Apr 2018
Issue 130

FIRST ON PROTECTION

J. B. BODA
75 Years
1943 - 2018
WE BELIEVE

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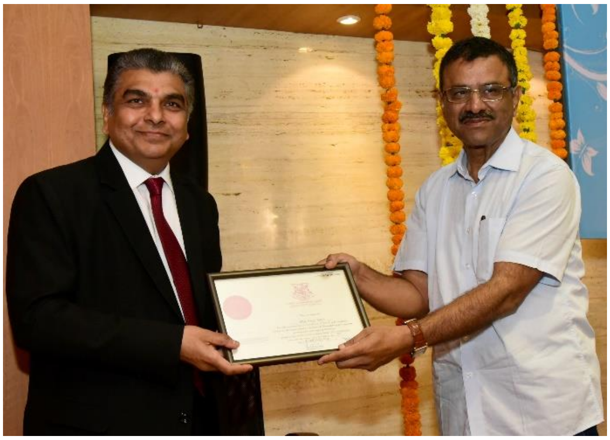
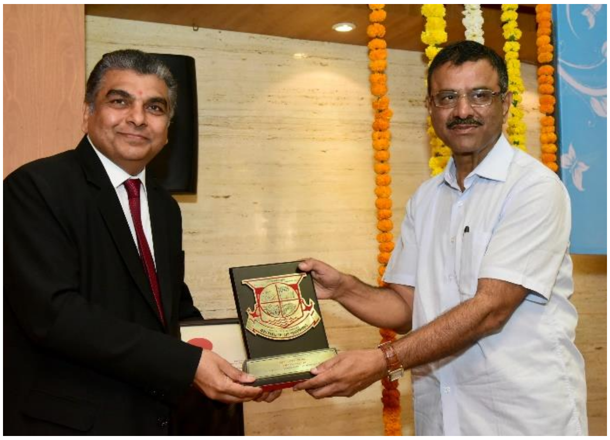
NEWS AT J. B. BODA

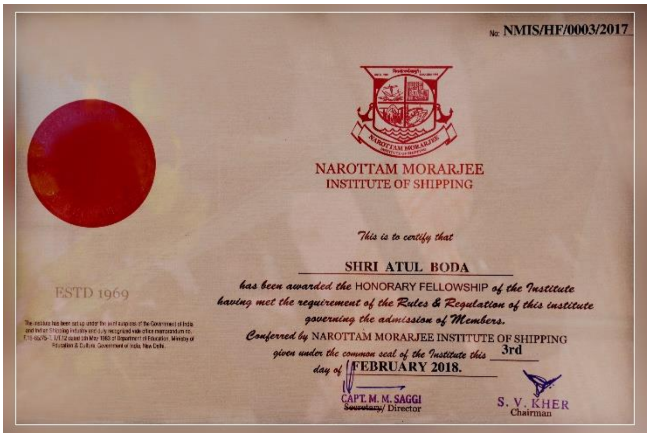
Honorary Fellowship

We feel honoured, in reporting that our Group Chairman Shri Atul Boda is awarded with the "Honorary Fellowship" of Narottam Morarjee Institute of Shipping (NMIS) by Shri Pradeep Trimbak Rawat – Chairman of National Shipping Board on 3rd February, 2018 during the Convocation program held at Shipping Corporation of India, Mumbai.

This award is presented to him in recognition to his contribution to the Narottam Morarjee Institute of Shipping and its students. We take pride to share the photographs of this prestigious award.







No. NMIS/HF/0003/2017

NAROTTAM MORARJEE
INSTITUTE OF SHIPPING

ESTD 1969

This is to certify that

SHRI ATUL BODA

has been awarded the HONORARY FELLOWSHIP *of the Institute having met the requirement of the Rules & Regulation of this institute governing the admission of Members.*

Conferred by NAROTTAM MORARJEE INSTITUTE OF SHIPPING *given under the common seal of the Institute this* 3rd *day of* FEBRUARY 2018.

CAPT. M. M. SAGGI
~~Secretary~~/ Director

S. V. KHER
Chairman

ON "WRITE" SIDE

Cyber Capital

Cyber risk has so far presented a dilemma for the insurance and reinsurance industry, particularly in Asia. Demand for protection is reportedly growing rapidly, but a lack of historical data and poor understanding of the exposures makes it tough for the industry to commit capital that it might be able to use more profitably elsewhere.

However, new tools are continuously being developed that are helping the industry to better understand cyber exposures and therefore allocate risk capital and design products and risk solutions that reflect the full nature of cyber risk. First probabilistic cyber risk model was released in the month of March 2018.

The new platform provides losses at different return periods for all five of the major cyber loss processes: data exfiltration, contagious malware, financial theft, cloud outage and denial of service attacks.

Statistical experience data only provides a few years of benchmarking, and the patterns of loss continue to shift. The current model show that loss processes such as contagious malware have the capability to scale and trigger large losses much more easily than others, such as data exfiltration, where attackers target individual companies to steal their sensitive data, or cloud outage, which is currently limited by the customer base of cloud service providers.

Crucially, the model also adds functionality for reinsurers, providing financial perspectives to all reinsurance stakeholders and allows model users to incorporate their own loss experience into the model and develop their own view of risk. Such tools could allow cyber risks to be transferred more easily to reinsurers and even to the capital markets through insurance-linked securities.

Clients are seeing demand for cyber insurance growing rapidly and their ability to pursue this opportunity is constrained by their ability to allocate risk capital with confidence. Cyber is still relatively unknown and doesn't behave like other perils. The clients' highest priority request over the past couple of years has been for cyber loss probabilities, particularly for accumulation scenarios, to assess the cost of capital needed to support this growth opportunity.

In terms of the trends in cyber risk, data theft continues to be the main cause of insured losses. While the frequency of smaller data breaches has reduced in the US, incidents are increasing elsewhere, particularly in Asia. In May 2017, for example, China suffered one of the largest data breaches ever recorded when 2 billion phone records were stolen from the popular Chinese call-blocking tool DU Caller.

The cost of such losses is also rising due to tougher regulations, escalating legal complexity and the growing cost of compensation.

Belatedly, countries in Asia are starting to take cyber risks more seriously. China passed a strict new cyber security law last year and Australia and Japan have introduced mandatory notification requirements. However, other developed markets such as Hong Kong and Singapore have still not introduced mandatory notification.

But pressure is mounting even in smaller, less mature markets. Malaysia, for example, has started to consider tougher regulations after it was revealed in October that a series of data breaches at 12 telecommunications companies, a job-seeker website and databases belonging to three medical associations had led to around 46 million personal records being offered for sale on the dark web.

The move towards tougher rules is leading more Asian companies to buy cyber policies, but there are other factors driving adoption.

Demand is also being driven by the international nature of some Asian businesses, which are exposed to more stringent data protection rules in the US and EU as per head of cyber, content and new technology risks, in a recent note to clients. Asian companies are increasingly required to purchase cyber insurance under contractual requirements with customers and business partners.

Better tools and stronger rules are both signs of a maturing cyber market, though it is still early days in Asia. Regulations are only as good as the enforcement regime behind them, and it remains to be seen how seriously authorities will pursue offenders.

NATIONAL

In a first, IRDA suspends E-Meditek Insurance TPA's licence

In a first, the insurance regulator suspended the licence of E-Meditek Insurance TPA Ltd, a New Delhi-based third-party administrator (TPA), for alleged laxity in servicing insurance policies and financial irregularities.

In an order passed, the Insurance Regulatory and Development Authority of India (IRDA) said it had received a whistle-blower complaint on 4 April 2017 against E-Meditek, accusing the TPA of misconduct, corruption, malpractice, money laundering and financial irregularities.

The regulator, following an inspection during 13-17 November, found that the violations by E-Meditek were detrimental to the interests of policy holders and insurers, the order explained. It is clear that the IRDA's stance is strict and firm against any kind of fraud or failure of governance at any TPA or any other insurance entity.

GIC-RE eyes global footprint with entry into Lloyd's trading in April 2018

General Insurance Corporation (GIC-Re) will take a major step forward in its drive to establish a global footprint, offering re-insurance covers across the spectrum, once it starts operations in Lloyd's of London international insurance market.

GIC Re is a market leader in India and SAARC region, having been established for more than 45 years. GIC-Re received 'in principle' approval from Lloyd's Franchise Board in December 2017, to create 'GIC syndicate 1947', solely backed by capital from an Indian reinsurance company.

GIC aims to increase its share of the international reinsurance business, and wished to achieve a domestic to the international business ratio of 60:40. The company provides reinsurance covers across various product lines like fire, property, marine, motor, engineering, agriculture, aviation, health, liability and credit.

Review insurance clauses reg genetic disorders: HC to IRDA

In a significant judgement, the Delhi High Court today directed the Insurance Regulatory Development Authority of India (IRDA) to have a re-look at the exclusion clauses in the insurance contracts to ensure that claims were not rejected on the basis of exclusions relating to "genetic disorders" like cardiac conditions, high blood pressure and diabetes.

The judge left it to the lawmakers to take necessary steps in this regard, saying there was an urgent need for a proper framework against genetic discrimination. The exclusion of genetic disorders in all forms would be contrary to public policy. Several of the prevalent medical conditions which affect a large mass of population, including cardiac conditions, high blood pressure, diabetes in all forms, could be classified as genetic disorders.

The entire purpose of taking medical insurance would be defeated if all genetic disorders are excluded, the High Court said in the judgement, holding that the law and norms of 'genetic disorders' in the insurance policies in India were "too broad, ambiguous and discriminatory" and hence violated the constitutional provisions.

The broad exclusion of genetic disorders is thus not merely a contractual issue between the insurance company and the insured but spills into the broader canvas of Right to Health. There appears to be an urgent need to frame a proper framework to prevent against genetic discrimination as also to protect collection, preservation and confidentiality of genetic data.

The high court considered at length the scope of genetic disorders, laws and norms in various foreign jurisdictions and the Indian position and concluded that "the exclusionary clause of 'genetic disorders' in the insurance policy, is too broad, ambiguous and discriminatory - hence violative of Article 14 of the Constitution".

INTERNATIONAL

Hong Kong lawmakers to tackle policyholder protection bill

A legislative procedure providing coverage for insurance policyholders in the event that their insurance provider goes bankrupt has begun in Hong Kong.

Under the proposed legislative measure, the government wants policyholders to have protection coverage of up to HK$1 million (US$130,000) in case their insurer collapses. However, lawmakers have questioned whether the proposal will provide enough protection for the more than 10 million policyholders in the city.

If the measure is passed, all insurers in Hong Kong will be mandated to pay 0.07% of their income from premiums for all policies to set up two compensation funds.

Indonesian regulator highlights low penetration

Domestic insurance penetration in Indonesia is still at a low 2.99% of the gross domestic product, according to the Financial Services Authority. The low figure comes despite a 20% year-on-year rise in life insurance revenue in Indonesia in the third quarter of 2017. The insurance penetration in Indonesia is much lower compared to other Asian countries such as Singapore, Malaysia and Thailand, all of which have national insurance penetration rates of at least 5%.

Statistics from the Indonesian Life Insurance Association showed a similarly challenging picture of insurance coverage in the country. Indonesia is now home to only 17.66 million insured people, as of the second quarter of 2017, which represents a 7.59% decrease from the 19.11 million counted in the corresponding period of 2016.

Chinese banking, insurance regulators may merge

The banking and insurance regulators in China are expected to merge as part of a massive programme to overhaul the nation’s financial regulatory landscape.

According to reports, the country is presently weighing plans to combine its banking and insurance watchdogs in an effort to bring more coordination to a fragmented regulatory system. The move is also in line with President’s calls to cut down on financial risks.

Although, there have been no formal announcements made in relation to the proposals, there have been a number of officially endorsed suggestions made for significant changes to both the party and government apparatus.

GROUP COMPANIES

- J. B. Boda & Co. Pvt. Ltd
  - Employee Benefit Schemes.
  - Life Valuation & Product Development.
- J. B. Boda and Brothers Pvt. Ltd.
  - Asset Valuation
- Crowe Boda & Company Pvt. Ltd.
  - Protection & Indemnity Insurance Services

  Correspondents in India for:
  - Steamship Insurance Management Services Ltd. London - Steamship Mutual
  - Shipowners Mutual Protection & Indemnity Association, Luxembourg
- J. B. Boda Insurance Surveyors & Loss Assessors Pvt. Ltd.
  - Fire, Engineering, Miscellaneous Accident Surveyors & Loss Assessors.
  - Marine Cargo, Hull, Vessel Condition Surveyors, Loss Assessors, Superintendents, Container Surveyors, Tank Calibrators, Samplers & Analysts.
- J. B. Boda Reinsurance Brokers Pvt. Ltd.
  - Non-Life & Life broking
- J. B. Boda Insurance Brokers Pvt. Ltd.
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