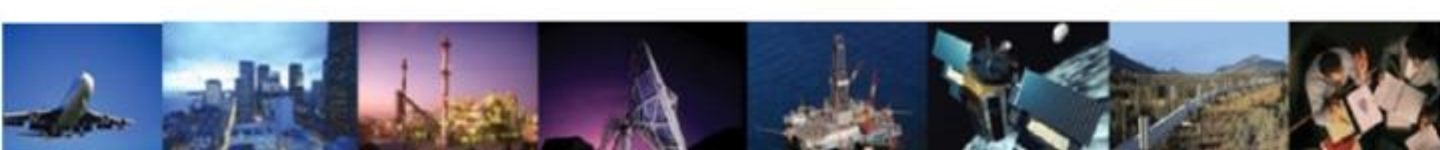
Today, the mood is markedly changed. There is wholesale acceptance of the now-rebranded "third-party capital" as a viable source for cedants and reinsurers, with some industry commentators viewing it as a fiduciary duty for reinsurers to broaden their capital sources and make best use of these diversified pools of cash. It is apparent this fully collateralised model is here to stay and fully understanding the pros and cons of this newer source of capital is essential to extract maximum benefit from its use. It is when the lowest cost of capital meets the best underwriting that the real rewards of these market developments can be seen.

Cedants now recognise the advantages of different capital forms, particularly in terms of capital efficiency in different regions and for different perils. As a result, third-party capital products are now a standard part of the risk-transfer armoury, and are becoming increasingly reinsurance-like in their form. This shift brings with it new challenges for investors who now need to understand the nuances and vagaries of reinsurance agreements, particularly when it comes to understanding the risk and the resulting valuation of those contracts on a fair-value accounting basis.

Today, there is an immediate, market-wide need for an independent, consistent, transparent and robust methodology, which will allow investors to compare across funds and allow fund managers to align the value of their portfolio with the risk inherent within.

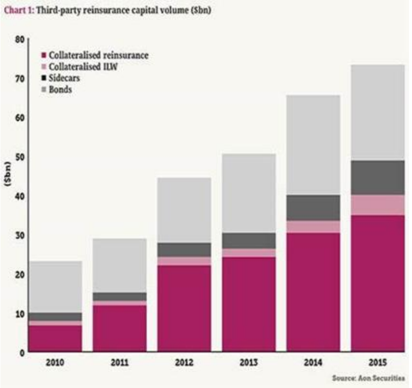
The drive for consistency

It is a well-accepted fact by reinsurers and ILS funds alike that in the diversifying non-peak zones, the rated balance-sheet model is still king. The leverage provided by rated paper will almost always provide a lower cost of reinsurance capital. However, it is for the peak zones in the US, Europe and Japan, where balance sheets are most concentrated, that we have seen the fiercest competition between collateralised and leveraged models.



Along with downward pressure on prices, this competition has led to the convergence of product form. Previously, we saw a clear distinction between collateralised cat bonds and rated reinsurance paper. But now, cedants demand that the terms of their collateralised protection looks similar, if not identical, to their reinsurance contracts of old. As a result, third-party capital funds have been forced to become more flexible in the products that they are able to underwrite.

This flexibility has facilitated the recent astronomical growth of collateralised reinsurance. Since 2010 third-party capital invested in the reinsurance market has increased with a compound annual growth rate (CAGR) of more than 20%. And in the same period, capital specifically deployed to support collateralised reinsurance has surged with a CAGR of nearly 40%. This growth has resulted in collateralised reinsurance now making up around 50% of the collateralised product out there, and for some funds, as much as 80% of their insurance linked portfolio, the rest mainly consisting of liquid cat bond investments (see chart 1).



This move from cat bonds to collateralised reinsurance poses some specific problems for funds, not only in their portfolio, risk and collateral management, but also in their ultimate fund valuation. The cat bond market's inherent liquidity provides individual funds with (relatively) full transparency of a bond's market price. However, when the bulk of a portfolio is made up of illiquid reinsurance contracts, a mark-to-market pricing methodology is not available, and the question of how to value a contract and ultimately a portfolio becomes significantly more pressing.

As the ILS market comes under increasing public and regulatory scrutiny, the drive for a "fair value accounting" approach is gaining momentum. Looking for parallels in other markets, we therefore turn to a mark-to-model approach.

The need for transparency

Many funds have developed proprietary methodologies to manage their internal and external portfolio valuations. However, a fund manager valuing their own investments could struggle to satisfy an investor's appetite for transparency. Additionally, crude assumptions made during this mark-to-model approach can significantly mis-value a catastrophe risk portfolio, affecting an investor's decision making when looking to move in or out of their position.

For underwriting and risk management, ILS funds use catastrophe models to assess the risk of reinsurance contracts. What is frequently missing, however, is the insight gleaned from catastrophe models when looking at the valuation of a contract throughout its term.

One key element of understanding this risk and return balancing act is the inclusion of risk seasonality into the valuation process. This is particularly important since such a large proportion of third-party capital in the sector is deployed to support the highly seasonal US wind market where cat models have long-been able to represent the undulations in the peril. Inappropriately accounting for the variability in risk throughout the year can cause significant over- or under-valuation of a contract at various points during the risk period (see chart 2).

Chart 2: Seasonally adjusted prices

Using an independent and transparent framework to account for all the key value-influencing parameters, risk seasonality, premium accrual, set-up costs, modelled losses and actual realised claims, is inherently valuable to fund managers, their board members, regulators and their investors when seeking an independent portfolio insight. Just as important as the assessment of the structure and the loss development is the understanding and quantification of the impact of collateral retention after an event. The resulting costs associated with being unable to release and re-deploy capital after the end of a risk period can be significant and the impact of so-called “collateral lock-up” can be a key influencer of portfolio valuation.

And as the ILS market continues to grow, it will need to seek investment from an ever-broader swathe of specialist and institutional investors. The need for transparency in asset and fund valuation will therefore be amplified. Over the past three years, it is seen that the market increasingly attach itself to the mainstream, and fair-value accounting is undoubtedly the next step in its continued evolution.

NATIONAL

Brexit not to hit Indian insurance business in UK

Even as the UK financial services sector has expressed its concern over Brexit, the UK vote to leave European Union, Indian general insurers do not see any negative impact of such a development on their business in London market.

The country's Rs 1 trillion general insurance sector largely depends upon the London market for their specialised and reinsurance needs and GIC Re and New India Assurance have their direct operations in UK. Over USD 2.5 billion of Indian reinsurance business is transacted in the London market every year.

GIC Re has got a profitable branch operation in London, where it is planning to set up a syndicate.

The country's general insurance industry will provide great deal of opportunities to the overseas insurance and reinsurance companies to set up their business here. General insurance companies will significantly diversify from the current mix dominated by traditional areas like motor, fire and health even though a significant chunk of premium currently remains extremely under penetrated.

Moreover, micro/rural insurance would witness a massive growth aided by Government initiatives. Indian insurers have made an impression in the London market and would continue in future. India with high growth potentials today provides tremendous opportunities for overseas investors across the sectors.

Some of the major energy insurance and aviation deals involving ONGC, Indian Oil, Air India and Jet Airways are placed in the London reinsurance market every year. The GIC Re underwrote a gross global premium of Rs 184.36 billion during 2015-16, registering a growth of 21.41 per cent over the previous fiscal.

Their premium split between the domestic and overseas business during the year was 55 per cent and 45 per cent respectively.

India: Insurance industry needs > 2.1 mln trained staff by 2025

The Confederation of Indian Industry (CII) has estimated that there is a need for at least 2.1 million insurance employees by 2025 who have undergone insurance education, and three million by 2030, to fill manpower gaps in the industry.

Employment in insurance industry can be divided in two categories--direct and indirect. Some can be directly employed by insurance companies. At present, there are 53 insurance companies in the country and they have given direct employment to 349,000 people. Those who are indirectly employed work as agents, corporate agents, brokers, micro-insurance agents and village-level entrepreneurs for employment generation in rural areas. There are more than 2 million insurance agents at present.

The insurance industry needs a wide array of skills, starting from business procuration at the field level to strategy formulation and execution at the highest level. At the entry level, those who have skills in marketing, communication and presentation skills, accounting, information technology, risk management, law, general administration and engineering are considered. For specialists' positions, some of the skills have to be obtained from specialized institutions. In post-graduate programmes, core management principles are taught along with a specialization or emphasis on insurance.

The need for industry-academia collaboration is a must for a course on insurance to have proper content and curriculum design to keep it relevant. The education system has to think about appointing retired officials from the insurance industry on a contract basis to help train talent and to keep insurance education vibrant and relevant.

India is a leading country with a range of micro-insurance programmes aimed at rural masses. But the micro-insurance programme is still to grow - over 80% of rural population are yet to be insured. Against this background, universities can play a vital role in educating the masses, particularly in rural areas, about the need and importance of insurance.

Source: eDaily

Govt sets up Rs. 15 billion nuclear insurance pool

The government has launched an insurance pool to the tune of Rs. 15 billion which is mandatory under the Civil Liability for Nuclear Damage Act (CLND).

This was announced by Minister of State in the Department of Atomic Energy Jitendra Singh in New Delhi on Saturday, noting that several projects such as the long-pending Gorakhpur Haryana Anu Vidyut Pariyojna (GHAVP) that were held up in its absence, are now expected to move forward after setting up of the pool.

Clauses in the CLND Act, which give the operator the Right to Recourse and allow it to sue the suppliers in case of any accident were seen as being a major hindrance to the growth of the nuclear industry. These concerns led to the formation of the Indian nuclear insurance pool.

Secretary in the Department of Atomic Energy, said this would be a solution for suppliers' concerns about liability from nuclear risks. Under the Rs. 15 billion pool, set up by General Insurance Corporation of India (GIC Re) and 11 other non-life insurers including New India, Oriental Insurance, National Insurance and United India Insurance from the public sector apart from private insurance companies, policies offered will be a nuclear operators liability insurance policy and a nuclear suppliers' special contingency (against right to recourse) insurance policy.

General Manager of General Insurance Corporation (GIC), the fund operator, told PTI that the shortfall of Rs. 6 billion was met when a domestic insurance company chipped in with Rs. 1 billion more. Remaining gap of (Rs. 5 billion) was filled in by the British Nuclear Insurance Pool. This will address the concern of the suppliers like that of the Gorakhpur Haryana project and also of foreign players.

The GHAVP was supposed to be a pressurised heavy water reactor which was sanctioned by the previous govt. It had met with some problems there were problems of tenders not getting matured due to absence of an insurance pool. The launch of the pool would now enable the concerned parties to come forward for the project.

Source : Times of India

Irda bans life insurers from offering indemnity-based health products

The insurance regulator has banned life insurers from offering indemnity-based health products, which constitute 90 percent of the health insurance market, dealing a blow to their business plans. Indemnity-based plans are those where one can claim reimbursement after visiting a doctor. The Insurance Regulatory and Development Authority (Irda) has asked insurance companies offering these products to withdraw them by giving three months' notice to policyholders and to continue the existing contracts till the end of their policy term. Irda has allowed insurance companies to offer a combined health and savings product. The regulator said that “Healthplus-Life Combi products” can include life insurance cover offered by a life insurer and a health insurance cover offered by a health in surer or a general insurer.

Earlier, only a pure term life insurance cover was allowed to be combined with a health insurance cover. There are two other avenues that have opened up after the regulator banned life insurers from writing indemnity plans. It has allowed general and standalone health insurance companies to offer long-term health insurance products for a minimum period of one year and a maximum period of three years with no premium changes. These do not include personal accident and travel. The regulator said that no single premium will be allowed under the unit-linked health policies.

IRCTC offers Rs 1 million insurance cover for passengers

Starting September 2016, passengers booking tickets through the IRCTC website can avail of a travel accident cover for a premium as low as Re 1 for an insurance cover of Rs 1 million. The insurance cover is besides the compensation given by the Railways in case of accidents to valid ticket holders. The insurance would provide coverage against death, injury and disabilities caused due to accidents, IRCTC Chairman-cum-Managing Director AK Manocha said. “At the moment, the insurance offer is under integration process and we expect it will be operationalised from September 2016. He said insurance companies would provide compensation in case of hospitalisation due to train accidents.

Source: The Financial Express

INTERNATIONAL

China rains: Toll rises to 114, economic losses of over $2.4 billion caused

At least 114 people are dead and 111 others missing in north China's Hebei Province due to heavy rain and floods, authorities said on Saturday. Citing provincial civil affairs bureau, Xinhua news agency reported that local authorities have evacuated nearly 310,000 people. Flooding and rain-triggered landslides have caused the collapse of 52,900 houses and damage to 155,000. Over 700,000 hectares of crops have also been destroyed, leading to direct economic losses of over $2.4 billion.

The worst-hit Daxian Village of Xingtai City was almost empty after a flash flood swamped it early morning of 20th July. At least eight villagers were killed and one missing. Only a dozen villagers stayed to watch over the village, while the rest residents had left to take shelter with their relatives elsewhere. There have been power outages, disruptions to communication and other infrastructure, and road closures across Jingxing. Nearly 30 speedboats and 300 soldiers were dispatched to repair breached levee and transfer trapped residents, and another 1,200 people joined the rescue operation.

The local government has also sent 15 working teams into 12 flooded villages to investigate the situation, comfort villagers and carry out epidemic prevention. Chinese Vice Premier Wang Yang presided over a national meeting on flood control and disaster relief in Beijing on 23rd July, urging governments at all levels to put safety of the people first and strengthen flood control measures. The provincial government allocated $15.7 million of emergency funds for the worst-hit places to help with relief work.

Jingxing County, located in the west of the province, saw an average precipitation of 545.4 mm in 19 hours on July 20, surpassing the amount received by the county in the whole of 2015. The local government has evacuated 38,750 people from the area, state-run Xinhua news agency reported today. There have been power outages, disruptions to communication and other infrastructure, and road closures across Jingxing. North and northeast China have been swept by heavy rain this week, causing many casualties and a lot of property damage.

Heavy rain and floods since July 18 have left at least six dead and forced the evacuation of 19,000 people in Shanxi. Nearly 15,000 house have collapsed and 5,600 hectares of crops have been destroyed, causing an economic loss of 1.4 billion yuan (about USD 210 million), according to local authorities. Local disaster relief authorities also dispatched work teams to flood-hit areas and provided supplies and more than 12 million yuan of cash to help people resettle.

Source : Indo-Asian News Services

Satellite data supports the development of risk transfer solutions

Satellite data plays an important role in the establishment and success of risk transfer triggers and index insurance schemes, and as technology has advanced the use of satellites has expanded and become more efficient, supporting the growth of innovative agriculture insurance and reinsurance solutions.

The agricultural sector of many emerging, poorer countries is often vital to its financial and economic stability, and with changes in the climate and the expectation of an increase in the frequency and severity of extreme weather events, there's a real need to protect the livelihoods of the vulnerable.

Index insurance schemes that utilise triggers and structures from the re/insurance and features common in the insurance-linked securities (ILS) space are becoming more common, as advances in technology and the affordability of satellite data has enabled companies to innovate now solutions and expand protection across the world.

In a new report, insurer and reinsurer SCOR explores satellites and the influence they have on the agricultural insurance and reinsurance space, including its limitations.

Although the potential use of satellites for agricultural insurance was identified very early on, the development of insurance products based on satellite technology, and the incorporation of this technology into the insurance process, have proved far more difficult than expected, said SCOR.

As with all models, datasets and other approaches to analysing weather conditions and ground moisture, for example, continue to evolve and will do so as technology advances and the world's understanding of agricultural risks increases.

But despite still being in development, satellites are a useful tool for insurers, reinsurers, ILS players, risk managers and the broader risk transfer landscape, assisting with the development of index insurance schemes and triggers for policies.

The World Bank recently announced that it's to back an index insurance scheme that aims to assist Kenyan farmers, and that will utilise satellite data to establish an index for when a policy is triggered.

Initiatives like the World Bank's that utilise the wealth of data available from satellites to assist with the development of insurance triggers show how technological advances can help to roll out affordable solutions to vulnerable nations.

As satellites improve and the accuracy of data available to risk transfer markets becomes more complete and comprehensive, the data will support the growth of insurance schemes and the development of triggers that enables the protection of risks where indemnity coverage is impossible.

Source : Artemis

Bank hacks raise fears for financial sector

A series of spectacular cyber-attacks against banks, resulting in the theft of tens of millions of dollars, has heightened fears for an industry becoming an increasingly attractive target for hackers.

Banks in Bangladesh, the Philippines, Vietnam and Ecuador have been victimized over the past year in the attacks on the global interbank service known as SWIFT, and some analysts expect more attacks to become public.

After news of the $81 million heist from Bangladesh's central bank became public in May, SWIFT said the incident was not a single occurrence, but part of a wider and highly adaptive campaign targeting banks. Since then, officials said banks have also been hit in the Philippines and Vietnam.

Meanwhile Ecuador's Banco del Austro claimed in a lawsuit that hackers made off with more than $9 million through fraudulent SWIFT transfer requests. Cyber security specialists say these attacks are likely just the tip of the iceberg, and expect more revelations.

Cyber criminals are no longer targeting grandmothers at home for small amounts, but going directly where the money is, said a researcher with the security firm Kaspersky. The researcher said it's not clear where the attacks are coming from, but that the hackers are using techniques similar to those developed for cyber espionage.

Kaspersky researchers last year uncovered a hacker group which targeted banks in Eastern Europe, estimating losses totalling up to $1 billion.

Experts warn of hacking threat at Rio Olympics

World-class athletes aren't the only ones preparing for the Olympic Games. World-class cybercriminals are also hoping to walk away with some gold.

Brazil is a country that was already notorious for its large concentration of hackers. Symantec, in its 2016 Internet Security Threat Report, ranked the country eighth in the world for bot-based cybercrime (a bot is a device that lives on a user's PC and provides a wide variety of automated tasks for hackers). The organization says Brazil is the source of 2 percent of all the bots throughout the world.

Add the high profile of the Olympics atop that and the threat becomes even more real — for visitors, organizers and sponsors, say security experts.

The suspected level of attacks will rise during the Games said the threat intelligence manager at Avast. It’s quite sure there will be phishing attacks on visitors. Ultimately, it's all about money.

Avast expects attempted attacks on the Rio Olympics to be quadruple the number organizers faced in London in 2012. (Those Games saw 165 million attempts.)

Individual visitors to Rio and other Olympic venues are low-hanging fruit for hackers. Whether via phishing (tricking someone into providing their financial account information — often via an attachment in an email or a fake website that purports to sell or give away tickets), an ATM skimmer (which reads and records the card's information, including password) or point-of-sale malware (like that used in the 2013 Target breach), it's not hard for cybercriminals to trick the unsuspecting.

While government officials will certainly try to contain that activity, they're more concerned about larger-scale breaches.

ABIN, Brazil's intelligence agency, is monitoring roughly 40 groups of hackers it believes has the ability to hack "sensitive structures," such as federal databases. In the months leading up to the games, the agency has identified 1,600 groups responsible for more than 20,000 attacks on public institutions in recent years.

The Olympics are the biggest event the country has hosted, but Brazil got a taste of what to expect in 2014, when the World Cup was held there. During that tournament, Brazil saw almost 90,000 attacks in a 30-day period, according to cybersecurity firm Cytegic. And a study by the firm shows a regular pattern among hackers as large sporting events draw near. Some of the hackers want to make a quick buck by stealing financial or personal information. Others, though, are more politically motivated.

This happened in the previous World Cup in Brazil, and it happened in Russia during the Olympics as well, said the head of intelligence for Cytegic. Hence it is assumed these types of attacks will happen again. They will target the website and the high-profile people in [Olympic organizers, the organizing country or Olympic sponsors] ... targeting high-ranking officials in government or media or sporting organizations, and they're going to use this platform in order to protest corruption or political corruption.

Source : ETCNBC

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