Salasar Services Insurance Brokers Pvt. Ltd.

What is New

ICICI PRU IPO SAILS THROUGH, SUBSCRIBED 10.4 TIMES THE ISSUE SIZE

Investors lapped up ICICI Prudential Life Insurance's Rs 6,000 crore initial public offering (IPO) with both hands, as the issue received applications for 10.42 times the issue size at close of the bidding process at the end of third and final day. This was the biggest IPO since the CoalIndia issue, which hit the market in 2010.

Data available with BSE and NSE showed the biggest IPO in nearly six years attracted bids for 138 crore shares on Day 3 of the bidding process. This was against the issue size of 13.24 crore shares.

Retail individual investors have so far bid for 7.43 crore shares, or 1.30 times of the quota limit of 5.71 crore shares. The portion reserved for ICICI Bankshareholders was subscribed to 10.42 times. The quota for non-institutional investors was subscribed to 11.83 times, while the QIB portion got subscribed 28.55 times.

The insurer had on Friday allotted Rs 1,635 crore worth of shares to anchor investors. Till Tuesday, the IPO had attracted over 7.5 lakh applications from investors.

"The IPO price range of Rs 300-334 implies a valuation of 3.1-3.4 times on the enterprise value as of March FY16, and 2.2-2.4 times the enterprise value as of September FY18, which is fully priced in. But the RoEV is likely to improve to 18-19 per cent by FY18 on high business growth, improving margin on the back of improving persistency and better equity cycle," brokerage PrabhudasLilladher said in a note.

Considering the recently-announced merger of Max Life with HDFC Life, the valuation looks reasonable, Nirmal Bang Securities said in another note. SMC Global has given a 3.5/5 rating to the issue.

ICICI Prudential had sold a 6 per cent stake in November 2015 to investors such as Azim Premji and Temasek Holdings for Rs 1,950 crore, valuing the company at Rs 32,500 crore. At the upper end of the price band, the company is valued at about Rs 48,000 crore.

IS IT TIME TO FORGET ABOUT PUBLIC PROVIDENT FUND?

Savers think of the Public Provident Fund (PPF) as the old reliable workhorse of tax-saving, but this is a delusion that is losing them vast sums of money. If you're like most salary-earning Indians, then over 15 years, you could have effectively lost Rs 62 lakh on your tax-saving investments. This is not an exaggeration. This is literally what has happened to lakhs of us. What's worse, unless we understand what is happening, and take measures to stop it, it could continue happening.

So what has caused this Rs 62 lakh problem? The answer is PPF -- which probably comes as a surprise to you. It is the mainstay of the voluntary tax savings that most of us do. For decades now, putting a chunk of money into PPF towards the end of March is a money ritual that practically every salary earner goes through. Unfortunately, the PPF is not a great investment. The other major alternative for tax-saving investments, ELSS mutual funds, provide far higher returns.

Consider this example. PPF has a lock in period of 15 years, so let's take that as the period we consider. The maximum allowable investment under Section 80C is Rs 1.5 lakh. Over 15 years, this adds up to an investment of Rs 22.5 lakh. If you invest this much over 15 years, what would the value of your investments be? To answer that, let's calculate using the interest paid by the government on PPF deposits over the past 15 years. The Rs 22.5 lakh you invested would have grown to Rs 51.8 lakh.

What would have happened had we made the same investment in an ELSS tax-saving fund instead? Assuming we got just the average returns generated by ELSS fund over these years, the Rs 22.5 lakh would have grown to Rs 1.14 crore. You can read that number again and take a deep breath. Rs 51.8 lakh vs Rs 1.14 crore. 2.2 times the money. In fact, going forward, the scale will actually be larger, as the amount allowable as the annual tax saving under Section 80C will keep getting increased. The difference over the next 15 years will actually be far more than Rs 62 lakh. There is no difference in the tax saving treatment between ELSS and PPF.

In the past, the limit was lower, so the difference would not have been Rs 62 lakh. However, the ELSS amount would still be 2.2 times that of PPF. So why doesn't everyone do this? For a lot of people, biggest reason is probably lack of knowledge about ELSS. For decades, PPF has been the automatic choice for tax-saving investments for salary earners who have a low level of awareness about financial products and the options available.

Traditionally, in many places of work, the accounts department just informs every employee in January about how much PPF investment they need to make in order to avoid an extra tax deduction in March. There are salary earners who think that PPF is the only option that is allowed for this purpose. This probably happens because this actually used to be the case till the Union Budget of 2005, when the Section 80C limit had internal sub-limits.Till that time, only Rs 10,000 a year was allowed for ELSS funds.

Savers with somewhat more knowledge think PPF is better because it has fixed returns while ELSS is dependent on the vagaries of the stock market. In theory, this is true. However, given the long-term nature of these investments, the risk of ELSS funds underperforming PPF is negligible.Since 2000, the average returns of ELSS funds has been 13.34% p.a. Incidentally, the best fund would accumulate 3.8 times PPF. Applied to our example above, the best fund would have generated Rs 1.97 crore versus the Rs 52 lakh of PPF.

There's a huge liquidity advantage to ELSS as well. PPF has a lock-in period of 15 years while ELSS is just three years, despite identical tax saving. This may sound heretical, but all things considered, savers should just completely ditch PPF and switch to ELSS.

INNOVATIVE EMPLOYEE BENEFITS

Attracting top talent with just a salary hike is something of the past. In the high-stakes quest to find, keep and nurture the right talent, employers today are creating and implementing unique perks to differentiate themselves from the rest of the herd. They are keener than ever to attract the best people using secondary benefits that go beyond traditional perks - and employees seem to be loving it! The lines between work and play, office and entertainment are blurring with an array of perks and activities lined up - because today's organizations believe that happy employees are productive employees. While freebies like telecommuting, work from home options, flexible work hours, free food, gym/club membership, company retreats, tuition fee reimbursement, management development programs, subsidised child care, stock options have been around for some time now, this article takes you through some of the most innovative perks being offered in organizations around the world.

Unlimited vacation days

A small but growing number of companies offer employees the benefit of unlimited vacation days. Under these policies, employees are encouraged to take as much vacation time as they like - within reason. When employees know they are trusted to take vacation when they need or want one, they're more willing and excited to produce better output while at office. Unlimited vacation is a good way to incentivize employees to take the break that could actually boost their work output. One company mentions that they give a cash amount as vacation reimbursements for food, lodging and transportation to encourage employees to take vacations. Another company offers a fully paid vacation to their long time employees once a year to a location of their choice.

Luggage party

There is a law firm that holds an annual "luggage party draw" for which every employee is eligible. Employees who wish to participate bring in a packed bag to office on the day of the draw and four employees are randomly chosen and taken on an all-expenses paid weekend trip to Las Vegas.

Leave Banks

Some organisations have established a leave bank under which an employee may contribute unused accrued annual leave for use by a colleague who is experiencing a personal or family medical emergency and has exhausted his or her available paid leave. This facility ensures employees don't lose their salary, which they would otherwise.

Death Benefits

This is a benefit that extends into the afterlife. This company (no prizes for guessing which) provides a 50% pay check to the spouse of the employee who died in harness; for the next 10 years. Children also receive a monthly payment until they turn 19. Even more astonishing is the fact that there is no 'tenure requirement' to qualify for this benefit. The company points out that the reason they're doing these things for employees is not because it's important to the business, but simply because it's the right thing to do.

Concierge service

In today's time starved society, it just seems that there are not enough hours in the day to juggle personal and professional responsibilities. Realising this Corporate Inc is offering concierge services that will take care of errands like paying bills, a trip to the grocery store or getting a car's oil changed. Corporates want to help their staff with the everyday, practical tasks of running a household. By providing a concierge, companies are not only providing a valuable tool for employee satisfaction and retention, but are alleviating the time burden that personal tasks place on the company's resources.

Concierge and Personal assistant services include picking up an important gift, dropping off the car at the garage, car washing, holiday research and booking, finding plumbers, dry cleaning, organising the laundry, pet care and other personal errands. Some companies are even providing 'virtual personal assistance' where an employee comes to work, logs on to the company's virtual personal assistance website, inputs his personal to-do list, and have someone take care ofeverything.Concierges are undoubtedly appreciated by employees for the huge convenience they offer.

Bringing pets to work

Increasingly organisations are seeing pets as a positive addition to the workplace (the most favoured one being a dog). Employers in companies having "Bring your pet to work" policy report business-enhancing benefits such as improved morale, better interaction with colleagues, reduced employee stress and increased levity at work. Some companies are also banking on their pet policy to ramp up employees' workouts. Taking the dog out for a walk refreshes the mind and as well gives some exercise to the body. Employees can also sign up to look after another person's dog during meetings or take it for walks, just because they want to. Though employees are able to bring their dogs, to the workplace, there are a set of rules that everyone must abide by – Employees have to get approval from their managers and work neighbours to make sure everyone's OK with it, the dog must always be on a leash and no entry into the lunch room and meeting areas.

Free chair massage

The number of companies that offer chair massage to lower stress and improve productivity is growing. Massage has been shown to reduce blood pressure, relieve arthritis, improve joint and muscle aches especially in painful areas of the neck and back. In addition, massage can play a very important role is preventing and treating the pain and numbness associated with excessive keyboard and mouse use. Because chair massage is non-intrusive, it does not interfere with the daily work routine; only a small semi private place to set up chairs is required. Companies offering this perk firmly believe that massage can really make a difference in productivity, job satisfaction and health as it improves thinking and reduces fatigue.

Game Rooms

Game rooms have become sophisticated to woo in the twenty-something techies and nerds. While companies initially started off with tables for ping pong, billiards and caroms, today they have video games, darts, foosball, arcade games and even simulators. Some companies also have a large swimming pool, sand volley ball courts and rock climbing walls.

Conclusion

The recent years have seen many employer-driven "innovations" in secondary benefits. As we walk through 2015, we can anticipate this movement to continue as companies scramble to find better ways to enhance the employee experience.

PROBLEM AND SOLUTION FOR COVERAGE IN RESPECT OF MACHINERY IN MARINE CLAIM

Heavy Machinery was covered under Inland Transit (Rail or Road) Clause A (All Risks) with Replacement Clause from Mumbai to Banglore.

Scenario a) Claim - Due to overturning of the carrying vehicle near Pune, the machine was severely damaged . Insured brought the cargo back to Mumbai works for repairs.

Claim Bill = Repair cost + Re-Transportation cost from Pune to Mumbai. Are we liable for Re-transportation cost ?

Scenario b) Claim – On arrival of the machine at Bangalore factory of the Insured, the same was damaged due to falling of the machine on the ground while unloading by the employees of the insured. Are we liable in the absence of loading / unloading cover ?

Scenario c) Machinery is to be installed at 5thFlrof the insured premises. After unloading the cargo by the Carriers from the vehicle, they startedhoisting the cargo to the reqd. level. But on reaching at the 4thflr level, machinery fell down due to negligence of the Carriers. Are we Liable?

Scenario d) Cargo arrived at the Insured factory midnight. Securitypeople signed the delivery slip but advised the Carrier to park the vehicle outside the factory as it was closed . Vehicle was parked with cargo on road outsidethe Insured's factory. Due to short circuit, the entire cargo alongwith the vehicle was gutted due to fire resulting in "Total loss" of cargo.

Are we liable?

a) **The insured is entitled to recover re-transportation cost as loss minimization (Sue &Labour) expenses**

b) **The policy will not respond as delivery has taken place at the intended warehouse**

c) **We would consider this not a "usual" place of delivery. The assured must disclose that the place of delivery would be on the 5th floor prior to inception of cover as this is a material fact increasing the risk of loss and the Insurer would have charged a higher premium and/or asked for a supervision of delivery operation by a qualified surveyor**

d) **The goods would be deemed to have been delivered and such a claim would not be admissible**

Duration issues in Marine Insurance have always been contentious. While we have given a broad guideline, if you have claims as described in scenarios (b, c and d), we would like to examine such cases in depth before reaching a firm conclusion

INSURE YOUR BUSINESS: ALL ABOUT POLITICAL RISK COVER

Indian companies operating outside are worried over risks and damage that Islamic State militants or conflict in Syria can cause to their businesses. They are increasingly looking to insure against the political risk while operating outside India.

What is a political risk cover?

This insurance policy saves investors and businesses from possibility of losing money because of political events. Today, companies are keen to know how to protect assets, get insurance in an event of political risk.

This risk includes takeover, nationalisation and overthrow of the government, political violence, sovereign debt default, change in tax laws and, at times, acts of terrorism, riots and war. For companies the major concerns are property damage and business interruption cover, they are also increasingly looking to consider coverage for terrorism liability.

It may also include cover against kidnap & ransom.

Is there an increase in demand for political risk covers?

With political instability across pockets world-wide, organisations are increasingly on the look-out of up-to- date and latest risk mitigation strategies, said KPMG in a report.

Enhanced levels of exposure assessment, comprehensive disaster recovery plans, business continuity procedures, training and awareness of leadership and staff, and sophisticated cyber skills are some of the areas where consulting firms are being called upon.

Who buys these covers?

Many Indian multinational companies are now taking this cover, with an increase in terrorism and related risks in other parts of the globe. Now, more companies in manufacturing, engineering, procurement and construction are buying this cover for their operations in Middle East and African countries.

Indian companies operating overseas can buy these covers from companies based here. Similarly, overseas companies buy it from overseas market to protect themselves from political risks that may emerge in India.

Lloyds, XL Catlin and AIG are large global players offering political risk covers.

Which Indian companies offer this product?

Earlier, Oriental Insurance used to offer emergency risk insurance to cover this risk, as a designated insurer for the cover. Now, Export Credit Guarantee Corporation offers political risk cover. The sum assured depends on the investment made in the overseas market.

Are there any large claims?

There is no large claim. Vodafone tax case raised questions among investors.

What is the impact on the premium?

Premium on political risk covers have gone up 100-600% recently, due to increased cases of political instability and threats.

MARINE HULL INSURANCE

What is Marine Hull Insurance ?

Hull Insurance encompasses all risks relating to Ships/vessels (Ocean going/ Sundry Vessels), Floating Dry docks, Jetties, Pontoons and Ship-owners' interests including Hull and Machinery Freight, Disbursements, Protection and Indemnity, Liabilities etc. The hull insurance also provides indemnity against damage to ship under construction which is covered under Builder's Risk policy. Insurance of Charterers' Liabilities, Ship Repairers' liabilities, Oil and Energy risks along with its connected construction risks fall under hull Insurance.

Insurance relating to War risks is required to be done as per the "Scheme of war risks insurance of Marine Hulls (2005)."

Hull refers to the shell of the ship but in insurance terminology hull denotes the whole ship, vessel and craft including its machinery. The Ship is commonly described as steel hulled, self propelled ocean going vessel. Craft is described as small vessels which navigate in lakes, rivers, harbors and along the coast. Major Hulls include ocean going vessels carrying cargo/passengers etc.

Contract of Hull Insurance

All ingredients applicable to a commercial contract are also applicable to hull insurance. The policy is generally issued for 12 Months and the premium is allowed to be received in installment as the same is quite substantial. Marine hull contracts are Modified Indemnity Contracts.

Who can take Hull Insurance?

The Ship-owner who owns the vessel may obtain Hull policy. The other parties like Mortgagees viz Bank and Financial institution, Charterers, Bailees may also obtain hull policy for having their insurable interest.

Hull insurance is a valued policy

Marine hull policies are generally valued policies. Sec 18 (1) of Marine Insurance Act,1963 provides that "in insurance of ship, the insurable value is the value, at the commencement of the risk of the ship, including her outfit, provisions, and stores for the officers and crew, money advanced for seamen's wages, and other disbursements, if any, incurred to make the ship fit for the voyage or adventure contemplated by the policy, plus the charges of insurance upon the whole." The value of the ship and its machinery so declared by the insured at the inception of cover becomes binding on both the insured and the insurer and is conclusive unless gross overvaluation with ulterior motive on the part of the insured is established.

Unvalued policy is issued to cover ship-owner's freight. Sec. 18(2) provides that "in insurance on freight, whether paid in advance or otherwise, the insurable value is the gross amount of the freight at the risk of the assured, plus the charges of insurance." It is therefore observed that the insurable value is the gross amount of freight at the risk of Ship-owner. The gross amount includes the expenses of earning the freight.

In case of total loss of a vessel, these expenses, wholly or in part, may not be incurred and the Insured may recover more than what he has lost if the policy is issued on this account under agreed value terms. To avoid this situation, unvalued policy is issued to cover Ship-owner's freight

Types of Vessels

Modern ships encompass a wide range of customs built, special purpose ships including small ones used for specific trades like fishing. Broadly, ships can be classified into two major groups:

a) Ocean going vessels

b) Sundry vessels

The former category includes all sea going ships, e.g. Passenger ships, Intermediate ships, Dry cargo vessels, Cargo liners, Bulk-carriers, Deep –sea fishing trawlers / fish factories, RO-RO vessels, LASH, Ore-Carrier, Container ships, Coal Carriers etc.

The second group encompasses all types of inland vessels, e.g. Tugs, Barges, Lighters, Feeder-vessels, Dredgers, Country crafts, Fishing boats, Pleasure crafts, Sailing vessel etc.