i-notes
Newsletter from India's Leading Insurance Broking House
Jan-Feb 09

Summary

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- Simplifying add-on covers in CAR insurance
- Health ins. portability - The freedom to switch
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India Insure
The risk managers

Message from the Editor

Dear Readers,

While the Regulators signal for relaxation in policy terms and conditions to some extent in some of the tariffed policies did generate substantial enthusiasm amongst both insurers and customers alike, all anticipation remains at hold as Jan 01st passed by without witnessing any changes in policies issued. While products have been filed, the approvals are awaited from the regulator.

The year ended on a dismal note with the cruel act of terrorism which surpassed all limits and seemed straight out of the sets of an action packed movie. In this issue we focus upon the Terrorism insurance and also have the views of insurers and corporate on terrorism insurance. Our many thanks to Mr. John Paul, CFO - Kuoni Group; Mr. M. Karunakaran, CFO - Heinz India; Mr. Niraj Kumar, GM – Oriental Insurance and Mr. Arun Agarwal, National Head Underwriting – ICICI Lombard for sharing their views with our readers. In the Product section we have simplified some of the clauses of Contractors All Risks insurance.

Our readership having crossed the 2500 mark, we propose to introduce a topic each issue wherein readers may contribute their thoughts which we shall publish in the next issue.

Wishing all our readers a Happy New year and looking forward to an exciting quarter!

V Ramakrishna
Editor – *i-notes* & Chairman – India Insure

Overview of Terrorism Risk Insurance

At a glance

- The huge loss of life & property caused by 26/11 attacks on Mumbai have again thrown a spotlight on terrorism insurance.
- Following the withdrawal of insurance and reinsurance capacity for terrorism risk in the international market post 9/11, all the non-life insurers in India along with the GIC Re established the Terrorism Pool in 2002 to cover the property damage and consequential loss arising out of any terror strike.
- Terrorism risk under the Pool arrangement is covered for a maximum limit of Rs. 750 crore per compound.
- Terrorism Claims arising from other lines of insurance like personal accident, life insurance, health insurance, public liability etc are not covered by the terrorism pool.

Introduction

Disbelief consumed the nation on 26th Nov 2008, when the iconic landmark hotels of India's financial capital-Mumbai turned into a battle ground for 3 days. The horrendous assaults killed many Indians and foreigners and shattered heritage hotels that were once awe-inspiring in their magnificence. This loss of life & property, just the latest in a seemingly unending pattern of attacks today stand testimony to our continuing vulnerability to terrorism.

While horror and anger transcend all other emotions about these attacks, eventually it has again thrown a spotlight on terrorism insurance arrangements in India. The total cost of the terror can never be quantified. The biggest expense of the 26/11 attacks is the 172 lives lost, and there's no way of recovering that. Terrorist attacks so far in India have resulted in damage to public and government property but damage to corporate property has been minimal. Hence, monetary claims have not been very significant until the Mumbai attacks changed it all. The total insured-property losses from the November 26 terrorist attacks are expected to hit well over Rs. 600 crores, according to industry experts.

> While horror and anger transcend all other emotions about these attacks, eventually it has again thrown a spotlight on terrorism insurance arrangements in India.

The Difficulty of Insuring Terrorism Risk: From an insurance viewpoint, terrorism risk is very different from other risks typically insured, as it is impossible to determine the probable number of events (frequency) likely to result in claims and the maximum cost of these events. In addition, no one knows what the worst-case scenario might be. Since the numbers of terrorist attacks have not been very large, there is little data on which to base estimates of future losses, either in terms of frequency or severity of the loss. The tragic events of September 11, 2001 in USA brought to light the huge potential exposures insurance companies could face in the event of another terrorist attack. Faced with continued uncertainties about the frequency and magnitude of future attacks, insurers and reinsurers across the world at that time reacted swiftly and imposed terrorism exclusion clauses in their policies. Prior to 9/11, Insurance companies considered the risk so low that they did not identify or price potential losses from terrorist activity separately from the standard property policy. In fact, in India also, the terrorism cover was inbuilt along with Riot, Strike & Malicious Damage cover under the fire policy.

Birth of the Pool

Following the withdrawal of insurance and reinsurance capacity for terrorism risk in the international market post 9/11, Indian insurers had a choice of either echoing the non-availability of terrorism cover or organizing the cover internally. They chose the latter in order to be self-reliant and thus all the non-life insurance companies in India joined hands in April 2002 and established the Indian Market Terrorism Risk Insurance Pool

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(IMTRIP). The Pool is administered by GIC Re and it enables non-life insurance companies to provide insurance cover against terrorism risk in India on the combined underwriting capacity of the members and GIC Re. The Pool Underwriting Committee determines the rates, terms and conditions for terrorism risk. The maximum loss limit under Terrorism cover at inception was Rs.200 crores for any one risk at one compound.

Effective from 1st April 2002, terrorism was made a separate add-on cover which had to be bought at the option of the insured by paying additional premium at the rate of Rs. 0.50 per mille for industrial risks and Rs. 0.30 per mille for non-industrial risks on the total value of the property. The classes of insurance presently covered by the Pool are Fire, IAR, Engineering (EAR, CAR, MCE, SCE, CECR, CPM, EEI), property section of certain package policies and miscellaneous policies (Jeweller's Block, Port Package, Cellular Network etc).

Even if there are multiple businesses within the same compound, the maximum aggregate loss payable per compound is subject to the limit of Rs. 750 crores. If there were a terror strike in any such compound, a company operating there would receive only a fraction of the cover that it has bought.

What is covered?

The terrorism pool covers only the property damage and consequential loss arising out of any terror strike. Under the Pool arrangement, an act of Terrorism is an act that involves the use of force or violence by any person(s), whether acting alone or on behalf of any organization, committed for political, religious, ideological or similar purpose. However, any loss or damage resulting from the action taken in controlling, preventing or suppressing any act of terrorism is not covered under the policy. When considered in the light of the recent attacks, it indicates that, the damage caused by the commandos or the police while trying to rescue people or flush out the terrorists is not payable. However in this particular case, there were reports that Insurers of the three hotels that were ravaged in the terrorist attacks have decided to cover all the losses, irrespective of whether they were caused by the attackers or by the security agencies that battled them.

Terrorism Claims arising from other lines of insurance like personal accident, life insurance, health insurance, public liability etc are not covered by the terrorism pool. The impact of any claims arising in these classes of insurance would be direct i.e. it would be billed to respective companies who covered it.

Terrorism Pool Capacity

Terrorism risk under the Pool arrangement is covered for a maximum limit of liability per compound, which is decided by the Pool Underwriting Committee from time to time. The pool, which began providing protection up to a maximum of Rs. 200 crores per compound, can now support protection up to Rs. 750 crores, as there were no major claims. The catch here is that, even if there are multiple businesses within the same compound (like the Panchratna building in South Mumbai that houses numerous diamond shops), the maximum aggregate loss payable per compound is subject to the limit of Rs. 750 crores. And if the aggregate loss that occurs at one compound is more than the limit, the claim payable for each risk is reduced in proportion to their sum insured. This means that the maximum liability for the whole compound is Rs. 750 crore and has to be shared among all policyholders in that compound, even if they have individually bought Rs. 750 crore of cover. If there were a terror strike in any such location, a company operating there would receive only a fraction of the cover that it has bought.

The capacity of the terrorism insurance pool has multiplied in size from Rs. 200 crore in 2002 —when it was set up — to Rs. 1200 crore in 2008. The premium rates also witnessed considerable softening from time to time, and the latest was Rs. 0.08 per mille for residential risks, Rs. 0.22 per mille for industrial risks and Rs. 0.13 per mille for non-industrial risks. The premium rates charged under the Pool are on a sliding scale for different slabs of Sum Insured. The deductibles are 0.5 per cent of sum insured for industrial risks subject to a minimum of Rs. 1 lakh and 0.5 per cent of sum insured for non-industrial risks subject to a minimum of Rs. 25,000. In 2007, claims paid by the pool jumped to Rs. 1.30 crores from the previous year's Rs. 84 lakhs. Now that a large part of the pool corpus will be wiped out for the Mumbai claims, the premium rates are bound to increase. IRDA has also indicated that terrorism insurance products will be upgraded and premium rates may have to go up.

Functioning of the pool

The entire premium charged for the terrorism cover is ceded to the Pool after deducting 2% as service charges for the company that has brought in the risk. The member companies have a share in the loss retention of the Pool as per agreement signed by each of them. Entire terrorism risk premium on property insurance policies written by all non-life insurance companies as pool members is reinsured with the other pool members. The Pool functions as a multilateral reinsurance arrangement of terrorism risks insured by any of the members, with all the other members and the GIC Re as reinsurers, in agreed proportions. For loss liability limits in excess of Rs. 750 crores, insurers can obtain rates from reinsurers and handle its reinsurance, subject to their charging premium as per the pool guidelines for the coverage up to Rs. 750 crores.

To protect against large catastrophic losses, the Pool is also protected by an Excess of loss* reinsurance cover beyond the Pool's net retention.

Terrorism cover for other lines of insurance

Terrorism Claims arising from other lines of insurance like personal accident, life insurance, health insurance, public liability etc are not covered by the terrorism pool. The impact of any claims arising in these classes of insurance would be direct i.e. it would be billed to respective companies who covered it.

The terrorist attacks in Mumbai have made many wonder if they are covered under their existing insurance policies for such eventualities. When it comes to life / personal accident / health insurance, one has to read the fine print carefully to know whether terrorism cover is provided in it or not. There is no one answer to this question since it varies between policies of different insurers - some specifically exclude it, while some are silent on it and some cover them by payment of additional premium. So, it is vital for policyholders to crosscheck policies to eliminate any grey areas on terrorism cover.

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Simplifying add-on covers in CAR insurance

The Insurance industry has its share of dense jargon that causes ambiguity and results in innumerable disputes between the policy holder and the insurer on what was intended to be covered or excluded. As part of our efforts to simplify insurance, in this article, we try to simplify a few add-on covers used in the Contractors All Risk (CAR) insurance policy with Sum Insured above 100 crs, so that it will be easier for the reader to wade through it, the next time he reads it.

Fifty-Fifty (50-50) clause

A 50/50 clause is important when a *Marine All Risks policy* is taken in conjunction with a *Construction All Risks/Erection All Risks* policy. At times, when damage is discovered after the transit is over, it may be difficult to establish whether the loss occurred during transportation of cargo or during erection. This will result in ambiguity as to which insurance cover needs to respond – Marine / CAR? In such an event, this clause will ensure that marine insurance cover will pay 50 per cent of the loss and the CAR insurance will pay the balance. However, this clause needs to be featured in both the policies for it to operate. This is a free cover available for CAR projects with Sum Insured above 100 crs that needs to be opted by the insured.

Cross liability clause

Construction contracts often contain terms and conditions requiring one party to obtain insurance which covers other parties such as mortgagees, contractors, lessors, financiers and trustees. In general, the party with the obligation to effect insurance may seek to discharge its obligation by having a Cross liability clause. Such a clause obligates an insurer to protect each insured separately i.e. each 'Insured' is to be considered as a separate and distinct party. In the event of liabilities arising between Insured's, the policy will operate as though a separate contract of insurance in the same terms had been issued to each of them (without increasing the limit of liability).

Waiver of subrogation clause

Subrogation means, in a legal sense, one party has the right to "step into the shoes" of another party for the purposes of bringing a claim for damages. For example, you as an insured were hit by another car while driving. Your insurance company first pays your claim for the damage caused to the car and then may sue or attempt to recover damages from the other driver.

A waiver of subrogation clause is placed in the contract to minimize the potential for lawsuits, cross-suits and counter-suits arising from property loss that may occur during the project. An effective waiver will prevent the various insurers involved from suing the parties to the construction contracts.

Extended Maintenance cover

The maintenance period begins when the provisional certificate of insurance is issued or when the works are taken into use. The responsibility of the contractor is then reduced to his contractual obligations.

The *Maintenance visits* cover provides coverage for loss or damage caused by the insured in the course of the operations carried out for the purpose of complying with the obligations under the maintenance provisions of the contract. The *Extended Maintenance cover* covers loss or damage to the project occurring during the maintenance period even on account of faults traceable to the construction period.

72 Hours clause

Typically, the CAR policy will stipulate that there is a limit of liability for each "occurrence" which is physical loss or damage to the works. Generally, there is an excess or deductible for each occurrence. The 72 hours clause allows all damage resulting from storm or flood or earthquake over a 72 hour period to be dealt with as one incident / occurrence, therefore preventing insurers applying several excesses. This is a free cover available for CAR projects with Sum Insured above 100 crs that needs to be opted by the insured.

Consider this case. Severe damage was caused to a public works bridge project in the Philippines by 2 Typhoons which struck the Philippines on October 14 and Oct 16-17, 1998, respectively. Two bridges and approach structures were damaged during the typhoons. The deductible for Acts of God under the CAR policy was quite high, about $400,000 per occurrence. And thankfully since there was a 72 hours endorsement; the claim was settled based on a single deductible. If there was no 72 hours clause in the policy; the recovery would have been reduced by an additional $400,000.

News TitBits

Terrorist-attacked hotels may face liability claims

Source: Sify

The Taj Mahal Hotel and The Oberoi Trident, the two hotels attacked by terrorists in Mumbai Wednesday night, could face sizeable damage claims, says the insurance industry. The Law of Torts covers such damage suits if the claimants can prove that the hotel was negligent in providing security. Tort law is the name given to a body of laws that addresses and provides remedies for civil wrongs that do not arise out of contractual duties.

General insurers to offer more facilities from Jan

Source: Business Standard

United India Insurance, Tata AIG and ICICI Lombard will be among the first set of general insurance companies to introduce the much-awaited add-on covers in the motor insurance segment. Add-ons are expected to be in the form of a replacement vehicle or payment on a daily basis when the vehicle is out for repair, and reduced or zero depreciation. Insurance sector experts expect the add-ons in fire and engineering segment to come by June 2009.

1st insurance cheques add up to Rs 50 cr

Source: Times of India

Indian terrorism insurance pool has advanced Rs 25 crore each for claims from the Oberoi and the Taj following the 26/11 attack. Though there is no official communique on the extent of the damage that the Taj Mahal Palace & Tower has suffered, it is estimated to be about Rs 500 crore. The maximum cover under terror insurance is Rs 700 crore but the total pay-out to the Taj and the Oberoi will depend on the assessment of damage by the insurers.

United India launches top-up medical policies

Source: Business Line

United India Insurance Co Ltd has launched two new medical insurance policies that help people add up to Rs 15 lakh to their medical cover. The two insurance policies 'Super Top Up' Medicare Policy and 'Top Up' Medicare Policy are available for any individual who is looking for medical insurance between Rs 5 lakh to Rs 15 lakh. The new policies add on a maximum of up to Rs 15 lakh beyond the basic insurance cover at a relatively cheaper premium. The new policies are available individually to the family members or as a whole to the family on a 'floater' basis under a single sum insured.

Health ins. portability - The freedom to switch

Health insurance policy holders have something to cheer for at the beginning of this New Year. The General Insurance Council — an association of non-life insurers are reportedly planning to develop a standardized health insurance policy to help portability of the policy between different insurance companies. According to industry sources, the portability would be a reality by April 2009.

Currently when one buys an individual health insurance policy for one year, he/she is stuck to that company for his lifetime. Generally if there is no claim in a policy year, the policy holder is entitled to a bonus in the form of increased sum insured and for every claim-free year, this bonus gets accumulated. Policyholders fear that a change in the insurer will make them lose this bonus and also the proposal will be treated as entirely new without giving them the benefit of the previous coverage. For senior citizens who bought the policy before turning senior, it becomes all the more difficult because companies are reluctant to sell new health policies to the elderly.

Also different insurers have different versions of health insurance products with about half a dozen coverages and about 2 dozen or so exclusions, conditions and limitations. What one insurer covers may be excluded by another insurer and the lay man gets confused wading his way through all these policies.

The standardized new policy will serve the purpose as they will facilitate comparison which is not easy otherwise. Portability, on the other hand, also increases service standards as an unsatisfied customer can migrate to another service provider if there is no loss of benefit. Moreover, portability would ensure that the case history of the insured is carried over to the new service provider and the policy is not treated as a new one. In other words, if a health policy covers pre-existing ailments only after four years and a policyholder decides to shift to another company in the fourth year, he will get immediate coverage of pre-existing ailments and will not have to wait another four years. Another advantage is that if there is a no claim bonus for earlier years, it can be carried forward to the new policy.

The regulator may also need to think about allowing portability in group health insurance as currently the health insurance of many individuals (and their families) is tied to their job. The United States also faced such a situation where health & life insurance of many employees were interlinked to their job leading to a large number of employees being stranded without any insurance once they leave the job. To put an end to this uncanny situation, in the USA, in 1996 President Clinton signed the Health Insurance Portability and Accountability Act (HIPAA) into law principally aimed at facilitating the continuation of health care insurance coverage for people leaving jobs.

Currently in India also, losing / leaving the job will make one lose insurance also —— for many an even bigger worry than losing income. The portability of group health insurance would reduce the anxiety people face when they worry about leaving their jobs or when they are sacked off. Currently, the families of many employees who will be laid off in the economic downturn will be completely left without any coverage. Also, if a financially struggling company suddenly terminates an insurance plan, employees could be saddled with huge medical bills! People should not have to worry about what will happen to their health insurance or health care needs if they lose their job, change employers, take time off to raise a family, retire, become injured or disabled, or any other reason that affects employment. Health insurance should follow a person, not a job.

Let's hope that the regulator looks into these matters so that, in these uncertain times, at least let health insurance be one less thing to worry about.

Claims Case Study: *Cross Liability Clause*

Background facts: The ARTP appointed Dhruv Co as its contractor for construction of the Isle bridge. The Contract required ARTP to take out a Contractor's All Risks insurance cover (including Third Party Liability insurance) to cover the Government, the ARTP, Dhruv and its subcontractors. The Contract also required Dhruv to take out Workmen Compensation insurance for its own and its sub-contractors' employees. During construction, 9 workers died when a temporary platform on which they were standing collapsed and fell to the ground. These workers were employed by Dhruv's subcontractors. On knowledge of the incident, Dhruv claimed against both insurers. Although the Workmen Compensation Insurers accepted the claim, the Contractor's All Risks (CAR) insurers rejected it and Dhruv sued them.

The Issue: The CAR insurers argued that:

1. An exclusion applied to exclude claims for liability for death or injury to employees of 'the Insured Party'; AND

Readers Speak

From this issue onwards, we propose to start for a forum for our readers to discuss various topics.

Service vs. Price in insurance industry

Do buyers of corporate insurance consider the quality of the service (claims handling+ policy and endt copies on time+ right advise to be adequately insured etc) they receive, or do they just focus on price? And does low price necessarily indicate mediocre service and is high price directly proportional to exemplary service?

Your opinion is solicited.

We invite our readers to share their thoughts, ideas, and opinions on this topic (not more than 300 words). The responses will be published in the March issue of inotes.

2. As the subcontractors were insured under the Policy, the claim was excluded.

It is usual for third party liability policies to exclude liability to employees. However, Dhruv argued that the employees were employed by its subcontractors and not by Dhruv and therefore the exclusion did not apply.

The Decision: The Court agreed with Dhruv and allowed the claim. The Court said that the exclusion should be interpreted within the wording of the entire policy. The judge held that "the Insured Party" referred only to the insured who was making a claim for indemnity under the policy. Given that Dhruv was not the direct employer making a claim under the policy, the exclusion did not apply to their claim.

Dhruv's insurance policy also contained what is known as a 'cross liability clause'. This states that, as more than one company is insured under the policy, each 'Insured' is to be considered as a separate and distinct party. Therefore the phrase 'employees of an Insured' within the exclusion relates only to the employees of the party making the claim and not to employees of other parties. Dhruv was making the claim and as the persons who died were employees of a subcontractor, the policy did not exclude a claim by Dhruv for its liability to them.

Practical Consequences: Although the intention of the exclusion could have been to exclude liability for death or personal injury of any employee of any of the Insureds, the clause was not worded in that way. Interpreting the exclusion in the light of the cross liability clause meant that only claims for death or injury to employees of the party actually making the claim were excluded.

Policies are often difficult to read and Insureds are advised to seek advice either from their broker or lawyer before purchasing insurance to ensure that the insurance policies coincide rather than overlap. Seeking advice on the wording of insurance policies will mean savings both in unnecessary premiums and the obvious and hidden costs of a dispute.

Overview of Terrorism Risk Insurance..... Contd. # 2

Also most of the liability insurance policies exclude risks of terrorism. Liability insurance protects a business against the financial risk of being found liable to a customer/employee or any third party. If terrorism cover for liability policies is required, they will need to be arranged from the reinsurance market and the rates are exorbitantly high. Fortunately, the hotels attacked in Mumbai had bought terrorism cover as an extension to their public liability policy, which will cover the liability of the hotel towards the guests and visitors in it.

Terrorism Pools in other countries

While insurers are excluding terror coverage from their policies, the governments in many countries have come forward in developing terror pools that address the risks of terrorism.

USA: The Terrorism Risk Insurance Act (TRIA) and its extensions authorized the creation of a federal reinsurance plan, which is triggered when insured terrorism losses exceed a predetermined amount. The program allows the insurance industry and the federal government to share losses according to a preset formula. TRIA was started as a short-term measure designed to help the insurance market recover from 9/11 but has been extended twice now until 2014.

UK: The government formed a mutual reinsurance pool (Pool Re) for terrorist coverage in 1993, following acts of terrorism by the IRA. Insurance companies pay premiums at rates set by the pool. The primary insurer pays the entire claim for terrorist damage but is reimbursed by the pool for losses in excess of a certain amount per event and per year. The government acts as the reinsurer of last resort, guaranteeing payments above the industry retention.

France: Since 2002, terrorism has been covered by a reinsurance pool (GAREAT) to which terrorism risk above a certain retention level is transferred. Insurers pay premiums to the pool that is divided up among the participants. The government pays for all terrorist claims that exceed a specific amount.

Australia: Legislation was passed in 2003 to create the Australian Reinsurance Pool Corporation (ARPC) to cover insurance company losses from property, business interruption and third-party liability coverages, subject to a certain insurance company deductible. Insurers pay premiums into the pool, which is backstopped by the government. The program covers chemical and biological attacks also but not nuclear attacks.

Srilanka: In 1983, the government established a government-sponsored Sabotage, Riot, Civil Commotion (SRCC)/Terrorism Fund to cover strikes, riots, civil commotion after extensive rioting caused overseas reinsurers to withdraw protection for SRCC perils. In 1989, the fund was extended to include the risk of terrorism.

Taiwan: In 2004, an insurance pool was formed to provide terrorism coverage for personal accident business and to share terrorism risk for personal accident business among private insurance companies. Coverage for terrorism is available by endorsement to both the residential fire and the basic commercial property policy forms.

Conclusion

Nov 26, 2008 will go down in Indian history as a day when the nation's psyche was deeply scarred, leaving its population vulnerable, scared and enraged. India's lackadaisical attitude vis-a-vis implementing safety measures has cost it dearly.

The rising terrorist attacks have raised the country's concern about the adequacy of life and property protection for both individual and corporate customers. With bomb blasts now becoming a distressingly regular feature, its time people have a close look at the provision of terrorism cover in their insurance policies.

As our hearts go out to our fellow brethren who have been affected by the deadly terrorist attacks, let's hope that it will prod the Indian government to enhance national security and the insurance industry to step up the development and improvement of terrorism insurance products and the country's terrorism risk pool.

***Excess of loss (XL) cover:** This is a reinsurance arrangement to protect a company's net account against claims beyond normal ranges as well as against catastrophe losses.

Report Card - November 2008

Gross premium underwritten by non life industry for and up to the month of November 2008 (Rs. In crores)

INSURER	NOVEMBER		APRIL - NOVEMBER		% GROWTH OVER PREVIOUS YEAR
	2008-09	2007-08	2008-09	2007-08	
New India	364.77	397.96	3597.03	3517.22	2.27
United India	338.91	304.71	2754.60	2446.71	12.58
National	314.47	316.00	2823.80	2591.89	8.95
Oriental	265.97	274.28	2632.42	2598.67	1.30
ICICI-lombard	230.54	283.98	2471.66	2348.10	5.26
Bajaj Allianz	188.74	190.45	1801.90	1515.52	18.90
Reliance General	181.34	186.68	1316.09	1315.36	0.06
IFFCO-Tokio	110.81	97.49	932.09	708.35	31.58
Royal Sundaram	65.77	60.42	527.00	439.73	19.85
Cholamandalam	52.82	34.23	467.43	349.02	33.93
Tata-AIG	52.13	55.28	609.05	527.69	15.42
HDFC ERGO	25.33	18.63	203.58	148.18	37.39
Shriram General ***	17.18	0.00	37.57	0.00	
Future Generali*	13.76	0.86	101.19	0.86	11672.09
Bharti AXA ***	2.09	0.00	3.93	0.00	
Universal Sompo **	0.90	0.00	2.49	0.00	
PRIVATE TOTAL	**941**	**928**	**8474**	**7353**	**15.25**
PUBLIC TOTAL	**1284**	**1293**	**11808**	**11154**	**5.86**
GRAND TOTAL	**2226**	**2221**	**20282**	**18507**	**9.59**
SPECIALISED INSTITUTIONS:					
1. Credit Insurance					
ECGC	59.93	55.38	465.91	420.26	10.86
2. Health Insurance					
Star Health	7.07	3.55	318.76	98.99	222.00
Apollo DKV*	7.31	0.00	25.46	0.00	
Health Total	**14.39**	**3.55**	**344.22**	**98.99**	**247.73**
3. Agriculture Insurance					
AIC	78.04	63.51	540.69	552.13	-2.07

Source: IRDA Journal

* Commenced operations in November, 2007

** Commenced operations in February, 2008

*** Commenced operations in July, 2008

Observations

1) The non-life industry recorded a paltry 0.21 per cent growth in the premium collection in November 08 following declining vehicle sales and general economic slowdown.

2) Premium collected by four public sector insurers recorded a negative growth of 0.68 per cent and the 12 private sector players clocked a marginal growth of 1.44 per cent in premium collection.

3) Among the four players, United India Insurance was the only exception that earned Rs 34.2 crore higher premium during November, compared with Rs 304.71 crore collected in the same month last year.

4) However, April-November premium collection stood at Rs 20,282 crore compared to Rs 18,507.30 crore, up by 9.59 percent.

5) Stand alone health insurers – Star Health & Apollo DKV continue to record fast growth rates.

News TitBits

Raheja QBE General Insurance Company Limited

Raheja QBE General Insurance Company Limited, a joint venture general insurance company promoted by Prism Cements Limited, India and QBE Holdings (AAP) Pty Limited, a wholly owned subsidiary of QBE, Australia has been registered as a General Insurer.

Star Union Dai-Ichi Life Insurance Company Limited

Star Union Dai-Ichi Life Insurance Company Limited, a joint venture life insurance company promoted by Bank of India, Union Bank of India and Dai-ichi Mutual Life Insurance Company, Japan, has been registered as a Life Insurer.

Health insurance portability to be in place by FY09

Source: Business Standard

Mediclaim policy-holders dissatisfied with the services of their insurance provider can easily switch to another firm with accumulated bonuses. The General Insurance Council — an association of non-life insurers — has arrived at a decision and the recommendations will be sent to the Insurance Regulatory and Development Authority shortly. General insurance companies are also reportedly planning to develop a standardised health insurance policy to help portability.

Loss Survey Limits for Categorized Surveyors

Source: IRDA

The IRDA has decided to do away with the financial limits (based on the value of loss as estimated by insurers) up to which surveyors in the three categories namely A, B and C were permitted to carry out survey / loss assessment work. Now, the insurers may, with immediate effect, have their own internal limits in allocation of survey / loss assessment work to the three categories of surveyors.

Health insurance council soon

Source: Business Standard

Insurance Regulatory Development Authority (IRDA) is in talks with the government and other stakeholders to set up a self regulatory organization for health insurance companies, said IRDA Chairman J Hari Narayan.

LIC suffers a premium jolt in Apr-Nov period

Source: Economic Times

Tight liquidity situation prevailing in the market seems to have hit the Life Insurance Corporation of India (LIC) more than private life insurers. During April-November 2008, the PSU suffered a 14 percent decline in both first premium income (FPI) and the number of policies (NoP) sold. The life insurance segment, during the period, saw a dismal 1.44 percent rise in FPI, while NoP sold declined by about 3.6 percent.

ICICI PRU sales fall in Novemeber

Source: Business Standard

While ICICI Prudential Life Insurance continued to lose its share in new business premium, SBI Life Insurance, the second largest private sector contender, with a collection of Rs 560.84 crore, pipped ICICI Prudential for the first time during November.

Interviews – *Corporates & Insurers on Terrorism Insurance*

The behaviour of ants has long fascinated scientists. And, why not? These insects have the strength to carry food up to seven times their own body weight and set up amazingly complex colonies. In recent years, various researchers have been paying great attention to the way in which a colony of ants can solve complex problems. The behaviour of ants, Swarm intelligence, Game theory - phrases such as these are becoming increasingly familiar to the insurance industry as they are trying to find long term solutions to assess the risk of terrorism.

September 11 redefined what terrorism meant to the insurance industry. The magnitude of the World Trade Center (WTC) losses, however, forced insurers, reinsurers and governments not only to review existing schemes, but also to come up with viable long term solutions where the risk of terrorism, previously considered low key, was now reassessed as being at much higher level. India also did not stay behind and went ahead in creating its own Terrorism insurance pool.

Today, almost two months into the 26/11 attacks that struck at the heart of India, we talk to a few corporates and an insurers on the need for terrorism insurance cover among corporates, the capacity of the terrorism pool and their views on hardening of terrorism insurance rates in future. We would like to place on record our sincere thanks to Mr. John Paul, CFO - Kuoni Group; Mr. M. Karunakaran, CFO - Heinz India; Mr. Niraj Kumar, GM – Oriental Insurance and Mr. Arun Agarwal, National Head Underwriting – ICICI Lombard for sharing their views with us.

Corporates

1) Do you think all companies / industries need terrorism cover uniformly? If not, which industries, in your opinion, are more vulnerable to terrorist risk than others?

Mr. John: I do not think so. In my opinion all MNC's, Mega Establishments and important building landmarks or Heritage sites should be vulnerable.

Mr. Karunakaran: I believe companies need not insure uniformly for terrorism. Hospitality and travel industry should have enhanced coverage. Companies having factories at sensitive locations should also have adequate coverage on terrorism. Other companies need to have a minimal amount, albeit it can differ amongst companies.

2) With the capacity of the pool depleting with each incident, how do you think that you as a customer can be protected against the risk of terrorism having paid the premium?

Mr. John: Generally we have found that losses have been to persons and now recently even property like that Taj / Oberoi Hotels have been affected. Still a marginal increase of 1% in premium should suffice with every insurance cover sold by the insurers.

Mr. Karunakaran: Insurance companies should elucidate the disaster mitigation processes to companies. Secondly, specific companies wherein payments have been made substantially should be asked to pool the deficit.

3) Do you see the possibility of insurers being selective in accepting Terrorism risk in future and the rise of a standalone Terrorism Insurance policy (not necessarily RI backed), coming in India soon?

Mr. John: I do not foresee Insurers being selective in accepting the Terrorism risk since there no specific patterns in the Terror Targets. I feel that a standalone Terrorism Policy is still premature.

Mr. Karunakaran: The odds are very high. I believe even insurance companies are working for profits and stakeholders to report to. If terrorism and claims related thereon continue to affect their profitability I would assume Insurance companies will be selective, especially for Hotel and Travel Industries.

4) What is your opinion of the current rate charged for the Terrorism premium? Do you think a raise in the premium rate is required to meet the claims in the future?

Mr. John: Rise in premium is not required

Mr. Karunakaran: Regretfully I am not aware of the premium payable on this and hence I cannot comment the same.

(Contd... 08)

News TitBits

Cross-Subsidisation of Health Cover continues despite free pricing
Source: Business Line

Come April 1 2009, it is to be seen who has better bargaining skills corporates or insurers. Insurers say they can no longer afford to provide insurance at the premium offered currently while corporates, cutting costs due to economic slowdown, would trim insurance coverage.

Cross-subsidisation of health insurance portfolio by the fire portfolio continues even after two years of detariffing of the fire portfolio. It was touted that health insurance will be priced according to the claims and risks of the segment after detariffing in January 2007. Prior to detariffing of the fire portfolio, insurers would sell a bundle of policies such as property, engineering and health to corporates at a fixed premium. Insurance companies, particularly public sector insurers, were losing because health insurance claims were 20 percent more than the premiums collected. Public sector insurers continued providing health insurance coverage to companies in spite of the high loss ratio because they were able to gain from fire portfolio, which had limited claim exposure. M. Ramadoss, Chairman and Managing Director, Oriental Insurance, said, "Yes, cross-subsidisation of health segment continues to happen."

Disclaimer: News titbits in this newsletter are of general interest only and are based on press reports which we are not able to verify.

5) As far as a Group Personal Accident policy goes, several companies have the risk of Terrorism as an exclusion and the Terrorism Pool does not meet the loss of human life. Your comments?

Mr. John: It would be better if Terrorism cover for Human Life is also brought under Pool.

Mr. Karunakaran: Corporate should include terrorism in their insurance cover and pay the premium, particularly the Hotel and travel industries. For frequently travelling employees Corporate should take specific cover.

Insurers

1) There being a cap of Rs. 750 crores on limit of loss per location, how do you handle cases where the customer has an asset size exceeding Rs. 750 crores and has opted for a Terrorism risk to be covered?

Mr. Niraj: Terrorism cover can be taken on loss limit basis also. Hence with asset size of more than 750 cr if the client opts for a cover with loss limit up to 750 cr the same can be provided under the Indian terrorism pool. In case the client wants full cover, or a loss limit more than 750 cr, cover is granted with overseas reinsurance support.

Mr. Arun: This is the capacity that is available at present, under the pool arrangement.

2) How do terror insurance markets vary internationally? Are there significant differences between how these policies are priced in the Indian market versus other economies?

Mr. Niraj: Just like any other risk coverage, terrorism too is priced on the basis of the probability of the peril operating and the possible gravity of loss. Hence the price will vary from one country to another, with the variation in the extent of exposure. Price may vary even between one risk and another in the same country.

Mr. Arun: In lot of major markets of the world such US, UK and France etc, there are pools working supported by the Governments. Therefore, each market has to decide how best it can deal with the catastrophe situations associated with "Terrorism". Each market is indeed different in its response to such risks.

3) In the face of unabated terror attacks, do you think the pool could get depleted soon? On depletion of the pool, what happens to the subsequent claimants, how would they be compensated?

Mr. Niraj: The possibility of the pool drying up is remote. In any case the direct insurers are committed to the cover given by them and the pool is committed to the direct underwriter. In the very unlikely event of the pool getting depleted the members of the pool will contribute to the extent of their participation. Moreover the pool has taken adequate reinsurance cover.

Mr. Arun: The Pool committee is taking necessary steps in this direction, to ensure that the Pools premiums take care of the future contingencies.

4) How would you differentiate between 'Loss caused by Terrorists' and that caused by 'Security Agencies' in fighting the terrorists while assessing the loss?

Mr. Niraj: This cannot be answered without context. Each incident is peculiar in itself. In general it can be said that the differentiation will be done reasonably.

Mr. Arun: It all boils down to direct losses vs indirect losses.

5) In the recent 26/11 incident, can the damage caused by the police/NSG/ fire fighters be considered as a loss minimization expense and that part of the claim paid?

Mr. Niraj: Let us not attach any name to the damage that was caused due to action against the terrorists. However any damage that is caused in the effort to fight the terrorists at the place of the action will be paid subject to policy limits.

Mr. Arun: The claim is under adjustment from the concerned Underwriters.

Disclaimer

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