



Together We Serve

GENERAL INSURANCE COUNCIL

Newsletter

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Message



Welcome to another quarterly newsletter of GI Council,

The financial year 2018-19 has ended. Although the audited figures are still awaited from the member companies as the premium reaches Rs. 1,70,000 crores. (13% growth over 2017-18), Double digit growth rate of general insurance

business continues to enthuse member insurers of the Council. Health insurance emerged as the leading line of business with Rs. 45485 Crs. premium this year followed by Motor TP with Rs 37982 crs. Ayushman Bharat, a flagship Health insurance programme of the Government, has also contributed to Govt. sponsored Health insurance schemes taking it to Rs 5843 Crs. of premium. Crop insurance business has generated Rs 28223crs.on the strength of Pradhan Mantri Fasal Bima Yojana. The government schemes, no doubt, are aimed at increasing the insurance penetration in the country

Along with growth there are trends which indicate that industry is steadily moving on the path of sound underwriting practices, use of technology for better customer service, adoption of best practices and high professional standards.

Apart from its normal activities GI Council has made considerable progress in developing a fraud mitigation mechanism, compiling a voluminous data base of

insurance frauds collated from member insurers and is looking to institutionalise a data repository for continuous fraud analytics for industrywide mitigation measures. An All India Insurance awareness market survey program for understanding the present levels of knowledge and awareness is underway to formulate media campaign for increasing insurance penetration.

GI Council is also emerging as a platform for dialogue and exchange of information with international Insurance associations with Insurance experts from Member insurers seeking positions in International Union of Marine Insurance.

With the bright future of the industry and untapped insurance potential, it is important that new professionals enter this sector and strengthen it. GI Council has been active in promoting and organizing quality insurance training, education, conferences to nurture talent and enhance the industry's professionalism. Details of educational programs are available on website.

None of these long-term initiatives are possible without the generous support of our member companies and other stake holders with whom Council is engaged.

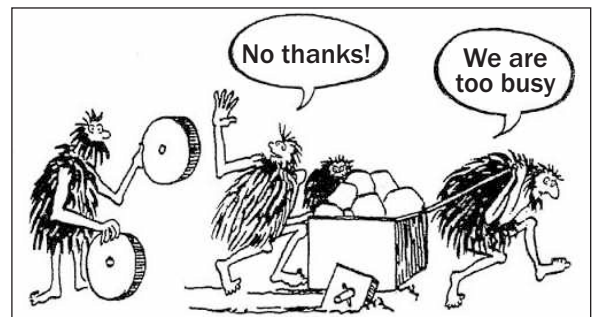
On behalf of G I Council, I thank you for your support and contribution and wish you all the best in the new Financial year.

R. Chandrasekaran

Secretary General, General Insurance Council



Panel discussion during Road Safety Week organised by GI Council



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Fraud Marine claim of the century: Case of M.V. Averilla and Oh Dai

It was sometime in August 1979. Mr KV Chalam, Manager in charge of marine department at New India was a worried man. Despite his objections, he was being persuaded to accept a high value cargo of cloves, brass scrap, palm oil and PVC resins to be shipped from Singapore for Mumbai in September 1979. To compound the problem the development officer under instructions from a senior officer had already issued a cover note which was submitted to the banks for LC. Marketing team had already decided to book marine premium for a large shipment.

Next few days he was engaged in correspondence with offices and GIC over various details of the ship pre loading surveys, requirements of reinsurance etc. to issue a policy taking all precautions and putting all applicable warranties & condition

To his utter shock and disbelief, he came to know that the ship in question "MV Averilla" had sunk in the Bay of Bengal on 5.9.1979. His worst fears had come true. Few days later he learnt that another ship carrying similar cargo of his client "Oh Dai" also sank near Burma on 8.9.1979. Recovering soon from the shock he started a chain of investigations which uncovered largest marine insurance fraud in the history of insurance industry in India.

When various insureds in India approached their insurance companies for their claim against total loss it came to light that all 4 PSUs and GIC had had covered cargo interests up to approx. 27 million dollars on the 2 vessels.

An urgent market meeting was called and New India, was authorized to investigate and take all steps necessary to verify the genuineness of the claims. In the meantime, many Insureds concerned with ongoing investigations filed cases in court for payment of their claims.

New India conducted intensive investigations. Inquiries from Lloyds of London, clove markets of Zanzibar and port and customs authorities in Singapore revealed a massive web of conspiracy to defraud insurance companies hatched by some buyers in India with consignors in Singapore. On confirmation of foul play New India lodged a police complaint with Singapore police on 13.11.1979 and Singapore

police after investigation, arrested most of the suspects and charged them with crime. The suspects confessed to avoid harsher punishment and were sentenced up to 4 years rigorous imprisonment in 1983. New India also reported the matter to CBI which visited Singapore and conducted investigations confirming the conspiracy.

An interesting fact of the case is that quantity of Zanzibar cloves said to be imported in Singapore and on board the ships was not even produced in Zanzibar in a year.

In India, however, a long legal battle lasting 38 years ensued between insurance companies led by New India and 37 claimants. This came to an end in February 2018 when Delhi High Court based on pleas and evidences and Singapore witnesses' cross examination dismissed all the suits. No one went for appeal.

To cut the story short this is how the conspiracy was hatched and events unfolded:

2 influential Indian businessmen with friends in Singapore entered a conspiracy to load a ship with fake cargo, scuttle the ship and claim the money from Indian insurance companies. They persuaded others to open LC and import the cargoes of Clove, Palm oil, Brass scrap and PVC resin as it was very profitable. The consignor in Singapore arranged a ship "MV Averilla" to be scuttled, prepared all documents like mate receipt tally sheet Bill of lading, added yellow color to water to pass on as palm oil, rice bran sprinkled with clove as Zanzibar Cloves and water filled drums as Brass scrap and PVC Resin. All these materials were shown to be sourced from local suppliers with invoices. However due to enthusiastic response from Indian traders persuaded by 2 businessmen more LCs were opened, and more fake cargo was arranged than one ship could carry. So, another ship "Oh Dai" was arranged to carry the fake cargo. Holes were made between bulkheads between engine room and holds and covered by a metal plate screwed over them.

m.v. "Averilla" departed from Singapore on 10.8.79 while the m.v. "Oh Dai" departed on 3.9.79. The m.v. "Averilla" sailed for about 6 days before Capt. stopped the engines to await instructions

from owners office, as planned. He sent cables to the owners to the effect that the engines had malfunctioned and were undergoing repairs. The vessel thus idled in the ocean for about 3 weeks. Eventually, after receiving a coded message from owner to sink the vessel on 4.9.79, he positioned the vessel in deep water. and in the early hours of the morning on 5.9.79, after dispatching the crew into life - boats, instructed his engineer to open the sea valves. The metal plates over the holes cut into the bulkheads had been removed earlier. He and his engineer waited until the engine room was sufficiently flooded before boarding a life - boat and proceeded to a safe distance to watch the vessel go under the Waves

Subsequent to the sinking Capt. and his crew proceeded in their life -boats until they landed at Trincomalee, Sri Lanka. Owner, through his agent in Colombo, arranged for their flight to Bangkok where he met them. He later took them to a lawyer's office where Capt. and his crew signed a Marine Note of Protest and a statement of the facts relating to the sinking. They were paid the amounts promised to them after which owner returned to Singapore.

In a similar manner scuttling of Oh Dai was conducted on 8.9.1979 off the coast of Burma.

The scale of conspiracy was very elaborate. Invoices, bills, warehouse rent receipts, transportation receipts, purchase documents of packing material, wages and salary to workers employed, mate receipt, tally sheet, bill of lading, purchase of ships, hiring of crew from Thailand and Malaysia all were taken from authentic entities. The network of conspirators criss crossed from India to Singapore, Hongkong, Thailand and Malaysia. An ordinary claims manager would not have found anything wrong with the documents but hats off to Mr KV Chalam whose sheer doggedness in pursuing his deep suspicion unraveled this gigantic fraud.

Sources: Statement of facts by Singapore Police, New India's files and court records

<https://www.casemine.com/judgement/in/560909f8e4b0149711171147>

Delhi High Court: CS (OS) No. 1417/1979 & CS(OS) No.922/2004 & other connected cases

General Insurance Council workshop on Road safety

General Insurance Council conducted a Workshop on THE ROLE OF GENERAL INSURANCE INDUSTRY IN ROAD SAFETY” on 7.2.2019 at Hotel Sahara Star to address issues related to Road Accidents during the 30th National Road safety week (4-10 February 2019).

The workshop was inaugurated by Dr Subhash Chandra Khuntia, IAS, Chairman IRDAI. After welcome address by Chairman GI Council Mr AV Girija Kumar and theme presentation by Mr R Chandrasekaran, Secretary General of G I Council, Mr Abhay Damle, Joint Secretary Ministry of Road transport and Highways, and Chief Guest Dr Khuntia spoke on the subject and advised Council to mobilize insurance industry for taking steps to ameliorate the compensation system to victims as well as streamline the data flow for the benefit of stakeholders.

The workshop was attended by CEOs and other representatives of Insurance industry, IRDAI and Ministry officials, senior officers from Maharashtra Police and Transport department, NGOs, Motor Surveyors and many other stakeholders.

On this occasion a road safety booklet for school students in 4 languages jointly published by WIAA and GI Council was also released by Chairman IRDAI.

The workshop included presentations on topics of Road accident compensation, data integration between various stakeholders and accident prevention strategies.

A lively panel discussion followed on the topic “Road safety- A collaborative Affair”. Mr Amitesh Kumar, Joint Commissioner of Police (Traffic) Mumbai, Dr Prakash Jadhav, Dy. RTO, Mr Piyush Tewari from Save Life foundation, Mr Girish Radhakrishnan CMD of



Chief Guest Dr Khuntia lighting the lamp. Others in picture: LtoR: Mr R Chandrasekaran Secretary General, GI Council, Mr AV Girija Kumar, Chairman, GI Council and Mr Abhay Damle, Jt Secretary, MoRTH

United India Insurance, Mr Goplarathanam, CEO of MS Cholamandalam Mr Abhay Damle, Joint Secretary and Mr Jacob Thomas of IIB, participated in the panel discussion. Mr Abhay Damle moderated the panel discussion.

The biggest take away from the workshop was the realization of real time integration between MoRTH, National informatics Centre, Insurance companies, RTO databases including PUC data base for effective compliance of Road traffic rules and regulations.

Motor Technical News

Solatium Fund

Currently compensation of ₹ 25,000 & ₹ 12,500 is paid for death and grievous hurt respectively caused in a road accident to any person due to an unidentified vehicle (sec 161 of MV Act 1988). The Hit & Run claims are made under the Solatium Scheme 1989 to the SDO/Tehsildar of the Taluka. After inquiry & approval by the DM/DC/Collector of the Revenue District, payment is being made by The New India Assurance Co Ltd. (the Administrator of the Scheme) across pan India to the claimant.

The Supreme Court Committee on Road Safety (SCCoRS) is considering a scheme suggesting increase in the amount of compensation and digitized payment of compensation from the Solatium Fund. Watch this space for future developments.

Motor TP Premium Rates for 2019-20

The IRDAI has issued an order on 28th March 2019 to continue the Motor TP Premium rates of FY 2018-19 for the FY starting from 1st April 2019 onwards till further notice.

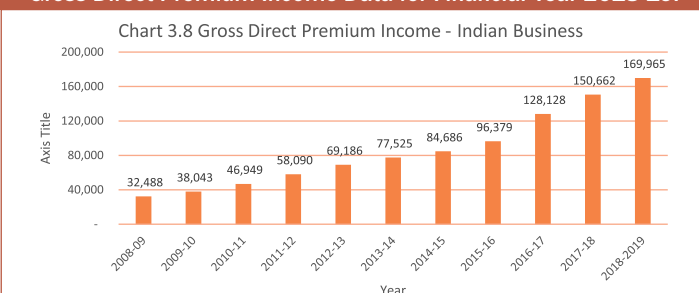
Unbundling of Motor standalone OD policies:

From 1st September 2018 as per IRDAI order for new cars and new two wheelers long term policies of 3 & 5 years respectively were mandatorily issued. An option among them, apart from 3/5 years Long Term Standalone Policy and Package Policy, was a bundled policy three /five years TP Liability cover with one-year OD cover. These policies would be due for renewal of the OD cover on 1st September 2019 and GI Council has sent the industry suggestions. IRDAI decision on the same is awaited.

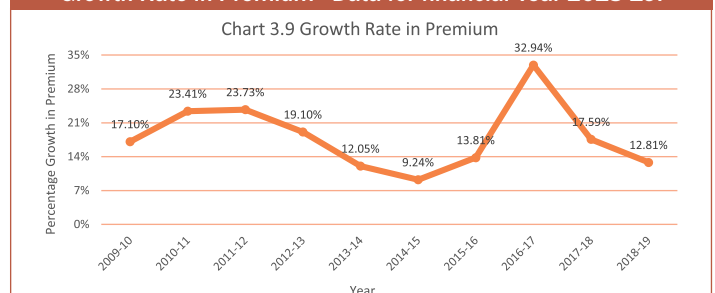
Certified Course for Insurance Investigators.

Last Year GI Council in collaboration with Insurance Institute of India (III) conducted a “Investigation & Fraud Detection Professional Certification Course” at College of Insurance, BKC, Mumbai. The Course is a holistic training and certification course for professional Investigators to detect and report on Frauds with tangible evidence thereby arrest the growing frauds in the Industry. The course would address not only insurance frauds but also internal frauds and verification of employee antecedents, among others. It is both classroom and practical hands on Training. Second such course is being arranged this year, details of which will be available on III and council websites soon.

Gross Direct Premium Income-Data for Financial Year 2018-19.



Growth Rate in Premium - Data for financial Year 2018-19.



*Please note that the data given for March 2019 is from monthly Segment Report and may be unaudited

News from International Associations and forthcoming events

Driverless cars must be resilient to cyber-attack, insurers warn

London
30/04/2019

Cyber security to become most important vehicle crime prevention feature

Vehicles should have a sufficient level of security to guard against cyber-attacks before they are allowed to be used in fully autonomous mode, the insurance industry urged at a conference today.

Setting out suggested criteria for keeping automation safe, initially on motorways, the Association of British Insurers says automated driving systems "must be able to detect and minimize the consequences of cyber intrusions and data security breaches". To know more click the link

<https://www.abi.org.uk/news/news-articles/2019/04/driverless-cars-must-be-resilient-to-cyber-attack-insurers-warn/>

SINGAPORE, 1 March 2019 – The General Insurance Association of Singapore (GIA) today introduced the GIA Insurance Fraud Tip-off (GIFT) scheme which rewards individuals up to S\$10,000 - based on the equivalent value of the fraudulent claim - for reporting insurance fraud cases that lead to successful prosecution and conviction of offenders. If there is more than one informant for a case, the panel of investigators will decide on the reward allocation to each informant.

The most common insurance fraud cases in Singapore are from the motor, travel and personal accident insurance segments. Full details at following link:

<https://gia.org.sg/agents/media-center/company-news/450-press-release-gia-launches-10-000-reward-scheme-to-encourage-reporting-of-insurance-fraud.html>

Forthcoming events:

International Union of Aerospace Insurers (IUAI) is organising its annual general meeting AGM at Bordeaux France from 3 to 5 June 2019. Those interested may register at

<https://iuai.org/Public/Events/2019-AGM-Registration-Details.aspx?WebsiteKey=e7590042-1672-4d0f-a20c-335e0bf62de2>

International Union of Marine Insurers (IUMI) is organising its Asia forum meeting in Shanghai 22- 23 May 2019. Those interested may register at following link.

<http://iumiasiaforum2019.binguosoft.net/registration>

Registration is open for IUMI annual conference in September 15-18 2019 at Toronto, Canada. Those interested may register at <https://www.iumi2019.com/registration>

Editor's Note

The second quarterly newsletter of general insurance Council features an interesting fraud marine cargo claim lodged in 1979 on PSU insurance companies. While fraud in insurance is not uncommon the magnitude of this fraud is astonishing.

It is unthinkable that such a scam with so much elaborate planning can be committed today since technology available now is efficient and swift to verify and process information in very little time.

Technology like blockchain, telematics, AI etc. can make any investigation or checking of information far quicker and accurate but then there is a new phenomenon of 'Cyber risk' that has emerged from the same technology. Cyber risk is affecting all aspects of life and business and no one knows precisely how to tackle it. The industry is offering solutions on selective basis, but it has a long way to go.

If you have any interesting case study, please do share. It will enrich knowledge and experience of all of us.

Sanjiv Singh
Head Technical

In lighter vein



**"What if we don't change at all...
and something magical just happens?"**



General Insurance Council

Industry Association of General and Health Insurance & Reinsurance Companies in India

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