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Arunodaya

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LINKING OF AADHAR WITH YOUR INSURANCE POLICY

Everything on linking of your Aadhar to your insurance policies and what happens if you don't?

RISK MANAGEMENT AT PLANT SHOP-FLOOR LEVEL

Factors to be considered in risk management at operational levels of the organisation.

WHAT HAPPENS IF YOU DON'T LINK YOUR AADHAR NO. WITH YOUR POLICY AND HOW TO LINK YOUR UID WITH YOUR INSURANCE POLICY

Linking of Aadhar Number (UID No.) with your insurance policy is mandatory as per guidelines issued by IRDA. This is in confirmation with provisions of PMLA(Prevention of Money Laundering Act). The insurance policy is a contract document which is legally enforceable as per terms of Contract Act. Therefore, the contract of insurance will remain a valid contract even after the deadline for linking Aadhaar Number to your policy has expired. However, it is important that policy holders take proactive steps to provide the Aadhaar number linking documents to their insurance company, so that this process can be completed in time for policies already issued before these guidelines came into force. Any future issuance of new policy, or need for endorsement in existing policy or reporting a claim under the policy, will be done only after Aadhaar number has been linked to the policy and therefore linking has become necessary to avoid delay in other procedures or requirements for which insurance has been taken. Insurer can exercise the right to keep holding the claim amounts under the policy unless the Aadhaar number details are provided for linking with the insurance policy already in force.

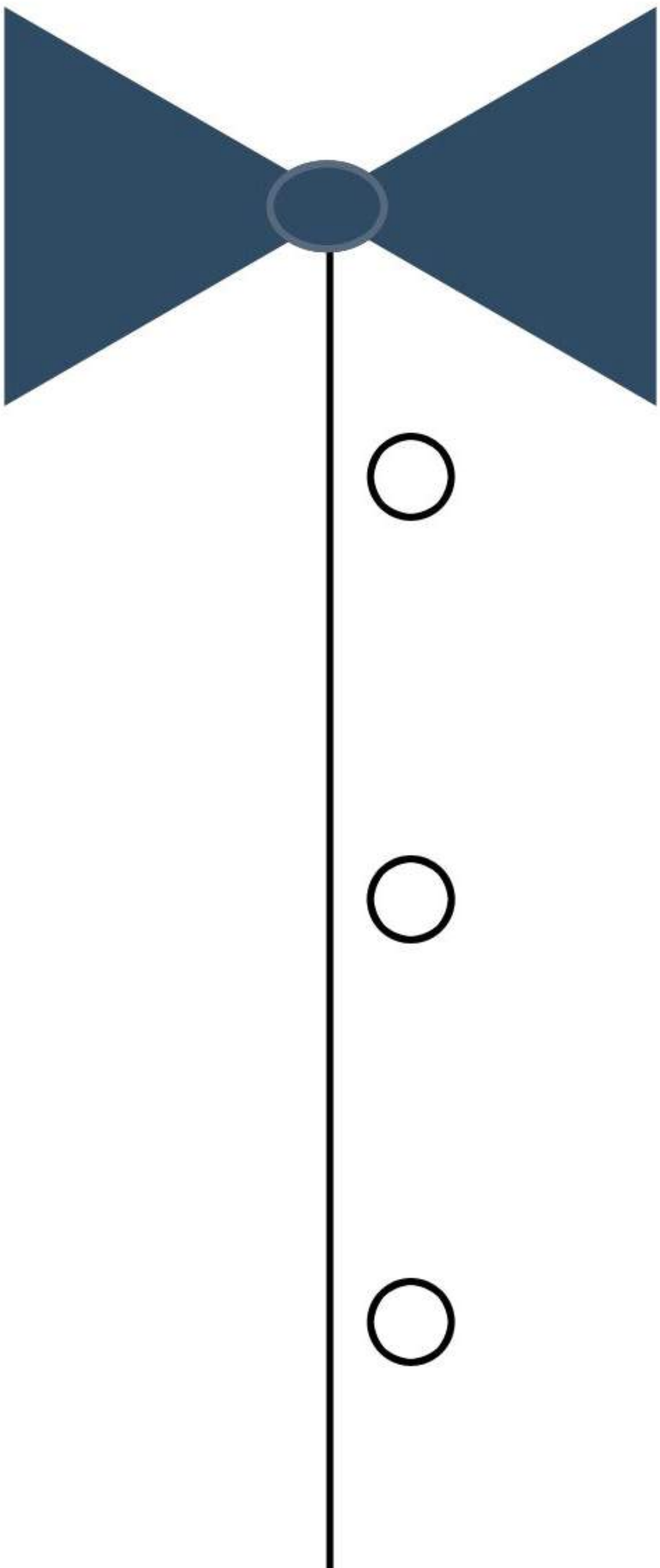
Each insurer has adopted its own method of linking of Aadhaar number with policies for existing clients. Some are doing it online, others are asking for documents to be deposited with their identified branches for linking the same.

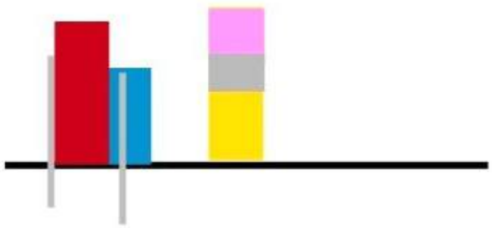
The various methods through which this linkage can be done are:-

- Visiting website and loading your details on window provided for linking Aadhaar card to policies.
- Calling customer care of the company and providing Aadhaar number.
- Visiting the branch office of the company and getting the documents loaded to your policies.
- Biometric linkage, wherein , insurer can authenticate and link policy holders Aaadhaar number using modalities- iris or fingerprint scan.

Most of the insurers have already provided this facility on their website. Some of the players who have this facility are: LIC of India, ICICI Pru Life, HDFC Life, HDFC Ergo etc.

DISCUSSION FORUM





THE MORE TRIFLING THE SUBJECT, THE MORE ANIMATED AND PROTRACTED THE DISCUSSION.

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I. UNDERWRITING

Definitions of fire and lightning as per the fire policy wordings.

What is Fire? Under Fire Insurance policy, The Fire is defined as FIRE excluding destruction or damage caused to the property insured by

- i.) its own fermentation, natural heating or spontaneous combustion.
- ii.) its undergoing any heating or drying process
- burning of property insured by order of any Public Authority.
- In layman's language- Fire means anything which is in flames and billowing smoke is on Fire.
- In more apt language suited to insurance- anything which out not to be on FIRE, is on FIRE, is FIRE.
- Fire in science terms is coming together of three factors which result in fire, namely, Fuel(property- be it furniture/stocks/plant and machinery/building etc), Ignition(it could be match stick irresponsibly thrown by an employee, welding flairs falling on property kept nearby, short-circuit, accidental sparking etc), and Oxygen (Oxygen is available in air at all times). Once above three factors combine, the Fire starts. Lack of any of these three factors- namely, Fuel, Ignition or Oxygen will result in no fire. The entire Risk Management for Fire therefore depends on keeping these three factors apart from each other.

There are no smoking signs in plant areas, so that ignition can be avoided to come in contact with Fuel (stocks/properties). Oxygen is available in air all the times and therefore removing the same is not possible, however, removing one of the other two ignition or fuel is possible and is the purpose of entire Risk Management exercise in case of Fire.

We will now examine, the exclusion part mentioned in All India Fire Tariff. It says, excluding destruction or damage caused to the property insured by

a) i) Its own fermentation, natural heating or spontaneous combustion. The clause excludes material undergoing at their own fermentation due to their own nature, or prone to natural heating process or prone to spontaneous combustion. Property of this nature is coverable under the Fire policy, however, any damage or destruction of such property due to its own fermentation, natural heating or spontaneous combustion are excluded. Any other cause of fire resulting in damage to these types of material is covered under the policy.

This Exclusion can be bought back as far as Spontaneous Combustion peril is covered, by paying additional premium and declaring intent to cover the same in proposal form.

ii) its undergoing any heating or drying process: This exclusion in policy refers to cases where property covered is required to undergo any heating or drying process as part of manufacturing process. For example, in Textile mill, the textile weaved is run through a Singeing process, wherein, it is passed through the Fire source, so that protruding fibres from a textile structure are burnt and finished product is smooth textile cloth. Now, if the textile structure going through the singeing process catches fire and gets burnt, the Fire policy will not cover damage to cloth.

However, damage to other machinery or material kept in vicinity awaiting singeing process, will be covered under the Fire definition in Fire policy.

b) Burning or property insured by order of any Public Authority: Burning of property by any public authority is excluded from the definition of Fire in Fire insurance policy. Public Authority means, municipality, State Govt/local Govt, Central Govt. or any statutory board who is authorised to take such decision of burning in interest of public good. The hypothetical example could be in case of raging fires, the authorities decide to put Burn a patch of land where property insured is kept, so that the spreading fire does not spread to other adjoining localilty and comes to a halt.

What is lightning?

Collins Dictionary defines Lightning : It is the very bright flashes of light in the sky than happen during thunderstorms. In physics, Lightning is the result of the build up of electrostatic charge in clouds. Positive and negative charges separate, negative usually towards the bottom of the cloud, while positive goes to the top. Heavier, negatively charged particles sink to the bottom of the cloud. When the positive and negative charges grow large enough, a giant spark-lightning-occurs between the two charges within the cloud. This is like a static electricity sparks you see, but much bigger.

A cloud-to-ground lightning bolt's main objective is to find the path of least resistance from the cloud to deep into the ground. The property, be it Factory/House/godown/school etc will have many potential routes for lightening to follow in its journey, This can include, gas and water pipes, electric lines, phone lines, cable TV/internal lines, gutters, downspouts, metal window frames- anything conductive in a building/ground is 'fair game' for the lightening to follow.

Lightning current will produce significant damage to a building or asset that is not equipped with a good protection system. Lightning presents three main hazards to a building/object that is directly hit:-

a) Fire danger- the heavy charge of lightning while travelling through wires or materials on its way to ground will generate heavy heat due to resistance caused by conducive media and therefore will burn such material, it could be wire/sheet or any other material which comes in its way.

b) Power surge damage- if lightning chooses any of the electrical wiring as its primary or secondary path, the explosive surge can damage even non-electronic appliances that are connected. Even if most of the lightning current takes other paths to ground, the home's electrical system will experience enough of a surge to cause potentially significant damage to anything connected to it, electronics in particular.

c) Shock wave damage- shock waves that lightning create is what produces the thunder that we hear. These waves can be destructive. Lightening can easily fracture concrete, brick, cinderblock and stone. Brick and stone chimneys are commonly damaged severly by lightning. Lightning's shock waves can blow out plaster walls, shatter glass, create trenches in soil and crack foundations. Shrapnel is a common damage effect, with objects sometimes found embedded in walls.

II. RISK MANAGEMENT

SHOP-FLOOR RISK IN MANUFACTURING ASSEMBLY LINE PLANTS Any place where the human being come into contact with other objects is a place which needs Risk Management. Shop Floor of a manufacturing plant is one such place where various individuals with different skill sets come together to manufacturing or assemble manufactured items.

The process of Risk Management starts with **IDENTIFYING HAZARDS** . It means identifying things and situations that could potentially cause harm to individuals working in that plant area. These could be in two category:-

A. ORIGINATING FROM PLANT ITSELF

i. Originating from plant itself, for example hazards associated with overhead crane installed in the plant relating to its movement, its electrical controls, and hydraulic and mechanical power sources, moving items, load-carrying capacity and operator protection etc.

ii. The physical perimeter area where the equipment will be used in shop floor area as well as the items and materials it handles in its area of operation. The construction of the building area any slopes/holes etc.

iii. Process manuals of the plant and machinery should be studied to understand potential hazards.

iv. Expansion of plant, installation of new machinery, building new blocks are also source of hazards.

v. Emission of harmful gases, fluids under pressure or otherwise, noise, radiation, vibration , friction, explosion etc are potential hazards.

vi. Surfaces, flat surfaces, slippery surfaces,protruding surfaces, fencing on machines, poor ergonomic designs are all cause giving birth to hazards.

B. CONTRIBUTED BY NEGLIGENCE OF HUMAN FACTOR

i. Lack of skill set in the workers operating the machinery. This could be due to change in technology, lack of training opportunities, frequent labour turnover.

ii. Inadequate supervision and guidance

iii. Wrong recruitment of manpower not suited to the work involved

iv. Outsourcing of the manpower requirement, resulting in wrong skill set worker working in the plant area.

v. Lack of permit system, resulting in workers present in wrong area of plant and hampering the work in that area.

vi. Negligence in implementing the HOT WORK PERMIT or DEPARTMENT restriction of movement of the workers.

REVIEW OF RISK MANAGEMENT AND SAFETY :

Following can help improve the safety and Risk Management at the plant shop floor:-

a. Active participation of the shop floor level workers in the committee formed for safety and Risk Management.

b. Inviting suggestions and improvement measures for accident free working from the shop floor level workers and recognising the workers for their contribution in this field.

c. Regular training of the workers on the trade they are involved.

d. Maintaining Log books of all machineries for maintenance. Improvising the maintenance work activity based on the experience and expertise of the senior shop floor level workers on their working experience with the machines

e. Reviewing incident records of workplace accidents, injuries, dangerous incidents etc.

ASSESSING THE RISK

A Risk assessment involves considering what could happen if something goes wrong in Shop floor:

a. severity of the incident-impact in terms of volume damage, force unleashed, explosion, exposed areas in such incidents and value of the property exposed

b. whether the management and control measure in place are adequate or they need to be further strengthened. Fencing on machine adequate or further fencing is required.

c. what action is required to control the risk. If fencing is not adequate, further strengthening the fencing. Putting Perfect Party wall to segregate the fire from the plant to storage area.

d. competency of operators at the shop floor- technical competency, work organising capability, shift management etc.

III. CLAIMS

ROOF TOP SOLAR POWER PLANTS – STORM LOSS

Roof top solar power plants are emerging risk and growing at a fast pace. Mainly due to emphasise of the government on cleaner energy options. Storm loss is one of the major cause of claims in this category. The process to be followed for handling such claims are issues which one has to counter as insured are as follows:-

1. Valuation aspect of the plant. The asset is generally erected based on the contract value. The O&M is also generally will the same party who has installed the plant. The roof top solar power plants are generally installed on the roof top of the clients who outsource the installation to solar power installing companies. The O&M on long term basis is also outsourced to such installation companies.

2. Document processing for the claim is handled by installation company. Client does not come into picture for pursing the claim.

3. Weather related reports from Meteorological Department is required to authenticate the wind speed or rain or hailstorm which caused damage.

4. The surveyor firms are new to this risk and need education as well as awareness on the technology involved.

5. The basic ingredient of the claim assessment are common- valuation verification and assessment of loss, cause analysis to determine coverage of peril under the policy, documentation required to authenticate the claim.

6. Most challenging part is claim cases where the accident happens within a period of 3 months from installation. The dispute on value due to charging of depreciation is major issue, as client feels that it is brand new and there should not be any depreciation deduction. However, insurance company will calculate the proportionate depreciation for 3 months which could be around 5% of the total installed value and apply that depreciation.

7. Claim stands settled on full value basis with 2% depreciation deducted for a 6 months old plant. Salvage value deducted NIL.

8. Claim settled within 45 days of reporting of the storm loss.

LEARNING:

- Valuation of the Fire policy for operational risk should be defined clearly and should be based on the EAR policy sum insurance value.

- Breakup of the major parts such as rooftop panels, Batteries and other major items should be given separately.

- The roof top locations should be clearly defined in the policy including no. of blocks of the main address being mentioned wherever rooftop panel has been fixed.

- Surveyor should be provided with literature of the solar films/modules and panels as well as technical literature on the same for their easy understanding and assessment of the claim.
- Insurer should be asked to depute surveyor who has handled similar risk in the past.

IV. IN THIN CLOUDS

As subject line says, this is in thin clouds. These are products which we feel will see the light of the day sooner or later, as we envisage the need for such products/ add ons in existing products.

CRYPTOCURRENCY : INSURANCE AND HEDGING : Cryptocurrency are floating in the markets. The concept behind these currencies, Blockchains has a huge scope of utilisation and creating larger capacities in the insurance field. The concept of Blockchain is wherein the secret codes are kept in software programmes and there is no control in any individual authority for such transactions. The chain of such transactions is kept in coded encrypted form. As and when transaction takes place for exchange of these currencies, another code is created with identification details of new owner and it gets added to that blockchain in soft in encrypted form. That is how it works.

This has very good scope in Insurance field specially in Reinsurance capacity creation and transfer of risks to Financial markets. As of now such techniques are known as ART-Alternative Risk Transfer mechanism.

The latest that was heard on this subject is that some Life insurance companies in India has tied up with IBM and some other software companies to set up Block chain system for keeping the data of individual customers relating to their health records which can be assessed by any life insurer by paying a fix fee to accept proposals, or fix sum insured limits being offered. This can also have scope in building a Nation wide data base of all insured individuals for health insurance, whether in group health policies or individual policies and the data base being protected by Blockchain system. And available to individual insurer only with permission of individual concerned at time of his filling proposal form and providing one time password to insurer to check his health data.

INSURANCE NEWS : *EXERCISE FOR IRDA CHAIRMAN RECRUITMENT HAS KICKSTARTED:* Retired bureaucrats, Insurance company CEOs numbering around 42 have applied for the position falling vacant in February 2018 on completion of term of Mr. Vijayan current IRDA Chairman. This rush is because of change in norms notified by Government whereby eligibility norms have been widened to include CEOs of Govt insurance companies in equivalent position of Addl.Secretary rank and even executives heading private sector insurers have been brought into the ambit of applicant category.

Life Insurance Corporation is still the number one Life insurer in terms of claim settlement rate for the year 2016-17.

GIFT(Gujarat based International Financial Centre), Gandhinagar has been approved by IRDA by its notification to allow Indian companies in insurance sector to have offshore business on lines of Dubai based DIFC(Dubai International Financial Centre). A small beginning but a huge step forward considering trained insurance manpower we have, financial strength developing in Indian enterprise in insurance sector and growing infrastructure projects coming up in India and our comparatively better position in software field.

ARE YOU BEING SERVED?

Obtaining detailed information of the client's business and Risk Management philosophy

Intermediary are supposed to obtain detailed information of the client's business and Risk Management philosophy while working on insurance portfolio of a client. This entails, understanding the manufacturing process, Supply chain of the client, industry issues, source of raw materials, how they are transported, how they are processed. Understanding these issues is important, since it helps in designing the insurance policies to take care to include unique exposures which such client may have out of their operations.

The intermediary carries out this process of collecting information by doing following activities :-

i. Risk inspection of plants and other assets and facilities

ii. interaction with various plant heads, senior management people to understand their point of view on various exposures.

iii. Raw material used and sources of raw material.

iv. Godowns standards and capacity

v. Finished goods market- in India or exports. IF exports which countries.

vi. Competition of the client and peer industry

vii. Technology used for production

viii. Proposal form filling and helping client fill proposal form, so that information required for underwriting the risk is obtained.

ix. Interaction with higher management and going through the process manuals and maintenance philosophy of the client helps in understanding Risk Management philosophy of the client. This helps in fixing the Deductible limits under the policy.

PATHSHALA :

AGREED BANK CLAUSE IN FIRE INSURANCE

Agreed bank Clause as name suggests is used when financial interest of a banker/financier is included in the policy. All properties where banker has financial interest full or partial, bank will insist for its interest to be covered by way of Agreed Bank Clause. The inclusion of this clause in the policy gives results to :-

i. The claim is payable to the bank whose receipt shall be complete discharge and binding on all parties insured.

ii. Any notice under the policy is sufficient if given by or to the bank.

iii. Any settlement of claim agreed by banker under the policy will be sufficient agreement under the policy and no other party can object to the same. Such agreement will be binding on all other parties as far as insurance claim is concerned.

iv. Any alteration or increase in risk does not invalidate the insurance as far as bank is concerned, provided the bank notifies the same as soon as it comes to its knowledge and pays additional premium for the same.

Whilst inclusion of this clause in the policy is done based on the request of the insured without asking for any documentary proof of the bankers interests in the policy, following Principal of Utmost good faith, applicable in insurance contracts.

Removal of bank clause can be done only after banker has given **NO OBJECTION CERTIFICATE or RELEASE OF ITS INTEREST IN THE PROPERTY** to the insurer.