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The Monthly Insurance Newsletter

Our heartfelt best wishes to all of you for the year 2017. May theyear bring the best of health and happiness to you and your family. 2016 has been a very good year for Zoom as we have expanded into newer territories and a great amount of focus has been put in Customer Centricity, Technology and Right Talent. From the perspective of the Indian Insurance Industry,2016 was a year of many Firsts and new initiatives. PMFBY (Pradhan Mantri Fasal Bima) was initiated this year and had led to huge spurt in the Crop Insurance Segment and the momentum will continue in the next year also. 2016 also saw the first stock market listing of an insurance company in the country and also the first merger in the private insurance industry. I look forward to the support of all our clients and partners and assure you of our continuous dedication to all of you.

A Great 2017 to all of you !!

Prashant Gupta

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Recent Updates & Developments

IRDAI has constituted a committee to make recommendations for guidelines on Order of Preference for Reinsurance Cessions on 23rd November 2016 to lay down the overall process and the committee's final report will be released very shortly

Road accidents in India claimed over 146,000 lives and injured more than 500,000 people last year, according to data presented by Minister of State for Road Transport and Highways. These numbers were the highest in the last five years. According to a UN study, India's GDP takes a 3% hit every year due to road accidents, which is equivalent to over US$58 billion.

The Finance Ministry is working with concerned ministries to converge all insurance schemes including Mahatma Gandhi Bunkar Bima Yojana (MGBBY), Pradhan Mantri Jeevan Jyoti Bima Yojana and Pradhan Mantri Suraksha Bima Yojana from next financial year. The government is planning to increase the level of insurance cover of handloom weavers under the MGBBY. MGBBY, the insurance scheme for coverage of handloom weavers is being implemented by the Office of Development Commissioner for Handloom through LIC.

The insurance regulator IRDAI is setting up a comprehensive cyber security framework to thwart data fraud, in the wake of the recent data breach involving bank debit cards and automated teller machines in the country. The regulator will also put in place an appropriate mechanism to mitigate cyber risks.

"In this connection, it has been decided to form two separate working groups for life and non-life sectors (including health) comprising CIOs of insurers to discuss and decide on the issues related to cyber security," the Press Trust of India reported, citing an IRDAI circular

The Indian government has appointed Mr V K Sharma as the Chairman of state-owned Life Insurance Corporation (LIC), which is the country's largest insurer.

Mr Sharma, who is the Managing Director of LIC, has acted as Chairman of the company since 16 September when the then Chairman S K Roy left the office. Mr Sharma's term as Chairman is to last five years

The Insurance Regulatory and Development Authority of India

(IRDAI) is hopeful that global reinsurance companies, which will get final clearance from the regulator to open their branch in India, will be operational in the next six to nine months.

"We have received seven applications from foreign reinsurance companies, which have shown interest to open their branch offices in India. Applications from seven companies are in the different stages of consideration of the insurance regulator. We are hopeful they should be operational within the next six to nine months," said IRDA Member (Finance and Investment) V.R. Iyer.

Did you Know

Motor insurance had its beginnings in the United Kingdom and is a little over hundred years old. The first motor car was introduced in England in 1894. The first motor policy was introduced in 1895 to cover third party liabilities. By 1899, accidental damage to the car was added to the policy, thus introducing, the 'comprehensive' policy along the lines of the policy issued today.

After World War I, there was considerable increase in the number of vehicles on the road as also in the number of road accidents. Many injured persons in road accidents were unable to recover damages because not all motorists were insured. This led to the introduction of compulsory third party insurance through the passing of the Road Traffic Acts 1930 and 1934.

In India, the Motor Vehicles Act was passed in 1939 introducing the law relating to compulsory third party insurance The practice of motor insurance in India generally follows that of the U.K. market. The Motor Vehicles Act 1988 has replaced the earlier 1939 Act, effective from 1st July 1989.

The motor insurance business was governed by a tariff till March 2008 but thereafter it became non-tariff. However, the IRDA has directed insurers in India to continue to follow the tariff policy wordings and follow a common rating with regard to Third Party insurance premium.

While alternative capital has tested the marketplace, fundamentally changing the risk transfer business and been said to have disrupted the risk-to-capital value-chain in recent times. As per one of the reports Alternative reinsurance capital now stands at an estimated $75.1 billion, growth of more than 10% on last year as the insurance-linked securities (ILS) space continues to cement its place in the re/insurance industry. The rise of ILS capital alongside the increased capabilities and accessibility of improved data & analytics, and technology, has caused all the stakeholders to rethink and remodel in order to remain relevant, and essentially remain important to the risk value chain.

The Babylonian traders had agreements where they would pay additional sums to lenders, as a price for writing off the loans, in case a shipment was lost or stolen. These were called ‘bottomry loans’. Under these agreements, the loan taken against the security of the ship or its goods had to be repaid only if and when the ship arrived safely after the voyage, at its destination. Similar practices were prevalent among the traders from Baruch and Surat sailing in Indian ships to Sri Lanka, Egypt and Greece

The earliest kind of risks to be addressed through the concept of Modern Commercial Insurance was losses due to misadventure at sea–what we call marine risk. Marine Insurance was thus the forerunner to other kinds of insurance.

The Great Fire of London in 1666, in which more than 13,000 houses were lost, gave a boost to insurance and the first Fire Insurance Company, called the Fire Office, was started in 1680

History of New Year – A move from March to January

The celebration of the new year on January 1st is a relatively new phenomenon. The earliest recording of a new year celebration is believed to have been in Mesopotamia, c. 2000 B.C. and was celebrated around the time of the vernal equinox, in mid-March. A variety of other dates tied to the seasons were also used by various ancient cultures. The Egyptians, Phoenicians, and Persians began their new year with the fall equinox, and the Greeks celebrated it on the winter solstice.

The early Roman calendar designated March 1 as the new year. The calendar had just ten months, beginning with March. That the new year once began with the month of March is still reflected in some of the names of the months. September through December, our ninth through twelfth months, were originally positioned as the seventh through tenth months (septem is Latin for "seven," octo is "eight," novem is "nine," and decem is "ten."

The first time the new year was celebrated on January 1st was in Rome in 153 B.C. (In fact, the month of January did not even exist until around 700 B.C., when the second king of Rome, NumaPontilius, added the months of January and February.) The new year was moved from March to January because that was the beginning of the civil year, the month that the two newly elected Roman consuls—the highest officials in the Roman republic—began their one-year tenure. But this new year date was not always strictly and widely observed, and the new year was still sometimes celebrated on March 1.

Julian Calendar: January 1st Officially Instituted as the New Year

In 46 B.C. Julius Caesar introduced a new, solar-based calendar that was a vast improvement on the ancient Roman calendar, which was a lunar system that had become wildly inaccurate over the years. The Julian calendar decreed that the new year would occur with January 1, and within the Roman world, January 1 became the consistently observed start of the new year.

Middle Ages: January 1st Abolished

In medieval Europe, however, the celebrations accompanying the new year were considered pagan and unchristian like, and in 567 the Council of Tours abolished January 1 as the beginning of the year. At various times and in various places throughout medieval Christian Europe, the new year was celebrated on Dec. 25, the birth of Jesus; March 1; March 25, the Feast of the Annunciation; and Easter.

Gregorian Calendar: January 1st Restored

In 1582, the Gregorian calendar reform restored January 1 as new year's day. Although most Catholic countries adopted the Gregorian calendar almost immediately, it was only gradually adopted among Protestant countries. The British, for example, did not adopt the reformed calendar until 1752. Until then, the British Empire —and their American colonies— still celebrated the new year in March

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