Insurance Institute of India
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INSUNEWS
- Weekly e-Newsletter

23rd – 29th June 2018

• Quote for the Week •

"Not everything that can be counted counts, and not everything that counts can be counted"

Albert Einstein

INSIDE THE ISSUE

Insurance Industry

Exposure of mutual funds, insurance firms up 29 per cent – The Indian Express – 29th June 2018

The combined exposure (gross receivable) of mutual funds and insurance companies towards the troubled banking sector rose by 29 per cent to Rs 6,20,000 crore in March 2018 against Rs 4,80,000 crore in March 2017).

"The banking sector had an exposure (gross receivable) of nearly Rs 32,300 crore in March 2018 towards the insurance and mutual fund sectors taken together (as against Rs 15,400 crore in March 2017)," the Reserve Bank of India said in the Financial Stability Report (FSR). The rise in exposure is significant as the RBI's macro-stress tests on public sector banks under prompt corrective action framework suggest worsening of their gross NPA ratio from 21.0 per cent in March 2018 to 22.3 per cent by March 2019, with 6 PSU banks likely experiencing capital shortfall, according to the RBI FSR.

Gross NPAs of banks have already crossed the Rs 10,00,000 crore mark in the fiscal ended March 2018.

Mutual funds were the largest net providers of funds to the financial system. "Their gross receivables were around Rs 885,200 crore (around 41 per cent of their average AUM), and their gross payables were around Rs 56,000 crore in March 2018. Almost all their receivables (99.7 per cent) were fund based in nature," the RBI said. Top three recipients of their funds were banks (at 44 per cent) followed by non-banking finance companies (at 26 per cent) and housing finance companies (at 19 per cent).

According to the RBI, mutual funds were quite active in the money markets (particularly CP and CD markets) with about 45 per cent of their receivables being short-term in nature. "The remaining 55 per cent of their receivables were long-term in nature, in which long term debt followed by capital had the largest shares," it said.

Insurance companies had gross receivables of Rs 502,200 crore and gross payables of around Rs 20,700 crore making them the second largest net providers of funds to the financial system in March 2018, the RBI said. Like mutual funds, a breakup of their gross receivables indicates that the top 3 recipients of their funds were banks (at 46 per cent), followed by NBFCs (at 28 per cent) and HFCs (at 20 per cent). But in contrast to mutual funds, insurance companies had limited exposure to short-term instruments. Around 91 per cent of their receivables were long-term in nature, in which long-term (LT) debt followed by capital were the most important, it said.

The RBI said NBFCs were the largest net borrowers of funds from the financial system with gross payables of around Rs 717,000 crore and gross receivables of around Rs 41,900 crore in March 2018. "A breakup of gross payables indicates that the highest funds were received from banks (44 per cent of total funds received by NBFCs), followed by mutual funds (at 33 per cent) and insurance companies (at 19 per cent). Long-term debt followed by LT loans and CPs were the three biggest sources of funds for NBFCs," it said.

Housing finance companies were the second largest borrowers of funds from the financial system with gross payables of around Rs 528,400 crore and gross receivables of only Rs 31,200 crore in March 2018, the RBI FSR said. As on March 2018, HFCs' borrowing pattern was quite similar to that of NBFCs except that AIFIs also played a significant role in providing funds to HFCs. Like NBFCs, long-term debt, LT loans, and CPs were the top three instruments through which HFCs raised funds from the financial markets.

Source

The share of PSU banks in the inter-bank market declined to 58 per cent as compared to a share of 65 per cent in total bank assets. The size of the inter-bank market too shrank from Rs 810,000 crore in March 2017 to Rs 650,000 crore in March 2018.

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Why insure deposits of public sector banks? – The Hindu Business Line – 27th June 2018

"Public money is extremely safe in public sector banks," declared the Finance Minister Piyush Goyal at a press conference following a meeting with the heads of public sector banks recently. He also said that the government stands fully behind public sector banks and the deposits in PSBs are 100 per cent safe.

This is a timely statement from the Finance Minister when 19 PSBs have declared net loss for the year ended March 31, 2018. Only two banks could declare net profit during this period. Though people are aware that the government is there to rescue PSBs, this reassurance is required as all sorts of rumours are being floated by vested interests.

Not much of a cover

Category of bank	Insured deposits (₹ cr)	Assessable deposits (₹ cr)
SBI group	7,16,900	21,22,400
Public sector	13,50,900	44,50,000
Foreign banks	13,600	5,06,200
Private banks	4,19,800	22,20,200
Local area banks	300	600
Regional rural banks	1,88,500	3,04,100
Co-operative banks	3,60,800	7,49,600

Yes, PSBs are safe as the government can pump in any amount from taxpayers' money. The minister's confidence obviously does not arise from the insurance coverage alone available for bank deposits. It must be based on the government ownership and the fact that it can pump in taxpayer money. Deposit insurance does not cover 100 per cent value of all the deposits. However, the same comfort level cannot be there for private sector and cooperative banks. This is the time for the government to review the need and working of Deposit Insurance and Credit Guarantee Corporation (DICGC), a wholly owned subsidiary of Reserve Bank of India, in operation since 1962.

The Corporation insures all bank deposits, such as savings, fixed, current, and recurring. There are some exceptions like deposits of foreign governments, deposits of Central/ State Governments, deposits of State Land Development Banks with State co-operative banks, and inter-bank deposits.

At present, the insurance limit for bank deposit is Rs 1 lakh and the premium rate is Rs 0.10 per Rs 100.

For the year 2016-17, the extent of insurance coverage was for 1,885 million accounts (8 per cent of the accounts were partly protected and 92 per cent, fully protected) and the total amount of assessable deposits was Rs 103.53 lakh crore(amount of protected deposits 30 per cent and unprotected deposits, 70 per cent).

Originally, the DICGC was providing coverage for small loans as well. In fact, the DICGC was using the premium collected for deposit insurance to settle claims under small loans for many years.
But as no credit institution was participating in any of the credit guarantee scheme administered by the Corporation, the scheme was discontinued in April 2003 and deposit insurance remains the principal function of the Corporation.

The table shows that major chunk of deposit insurance business to DICGC is from public sector banks. The premium income is predominantly from PSBs.

When the major ownership of PSBs is with the government, which has got the capacity to enable banks to repay the deposits, why should the deposits be covered under DICGC's deposit insurance scheme? DICGC stipulates that only banks should pay the insurance premium and it cannot be collected from depositors. Hence this affects the bottomline of banks.

Who stands to gains

Who is the beneficiary of this scheme? Up to March 31, 2017, a cumulative Rs 295.90 crore was paid towards claims in respect of 27 commercial banks since the inception of deposit insurance. All these banks were from the private sector.

The cumulative amount of claims paid/provided for in respect of 336 co-operative banks since inception amounted to Rs 4,738.77 crore. During 2016-17, claims from nine banks were settled to the tune of Rs 58.63 crore and these were cooperative banks from different States. Again, DICGC's balance sheet (2016-17) contains a provision of Rs 223.10 crore on account of claims settlement to cooperative banks.

From this it is clear that the insurance premium collected from PSBs is being utilised to settle the claims of cooperative banks. It is a known secret how funds of cooperative banks are misused by politicians across States with immunity.

Making PSBs to have their deposits covered is similar to getting some other guarantee for the currency notes issued by the RBI. When the government can pay all the depositors, there is no need for any deposit insurance for PSBs.

The DICGC should not be allowed to take from PSBs and give to coooperative banks. It is a different matter that the premium rate for all banks is the same without taking into account the difference in risk factor among different banks.

Source

Back

A tale of two cities ... and insurance discrimination - The Hindu Business Line – 22nd June 2018

For the residents of the twin cities Hyderabad and Secunderabad, their exact location of residence does not matter for all practical purposes, since the cities extend to each other and are only separated by a lake. The exact geographical boundaries are of interest only for the civic and census authorities.

So, it may come as a shock to the residents of Secunderabad, that they are perceived as 'second-class' citizens, vis-a-vis those residing in Hyderabad -- in the eyes of an insurance company, that is. Here is an instance of discrimination simply because an insurance customer hails from Secunderabad.

MS Murthy, a former banker, who once headed the erstwhile State Bank of Mysore, took a health insurance (group) policy with United India Insurance, and had to recently make some claims for hospitalisation expenses, including room rent for a couple of days.

The policy document says that for Hyderabad the ceiling is Rs 7,200 and the hospital charged him Rs 6,500. But when it came to completing the discharge and billing formalities (supposedly a breeze when they sell you the policy with cashless claims), Murthy was in for a shock.

United India Insurance apparently considers Secunderabad as a separate city and and not part of Hyderabad and allowed only Rs 4,500 as applicable to Secunderabad.

Default city

That's not all. The company's list of cities doesn't include Secunderabad, and their system considers it as a default city under Grade III.

An e-mail from Anand Rathi Insurance Brokers points out that: "As per the policy documents, Secunderabad is not finding a place as either Tier I City or Tier II City. So, by default, it is falling in Tier III City, as per the policy terms and conditions. However, we are continuously following it up with the insurance company to put Secunderabad under Tier I City at par with Hyderabad. It has been agreed in principle, but official communication is awaited."

Murthy's efforts at arguing his case have so far been stonewalled, and a hundred e-mails have been exchanged (seen by BusinessLine) with the insurance company, its various departments, the third-party administrator, insurance brokers and even the Indian Banks' Association (roped in by the company to give their opinion), in what seems like a continuous buck-passing exercise by the parties involved.

Murthy's dismay at being led on this wild goose chase, and the fact that none of the various functionaries have taken pains to correct their list of cities, is very visible.

It is ironical that Hyderabad is the headquarters of the Insurance Regulatory and Development Authority (IRDA). Perhaps, the first task for the new chairman may well be to intervene and stop the discrimination in his own backyard and get the companies to revise their list.

Source

India: Insurance sector sees loyalty level of almost 70% - Asia Insurance Review

The overall loyalty level in the Indian insurance sector stands at a modest 69%, according to a report by Mumbai headquartered Kantar IMRB International, a market research, survey and business consultancy firm.

The report, the 7th edition of Insurance India, shows that customer loyalty is higher in Tier 2 towns as opposed to metro cities.

Other key findings are:
In terms of brand rankings, Max Life Insurance takes the coveted top spot in 2018, closely followed by industry behemoth SBI Life, with LIC and Birla Sunlife in joint third position. Max Life Insurance is perceived to have churned out more innovative products and is seen to be transparent in its dealings with customers.

Innovation is the key to customers this year. Brands that are not seen as innovative have fallen in their loyalty ranking as well. The other non-negotiables are reliability and fair treatment and a strong agent-customer interface.

'Trust', 'Reliability', 'Transparency' and 'Fair treatment' are still among the most important qualities sought by customers in their life insurance service provider.

Another factor very important to the life insurance customer is the heritage/lineage of the brand. Customers are unwilling to put their money in a brand that does not have a credible name or a long standing in the market.

Younger customers, the most insurable segment (25-34 year olds) are more loyal than older customers.

Source

Insurance India is an annual study that is conducted by Kantar IMRB International each year and tracks changing customer attitudes and behaviours. This year, the coverage includes feedback from nearly 7,000 customers, 13 players and more than 15 cities across India. Customer feedback was gathered during the first quarter of 2018.

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Insurance Regulation

Irdai board to meet tomorrow, may discuss investment limit for insurance firms – Financial Express – 28th June 2018

The board of insurance regulator Irdai is scheduled to meet tomorrow amid reports that insurance behemoth LIC may pick up a majority stake in state-run IDBI Bank. The board meeting tomorrow will discuss routine issues, sources said.

It is understood that the Insurance Regulatory and Development Authority of India (Irdai) board may consider hiking investment limit for a particular insurance firm beyond 15 per cent in the interest of policyholders. As per the present regulation, an insurance company cannot own more than 15 per cent in any listed financial firms.

"In the case of entities from the financial sector, other than regulated or diversified or listed, the limit (for insurance companies) shall be at 15 per cent of the paid-up capital," as per the guidelines for listed Indian Insurance Companies, 2016.

Without fixing a time-frame, Irdai last year had asked LIC to prepare a road map to pare its stake to 15 per cent in firms where it breaches this ceiling. However, it got some relief from the government as it had giving breathing period for paring stake. According to the Insurance Act 2015, "Without prejudice to anything contained in this section, the Authority (Irdai) may, in the interests of the policyholders, specify by the regulations, the time, manner and other conditions of investment of assets to be held by an insurer for the purposes of this Act."

Amidst reports of LIC looking to enter the banking space by acquiring majority stake in IDBI Bank, the issue of investment cap of insurance firm assumes significance. As the government makes efforts to revive the fortunes of IDBI Bank, which is saddled with huge amounts of bad loans, LIC becoming a major stakeholder in the lender could be beneficial for both state-owned financial players in the long run.

While a final decision is yet to emerge on whether LIC would be snapping up over 40 per cent stake in IDBI Bank, official sources said the preliminary contours of such a plan is being worked out. Earlier this week, a senior

finance ministry official had said that both LIC and IDBI Bank have independent boards, which would take a call on the possible deal.

A possible scenario would be the insurance major making IDBI Bank as a subsidiary on the line of its housing finance and mutual fund businesses. According to the sources, there would be business synergies in case the LIC-IDBI Bank deal materialises.

In his Budget speech for 2016-17, then Finance Minister Arun Jaitley had said the process of transformation of IDBI Bank has already started. "Government will take it forward and also consider the option of reducing its stake to below 50 per cent," he had said. They noted that in a stake sale, the government would not get the proceeds and the money would be utilised for the bank's revival. It could happen through issuance of fresh equity so that the government's stake which is presently at 80.96 per cent would come down below 50 per cent as announced in the Budget.

Source

Back

Life Insurance

Firms now decide hereditary commissions in life insurance – Mint – 25th June 2018

Life insurance is a product that's sold and not bought. At least that's what the insurance industry believes and therefore banks on its army of agents to convince you to buy life insurance. For this, the agent gets a cut from the premium that you pay. So, every time you cut a premium cheque, the agent makes money too. In other words, agents are entitled to a commission not just on selling a policy, but also when you pay renewal premiums.

Renewal commissions are given as an incentive to keep the agent's skin in the game so that he remains motivated to service your policy. You would think that this steady pipeline of commission stops when the agent leaves you, right? Wrong. The agents can get commissions even after they stop servicing your insurance policy. Till 2015, this was the law, but the Insurance Laws Amendment Act, 2015, repealed the law and subsequently the decision moved to the board of insurance companies. Read on to understand the old rules and how they have changed now, and what that means for you.

Old rules left no room for insurers

Life insurance products are front loaded, in which a fat chunk of the premium that you pay in the first year goes to the agent.

Currently, for term plans the maximum commission is Rs 40 and for other bundled plans (excluding pension plans), the maximum is Rs 35 on a Rs 100 premium. Subsequently, on renewal, the agent is entitled to a commission that's capped at Rs 10 for term plans, and Rs 7.50 on a Rs 100 premium for other bundled life insurance plans. Till FY17, the renewal commission was capped at 7.5% only in the second and third year and reduced to 5% thereafter.

Till the Insurance Act was amended in 2015, the Insurance Act of 1938 made renewal commissions an entitlement for agents who no longer serviced the policyholder, provided they had spent a minimum number of years with the insurer. So if an agent was with the insurer for five years, sold a policy with a sum assured of at least Rs 50,000, and had renewal commission up to 4%, he would continue to get due

renewal commissions. Further, on having spent 10 years, provided the agent didn't join another insurer, he was entitled to full renewal commissions.

The same rules applied if an agent died. The commission, also called hereditary commission, in this case went to the nominee of the insurance agent. "The rules were drafted at a time when LIC was the only life insurance company in the market and the financial market was under developed.

Given the popularity of insurance products in the high interest rate regime, it was imperative to protect agents by guaranteeing commissions even after termination. But the situation has changed now," said C.L. Baradhwaj, executive vice-president, legal and compliance and company secretary, Future Generali India Life Insurance Co. Ltd.

Of course, hereditary commissions or renewal commissions are paid if the policy is active, which means the customers need to be paying premiums.

The new rules

The old rules left little to the discretion of the insurer. The amendment to the insurance Act removed section 44 altogether and new rules on commissions left it to the board of insurance companies to decide how they wanted to pay commission to agents that no longer worked with the insurance company.

Insure have not altogether done away with paying commissions to dead or non-servicing agents, but their board policy seems to be influenced by the amount of business coming in through agents. IndiaFirst Life Insurance Co. Ltd, for example, gets about 10% of its business through the agency channel. It doesn't pay renewal or hereditary commission to agents who no longer serve the customers.

"Renewal commissions are meant as remuneration for agents to service the customers, so it doesn't make sense for us to pay a renewal commission if the agent is no longer serving the customer," said R.M. Vishakha, managing director and chief executive officer, IndiaFirst Life.

Reliance Nippon Life Insurance Co. Ltd, which sources nearly 65% of its business through agents, pays hereditary commissions but not renewal commissions as it doesn't make economic sense. "The earlier premise of continuing to pay renewal commission to terminated agents was that the terminated agent, due to his proximity with the customer, continues to serve the customer.

However, in reality, we saw minimal support from agents beyond their tenure. In turn, we had to set up direct service teams and call centres for renewal reminders, and payment collection services," said Ashish Vohra, executive director and chief executive officer, Reliance Life Insurance.

Max Life Insurance Co. Ltd also pays only hereditary commission, but HDFC Standard Life Insurance Co. Ltd pays both. "Hereditary commissions are paid as per the erstwhile Act. So the nominee of the deceased agent who has worked for 5 years, gets the renewal commission.

Even agents who have worked with us for 5 years and are 60 years of age at the time of leaving us and have a certain minimum renewal premium, are entitled to renewal commission," said Suresh Badami, chief distribution officer, HDFC Standard Life.

Most insurers now seem averse to paying renewal commissions, though they are open to hereditary commissions. High costs of retaining customers could be a reason. "Whenever an agent leaves and the policies are orphaned, the company takes over the policies, reaches out to the customers and starts servicing them through the relevant teams. Hence, paying the agent is not feasible," added Badami.

What it means for you

The new rules mean little for you in terms of cost, as the commissions saved don't get added to your policy. The charges in the policy are spelt out and don't alter. Insurers redirect these costs to manage orphaned policies. The insurer will either service you directly or assign another agent, but this doesn't mean an increase in commission outgo either.

In other words, nothing changes for you in terms of costs, but lots will change as your 'go to' agent is no longer at your service. Make sure you reach out to the insurer to handhold you. Do not feel orphaned even if the industry parlance calls you that.

Source

Term plan premiums: A ready reckoner – Mint – 24th June 2018

Life insurance is not about investing your money to earn a return on it, it's about financial protection for your loved ones. The most efficient way to do that is through a term insurance policy.

Name of the insurer	Plan	Premium in ₹ as per age (yrs) of policyholder			Claim settled (%, FY17)
		30	35	40	
Life Insurance Corp. of India	e-Term	17,145	21,122	26,550	96%
Max Life Insurance	Online Term Plan Plus	8,378	10,384	13,334	94%
AEGON Life Insurance	iterm	7,497	9,512	12,717	94%
Canara HSBC Oriental Bank of Comm. Life Insurance	iSelect Term Plan	7,379	8,849	11,464	94%
Exide Life Insurance	Elite Term	9,810	11,680	14,343	91%
Birla Sun Life Insurance	Protect@Ease	9,328	11,363	14,266	91%
Tata AIA Life Insurance	Life Ins. iRaksha Supreme	8,510	10,695	14,720	90%
ICICI Prudential Life Insurance	iprotect smart	9,740	11,919	15,252	89%
IDBI Federal Life Insurance	iSurance FlexiTerm	9,251	11,257	14,089	87%
Bharti AXA Life Insurance	FlexiTerm	8,260	10,384	13,570	87%
SBI Life Insurance	eShield	11,092	13,228	16,154	86%
Kotak Mahindra Life Insurance	Kotak e-term Plan	8,702	10,826	14,838	86%
Aviva Life Insurance	i Term Smart	7,886	9,662	12,409	84%
Edelweiss Tokio Life Insurance	mylife+ : term	8,496	10,042	12,826	84%
Bajaj Allianz Life Insurance	e touch	10,371	12,531	15,895	83%
Reliance Nippon Life Ins.	Online Term	7,686	10,948	16,483	83%

Date of birth has been assumed to be April 1 in the respective year for each age group. Rates are for a male, non-smoker, Delhi-based. Star Union Dai-ichi Insurance Co Ltd. are offline plans. Claims information is for FY2016-17 for individual deaths by value as per India's Annual Report, and calculated as Claims paid/Total claims. In HDFC Standard, ICICI Prudential and Bajaj Allianz, waiver of premium of disability is included. Sahara Life does not offer pure term plans. Shriram Life's online term has an inbuilt premium waiver on accidental disability and terminal illness cover. Premium includes GST of 18%.

Source: SecureNow.in

VIPUL SHARMA/MINT

Your money to earn a return on it, it's about financial protection for your loved ones. The most efficient way to do that is through a term insurance policy.

You pay only for insurance and after the policy term ends, you don't get any money back. But on death during the policy term, it pays a huge corpus to the nominees.

Look at the premium (cost of the plan) and the claims settlement record of the insurer.

We list premium rates for some policies of a sum assured of Rs 1 crore across three age categories for policy terms of 30, 25 and 20 years.

The claims settlement rate is measured by the value of the policies as a lower settlement rate is indicative of high ticket-size policies being rejected.

Source

Back

General Insurance

IVF comes with stiff price tag, no insurance – The Times of India – 29th June 2018

With insurance companies not providing cover, infertility treatments are accessible to only a few.

Undergoing treatment for infertility is expensive, time-consuming and emotionally draining for couples. The fact that it is not covered by insurance makes it accessible only to the wealthy in India.

Most insurance companies categorise fertility problems as an exception in their policies. Himanshu Soni, a senior executive at general insurance company Universal Sompo, says there are two main reasons why they do not provide coverage. "We consider fertility problems to occur by birth," he says. This means that it is considered as a pre-existing condition, thus excluded from their policy. The other reason is the high cost of this treatment. "The lowest possible cost of one round of treatment is between Rs 1.5 and 2 lakh. The premium is far too high for us to be able to provide coverage," says Soni.

Dr Nayana Patel, who runs Akanksha IVF Clinic in Anand, Gujarat says, "The reason insurance companies don't provide coverage is that infertility is not a life-threatening condition. It is not even seen as a great source of discomfort, unlike, say, cataract surgery. They don't understand what the couples actually go through."

The WHO has classified infertility as a disease of reproductive system. "In India it is yet to be acknowledged as a major ailment or disease. This lack of awareness is the reason why most insurance companies do not offer cover for infertility treatment," says Vinesh Gadhia, chief operating officer, Nova IVI Fertility.

Things are turning around, though. In December 2016, Cigna TTK introduced a group health insurance for infertility treatments. "Already 350 companies have taken this insurance for their employees. It can also be taken by affinity partners like banks and other financial institutions through a group health cover for their existing member base," says Jyoti Punja, chief customer officer of Cigna TTK Health Insurance.

Fertility treatments have varying outcomes, depending on factors, like health and age of the individual undergoing treatment, the quality of eggs and sperms used, and lifestyle factors such as stress and smoking. The women with the best chances have a success rate of 40% from each cycle, while for the rest the rate of success is 20-35%. That's why most couples end up undergoing multiple rounds of IVF.

Source

Dr Patel believes this uncertainty plays a major role in the lack of coverage. She says, "The chances of pregnancy do

Back

Merger of public sector insurance firms: Govt seeks bids from consultants – Mint – 28th June 2018

Three Indian state-owned non-life insurance companies, which the government plans to merge into a single company, sought interest on Thursday from consultants to advice them on the deal, according to a public notice.

In February, the finance minister in his annual budget announced the plan to merge National Insurance Co Ltd, Oriental Insurance Co Ltd and United India Insurance Co Ltd.

Source

The companies are not publicly traded.

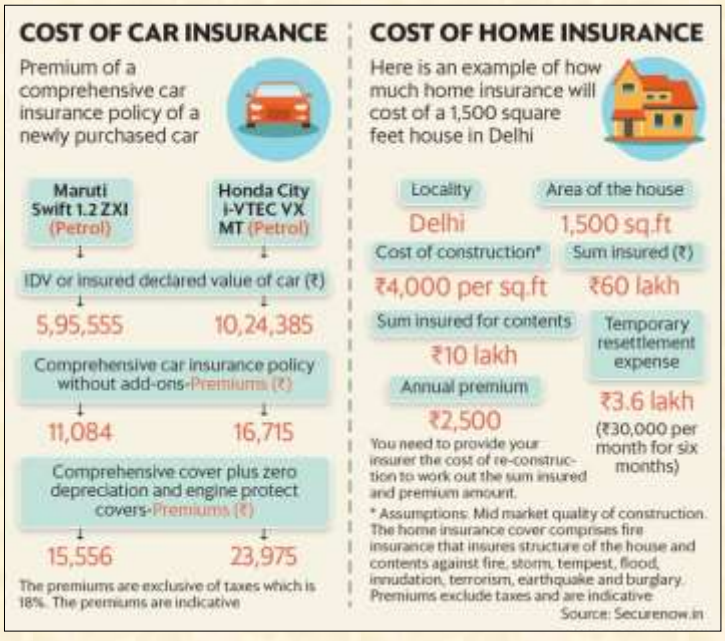
Back

Mumbai rains wreak havoc: How insurance covers can come to your rescue – Mint – 28th June 2018

Earlier this week, heavy monsoon showers caused substantial damage in Mumbai, with roads caving in some parts of the city. According to media reports, around 15 cars got damaged when the compound wall and internal road of Lloyd's Estate, a housing society in Wadala, caved in. Residents were also asked to evacuate the society temporarily for authorities to inspect the building. Though the temporary evacuation is sure to upset the residents' lifestyle for a while, they have some recourse in insurance for the losses they might have suffered as far as damages to vehicles are concerned. Others can gear up to bear the brunt of monsoon showers by buying the right car and home insurance policies.

Damage to your car

Floods are bad news for vehicle owners. If water gets inside the car, it can damage the interiors or worse the car engine. "The own damage cover of a car insurance policy will pay for any damage to upholstery or built-in electronics of the car like the stereo system, but if there are add-ons like the policyholder has installed a high-end stereo instead of a built-in stereo, it will have to be declared and insured by paying extra premium,"said Sanjay Datta, chief underwriting and claims, ICICI Lombard General Insurance Co. Ltd.



For affected Mumbai residents, though, car damage also occurred due to landslide and roads caving in but they can make a claim. "Damage to vehicles in this case is accidental and hence insured. The policyholder needs to inform the insurer as soon as possible. The car will have to be pulled out of the debris, towed to the workshop which will then assess the repair cost," said Sasikumar Adidamu, chief technical officer, Bajaj Allianz General Insurance Co. Ltd.

"In case the repair cost is more than the insured declared value (IDV), it will be seen as total loss and the entire IDV will be paid to the customer," he added. The value of your car depreciates each year and IDV is the sum insured that's calculated based on the invoice of your car minus depreciation. However, there are certain items that the insurer will not pay for.

It gets tricky when driving on a flooded road damages the car engine. If the vehicle is flooded and you continue to drive or start the engine, the water gets sucked into the engine and damages it. So, when you see water levels reach the middle of the wheel, don't attempt to start or drive your car. If you do, any damage to the engine will not be considered accidental but consequential damage which isn't paid by the insurer.

To cover consequential loss to engine add-on covers engine protect or engine secure can help. But the insurer will deduct depreciation while paying the claim. A zero-depreciation add-on cover will work here.

Damage to your house

Heavy rains and floods can also cause considerable damage to your house and home insurance helps as it covers the structure as well as the contents of the house. "Home insurance packs in fire insurance and insurance against burglary. Fire insurance covers the building and the contents against 12 perils, including storm, tempest, inundation and flood. So if your house is damaged due to a landslide caused by floods you can claim insurance," said Kapil Mehta, co-founder, SecureNow Insurance Brokers Pvt. Ltd.

It also packs in covers against mechanical or electrical breakdown. Other covers include public liability cover (compensates a third party for losses caused by you), personal accident cover (offers insurance on account of accidental death or total permanent and partial disability due to an accident) and alternate rent cover that pays rentals for the period your house is under repairs due to damages.

However for the residents of Lloyd's Estate, home insurance will be of little use as there is no damage to the building. "The fire brigade evacuated the residents to ensure their safety. Even if the residents had taken alternate rent cover under the fire insurance policy, since there is no damage to the building from an insured cause, the rent incurred by shifted residents will not be payable by policies," said K.G. Krishnamoorthy Rao, managing director and chief executive officer, Future Generali India Insurance Co. Ltd.

But in the case of an actual damage, home insurance helps and so it's important to understand the basics. Go for a policy on a reinstatement basis and make sure you don't underinsure yourself. If you live in a building then you could also look at policies that work on the concept of "agreed value" basis. In the event of a loss, you get the agreed value and the ownership of your house is transferred to the insurer.

Source

Back

Manic monsoon: How insurance covers can come to the rescue – Mint – 28th June 2018

Earlier this week, heavy monsoon showers caused substantial damage in Mumbai, with roads caving in some parts of the city. According to media reports, around 15 cars got damaged when the compound wall and internal road of Lloyd's Estate, a housing society in Wadala, caved in. Residents were also asked to evacuate the society temporarily for authorities to inspect the building. Though the temporary evacuation is sure to upset the residents' lifestyle for a while, they have some recourse in insurance for the losses they might have suffered as far as damages to vehicles are concerned. Others can gear up to bear the brunt of monsoon showers by buying the right car and home insurance policies.

Floods are bad news for vehicle owners. If water gets inside the car, it can damage the interiors or worse the car engine. "The own damage cover of a car insurance policy will pay for any damage to upholstery or built-in electronics of the car like the stereo system, but if there are add-ons like the policyholder has installed a high-end stereo instead of a built-in stereo, it will have to be declared and insured by paying extra premium," said Sanjay Datta, chief underwriting and claims, ICICI Lombard General Insurance Co. Ltd.

For affected Mumbai residents, though, car damage also occurred due to landslide and roads caving in but they can make a claim. "Damage to vehicles in this case is accidental and hence insured. The policyholder needs to inform the insurer as soon as possible. The car will have to be pulled out of the debris, towed to the workshop which will then assess the repair cost," said Sasikumar Adidamu, chief technical officer, Bajaj Allianz General Insurance Co. Ltd.

"In case the repair cost is more than the insured declared value (IDV), it will be seen as total loss and the entire IDV will be paid to the customer," he added. The value of your car depreciates each year and IDV is the sum insured that's calculated based on the invoice of your car minus depreciation. However, there are certain items that the insurer will not pay for

It gets tricky when driving on a flooded road damages the car engine. If the vehicle is flooded and you continue to drive or start the engine, the water gets sucked into the engine and damages it. So, when you see water levels reach the middle of the wheel, don't attempt to start or drive your car. If you do, any damage to the engine will not be considered accidental but consequential damage which isn't paid by the insurer.

To cover consequential loss to engine add-on covers engine protect or engine secure can help. But the insurer will deduct depreciation while paying the claim. A zero-depreciation add-on cover will work here. DAMAGE TO YOUR HOUSE Heavy rains and floods can also cause considerable damage to your house and home insurance helps as it covers the structure as well as the contents of the house. "Home insurance packs in fire insurance and insurance against burglary. Fire insurance covers the building and the contents against 12 perils, including storm, tempest, inundation and flood. So if your house is damaged due to a landslide caused by floods you can claim insurance," said Kapil Mehta, co-founder, SecureNow Insurance Brokers Pvt. Ltd.

It also packs in covers against mechanical or electrical breakdown. Other covers include public liability cover (compensates a third party for losses caused by you), personal accident cover (offers insurance on account of accidental death or total permanent and partial disability due to an accident) and alternate rent cover that pays rentals for the period your house is under repairs due to damages.

However for the residents of Lloyd's Estate, home insurance will be of little use as there is no damage to the building. "The fire brigade evacuated the residents to ensure their safety. Even if the residents had taken alternate rent cover under the fire insurance policy, since there is no damage to the building from an insured cause, the rent incurred by shifted residents will not be payable by policies," said K.G. Krishnamurthy Rao, managing director and chief executive officer, Future General India Insurance Co. Ltd.

Source

Back

Govt to pump in Rs 2,000cr to boost export risk cover – The Times of India – 28th June 2018

The government on Wednesday cleared a Rs 2,000 crore capital infusion for Export Credit Guarantee Corporation (ECGC) to enhance insurance coverage, and also approved a contribution of Rs 1,040 crore for National Export Insurance Account Trust (NEIA) to promote project exports.

A similar exercise is also planned for Exim Bank of India as government seeks to lower interest burden for exporters by pushing foreign currency loans that also cover the exchange rate risk. Sources said the finance ministry is also pushing banks to extend dollar credit to exporters to address concerns over high interest rates in the country, which along with high logistics cost are seen to be making Indian exports less competitive.

"The move is meant to support exports and help reduce the interest cost at a time when exports are growing," said officiating finance minister Piyush Goyal after the cabinet committee on economic affairs cleared the support for ECGC and NEIA. ECGC offers credit insurance schemes to exporters to protect them against losses due to nonpayment of export dues by overseas buyers due to political and/ or commercial risks.

Funds to ECGC would be infused in the three financial years — Rs 50 crore in 2017-18, Rs 1,450 crore in 2018-19 and Rs 500 crore for 2019-20. "The infusion would enhance insurance coverage to MSME exports and strengthen India's exports to emerging and challenging markets like Africa, CIS (Commonwealth of Independent States) and Latin American countries," an official statement said. It said that with enhanced capital, ECGC's underwriting capacity and risk to capital ratio will improve considerably.

"With a stronger underwriting capacity, ECGC will be in a better position to support Indian exporters to tap new and unexplored markets. Increased capital infusion will help ECGC to diversify its product portfolio and provide cost effective credit insurance helping exporters to gain a stronger foothold in the difficult markets," it added.

Source

Back

Motor claims may fall if bill is passed - The Economic Times (Delhi edition) – 26th June 2018

The general insurance industry is looking for better profitability as it believes that claims from third party may plunge after the government amends a law that would prohibit any claim after six months of the event. A Bill is pending approval in the Rajya Sabha that will enable insurance companies to reject claims by anyone filing for compensation beyond the stipulated period.

"With delay in filing claims, fraudulent cases go up and it becomes difficult to establish a fraud," said Vijay Kumar CEO Digit Insurance, promoted by Prem Watsa's Fairfax. "This will help in faster compensation. It will help

insurance companies in accounting of reserves, which will lead to accuracy in pricing." Once the Motor Vehicles Amendment Bill passes in Parliament, the premium on motor insurance may fall as insurers facing lesser liability could lower the charges on automobile third party premium.

The bill says, "no application for compensation shall be entertained unless it is made in six months of the occurrence of the accident."

Around 5-10per cent claims are filed after five years of an accident making it difficult for insurers to provide for reserves and settle claims. Insurers are required to set aside funds for incurred but not reported claims and reserves for outstanding claims under third party motor segment as cases go on for longer and in many cases claims are intimated after 5-7 years.

As per the government of India report (Road Accidents in India-2015), about 1,374 accidents and 400 deaths take place every day. There is no legal time limit on claims. The sum insured is unlimited in case of fault liability claims.

Third-party premium differs according to the engine capacity of a car. This financial year, Irda has reduced premium by 11.35 per cent for cars in less than 1000 cc. Motor third party cover is mandatory for all public, private and commercial vehicles. It covers liability arising out of third party claims due to accidents. It covers liability arising out of third party claims due to accidents.

Source

Back

India: Telematics-based insurers face road blocks – Asia Insurance Review

Start-up and traditional insurers are trying to cut motor losses by collecting granular data from customers, such as driving behaviour, distance driven and time taken for each trip, among others. Insurers say that they can frame pricing policies using granular data to cater to the customer's needs, while charging premiums on how the vehicle is being driven.

But insurance regulations on pricing, the high cost of telematic devices, and a lack of well-defined data protection rules, are hindering development of digitised insurance products, reports Live Mint citing legal and insurance experts.

For instance, the variable premium pricing, widely known as "pay-as-you-go", cannot be implemented in India since IRDAI regulations only allows fixed premium pricing. With such a regulation, insurers in India who use telematics only offer discounts on the final premium, instead of varying prices on the basis of vehicle usage.

Source

Last year, the IRDAI issued a white paper on the potential of telematics in insurance pricing. The regulator has yet to issue final guidelines.

Back

Health Insurance

Should one choose individual or family floater health insurance plan? - The Economic Times – 28th June 2018

A health insurance plan is a must-have even before starting to invest for life goals. While getting one, you need to decide if you should an individual health plan or a family floater.

Both of these are indemnity plans, i.e., they reimburse the actual expense incurred during hospitalisation up to the sum insured under the scheme.

The sum insured in a health insurance plan represents the maximum amount of claim that the insurer agrees to settle or reimburse subject to the policy conditions.

For example, if the sum insured is Rs 3.5 lakh and you incur a hospital bill amount is Rs 75,000. The insurer will pay Rs 75,000 and the balance Rs 2.75 lakh remains unutilised and it can be used for any other hospitalisation costs incurred during the coverage period, which is generally for one year.

At times choosing between the two - individual health plan and family floater- becomes difficult. To help you decide better, here is a look at how each of them works.

How individual health plan works

The individual health plan has to be bought in the name of each individual, could be both spouses, children, parents etc. This means, the premium will be as per each individual's age and respective sum insured. Insurers, however, give a 10 percent discount on the total premium if more than one member of the family is insured simultaneously. In case of a claim by one member, the sum insured of other members remains intact.

How family floater health insurance plan works

In a family floater health insurance plan, more than one member can be covered under the same plan. For instance, both parents and their children can be covered together and only one single premium is to be paid. "Typically, 95 percent of the health insurance plans are designed in a way where premium is basis the eldest member in the policy," says Vaidyanathan Ramani, Head- Product and Innovation, Policybazaar.com

Under a family floater health plan, the entire sum insured can be availed by any or all members and is not restricted to one individual as is the case in an individual health plan. A family floater type of plan takes advantage of the fact that the possibility of all members of a family falling ill at the same time or within the same year is low.

Such a plan can be bought by an individual who becomes the proposer along with the spouse, dependent children (up to 25 years or even unmarried), divorced, widowed daughter, and dependent parents. Rather than buying, say, a Rs 2 lakh individual health plan for each member of a family of four, in a family floater plan of say Rs 8 lakh, each person covered under it can avail benefits up to Rs 8 lakh as opposed to Rs 2 lakh in the earlier instance.

Price difference

For a sum insured of Rs 5 lakh, an individual health insurance plan for someone between the ages 30 and 35 would have a premium of about Rs 12,497, after a 10 percent discount. On the same sum insured, a family floater plan would cost about Rs 10,416, which is nearly 20 percent less.

Children crossing age bar

The age of the parents doesn't matter in a family floater plan but the age of the children does. "For various insurers and plans, it (age of children) varies between 18 years and 25 years. Beyond this specified age, they are treated as adults and have to be moved to a separate plan but will be provided continuity on cover," says Ramani.

However, moving the children out of the coverage doesn't impact the continuity for them. If the children moving out are married, they can get their own family floater plan, else they will have to buy individual plans.

In doing so, the benefit of waiting period is not an issue. Mayank Bathwal, CEO, Aditya Birla Health Insurance informs, "This scenario usually happens when a dependent child is moving out of a floater policy to an individual policy due to maximum allowable age of a dependent child under family floater plans.

In such a scenario, all continuity benefits such as waiting periods for such insured person on the policy will remain intact with the insured who is taking an individual plan."

What you should do

If you have little kids, then having a family floater health insurance plan is better. "Floater plans offer better cover for lower cost than multiple individual plans.

For most families with no major history of chronic issues currently, floaters offer the best option," informs Ramani. However, if you have a family history or if one member has an adverse health condition, buying individual health cover will help in the long run.

Source

Back

NITI Aayog to set up sub-group to study treatment pricing under Ayushman Bharat - The Economic Times – 27th June 2018

Niti Aayog will soon set up a sub-group to look into the complaints of private hospitals regarding pricing of treatment of key ailments proposed by the government under the Prime Minister's flagship health insurance scheme Ayushman Bharat.

The government has come out with a draft model tender document, which was shared with the states last month. It has proposed prices of knee and hip replacements at Rs 9,000 each, stenting at Rs 40,000, coronary artery

bypass grafting (CABG) at Rs 1.10 lakh, caesarian delivery at Rs 9,000, vertebral angioplasty with single stent at Rs 50,000 and hysterectomy for cancer at 50,000.

Responding to the draft tender, the Indian Medical Association (IMA) had said that the package rates were too low and "unacceptable". Hospitals would have to compromise on quality, exposing patients to danger, it said.

In order to resolve the impasse between the government and IMA, Niti Aayog has decided to set up a sub-group of experts to go into the pricing of treatment under the Ayushman Bharat.

"We need a comprehensive cost based data for healthcare procedures for which Niti Aayog is parterning with Department of Heath and Family Welfare and Indian Council of Medical Research (ICMR). We will form a sub-group which will undertake comprehensive study with public and private sector representatives," Niti Aayog member V K Paul said.

The sub-group, Paul said, will undertake a systematic study of costing of treatment and the suggestions will be taken into account while revising the prices in future.

As of now, the government will go ahead with the prices for treatment of ailments under the Ayushman Bharat Scheme on the basis of the draft model tender document, he added.

Paul further said the prices proposed in the model document are based on treatment provided by states like Rajasthan and Telangana under their respective healthcare schemes.

National Health Protection Scheme's - Ayushman Bharat (NHPM-AB) also dubbed as 'Modicare' aims to provide Rs 5 lakh annual insurance cover to more than 10 crore poor families and will be funded with 60 per cent contribution coming from the Central government and the remaining from the states.

Source

Back

How to return your health insurance policy during free-look period – Mint -26th June 2018

Most people are aware that life policies come with a free-look period. This means that from the time you receive your document, you get at least 15 days to review it, and if you are unhappy, to return it to the insurer. The insurer can't force the policy on you. The same applies for health insurance policies too, so it's important to understand your policy as soon as you get the documents.

All kinds of health insurance policies—indemnity cover that pays for hospitalisation, defined benefit plans like critical illness policies and personal accident covers with tenors of at least a year—come with a free-look period of 15 days. This free-look window kicks in from the time you receive the policy documents, and some insurance companies may also extend this window to 30 days from the date of dispatch.

If you wish to return the policy, the insurer will refund the premiums paid after deducting stamp duty charges, proportionate charges for insurance for that period and costs for any medical check-ups.

In the case of annual health insurance contracts, insurers are supposed to pay at least 50% of the cost of medical check-ups that you may have to undergo at the time of buying a policy.

This happens as the insurer needs to be sure about your health; some may even decide to pay the entire amount. However, if the insurer rejects the policy, the entire cost get shifted to the policyholder.

You need to know that your health insurance policy is active when you receive the policy documents. However, most insurance companies will not pay a claim arising out of sickness in the first month. This is called the initial waiting period.

But accidents are insured, so if you make a claim on account of an accident and the insurer pays the money, you are not entitled to a refund if you choose to return the policy.

Here is a step-by-step guide on how to return the policy.

1. Go through the policy documents carefully as soon as you receive them
2. Call the customer care, send an email, approach your agent or write a letter to the insurer to initiate a free-look policy return. A call, email or visiting the insurer will be faster.
3. The insurance company will send an endorsement and refund the money within 7 days.
4. Remember, you can only cancel the policy during the free-look and not port it. Porting a policy is possible only at the time of renewal.

Source

Poll-bound states wary of signing up for Modicare scheme – Hindustan Times – 26th June 2018

States facing elections, such as Rajasthan and Odisha, have not signed up for the Centre's Ayushman Bharat mission, dubbed as Modicare, as they are wary of getting their health insurance schemes subsumed by the overarching national health protection plan that is likely to be launched on August 15, a health ministry official has said.

National Health Protection Mission - Ayushman Bharat (NHPM-AB) aims to provide Rs 5 lakh annual insurance cover to more than 10 crore poor families.

"These states are sceptical about changing the status quo ahead of the elections as they aren't sure how the voters will react to the new scheme, which is probably why it is taking them time to commit to it. Rajasthan, for example, has Bhamashah scheme running since 2014 and is going into polls next year," said the health ministry official cited above, requesting anonymity.

Twenty-four states/Union Territories have signed the mandatory memorandum of understanding with the Centre. Among the major states that still haven't joined are Maharashtra, Delhi, Punjab, West Bengal and Goa.

"Telangana, Tamil Nadu, Kerala, Karnataka, Sikkim and Goa will soon sign the MoU," said the scheme's CEO, Indu Bhushan, adding the customisation of the information technology platform was currently going on.

Infrastructure delivery will be a challenge in underserved states, such as Bihar and Uttar Pradesh. "In tier-two and tier-three cities, it will be difficult to identify hospitals initially but eventually we are hopeful that more hospitals will come up, especially private ones as they are profit-driven and they will be getting numbers," said Bhushan.

He refuted allegations by private healthcare providers that the treatment packages were low.

Source

"These are median rates and states have the authority to revise within a bandwidth. These rates are a starting point and we have to start conservatively," he said.

Back

Medical body slams Ayushman scheme rates, says patient safety is at risk - The Hindu Business Line – 24th June 2018

The Indian Medical Association (IMA) on Sunday rejected the Centre's recently announced packages in its ambitious Ayushman Bharat Pradhan Mantri Rashtriya Swasthya Suraksha Mission, under which treatment for coronary bypass, knee replacements and stents, among others, would be 15-20 per cent cheaper than they are under the Central Government Health Scheme (CGHS).

The 205-page draft model tender document shared with the States last month had knee and hip replacements fixed at Rs 9,000 each, stenting at Rs 40,000, coronary artery bypass grafting (CABG) at Rs 1.10 lakh, caesarian delivery at Rs 9,000, vertebral angioplasty with single stent at Rs 50,000 and hysterectomy for cancer at Rs 50,000.

Emergency meeting

In an emergency meeting here this evening, the IMA said the package rates were "unacceptable" but appreciated the Centre's decision to empanel hospitals from 10 beds onwards.

These package rates expose patients to danger in hospitals, as quality will be compromised and corruption will rise, it said. While certain reports said the IMA has fully backed this scheme, this is not true, said the Association. "Our objections about package rates, fund allocation and the insurance model stand unchanged.

IMA had also raised the need for scientific costing before fixing the rates," said Ravi Wankhedkar, National President of the IMA. "The cardinal objections raised by IMA remain to be addressed."

He, however, said the IMA is willing to partner with the government in the Ayushman scheme provided "the package rates are revised to a reasonable level".

Source

The Mission in its present form will lead to elimination of small and medium hospitals, Wankhedkar added.

Insurers need more powers under the National Health Protection Scheme – Financial Express – 23rd June 2018

Following feedback on its draft consultation paper, the government has made several changes to the tender document for the National Health Protection Scheme (NHPS) that is to be rolled out on August 15—NHPS will provide 10 crore families a floater healthcare policy of Rs5 lakh per annum.

There are, however, several problem areas that still require fixing or greater clarification. In the context of several insurance schemes, from the PM Jeevan Jyoti Bima Yojana to the Rajasthan Bhamashah health insurance scheme, being in the red, the government needed to put in a mechanism to equitably share both the profits as well as the burdens. Since there is a natural tendency for any insurance company to reject claims, the government has put in a clawback policy.

In Category A states, for instance, if claim ratios are below 60%, the insurance company is allowed an administrative cost of 10%, and then all the premium has to be refunded to the government. If, on the other hand, the claim ratios are between 60-70%, an administrative cost of 15% is allowed, after which the balance has to be repaid.

Logically, this should also apply the other way, in that if claims ratios rise above 100%, the government should pay the claims—indeed, once this is done, the government will also have a vested interest in ensuring fake claims are busted at the earliest.

What has been done, however, is something that makes little sense. So, if the claims ratio exceeds 120%, the excess amount will be equally shared by the insurance company and the state government—logically, since insurance companies are refunding premium when claims are low, they should be fully compensated when they are excessive.

Later, the central government will reimburse the state government based on its share. The tender document says this "shall not exceed the maximum ceiling amount of the share of the Central Government"—it is not clear whether this puts a ceiling to how much the Centre will eventually pay.

Nor is it clear whether the insurance company has enough levers to check fraud. Clause 24 (e) of the tender document says the insurance company can take the lead to start investigating fraud, but, clause (f) says "all final decisions related to outcome of the investigation and consequent penal action, if the fraud is proven, shall vest solely with the SHA"—the SHA is the State Health Agency.

The SHA does its empanelment and de-empanelment of hospitals through a State Empanelment Committee (SEC) and a District Empanelment Committee (DEC). The problem, however, is that while the SEC has five members, only one of them is from the insurance company; in the case of the DEC, only one of three members will be from the insurance firm.

A table in the chapter on de-empanelment, on the other hand, seems to indicate that the punishment for the third offence is automatic de-empanelment. Given the importance of both these issues, the government needs to issue an immediate clarification. The government also needs to relook the premium cap being talked of, since, most experts argue it is too low. Indeed, since there is a clawback provision, the issue of putting a cap on the premium—it should be discovered through bidding—is quite redundant.

Source

Back

Insurance firms ready to offer cover for infertility treatment - The Hindu Business Line – 22nd June 2018

Nearly 27.5 million couples in India suffer from infertility. And the number is likely to go up by more than 10 per cent by 2022, according to a 2015 Ernst & Young report. Sensing an opportunity, insurance companies, which have so far been shying away from offering cover for infertility treatments, are now looking to come up with retail products.

According to Vaidyanathan Ramani, Head-Product and Innovation, Policybazaar.com, while it is not too difficult to find cover for infertility treatment on the group platform, most retail health policies exclude infertility treatments. Moving forward, insurers offering maternity benefit may look at designing products for infertility.

"Given that the process of treatment, including that of in-vitro fertilisation (IVF) has got more defined, and the fact that the risk is not too difficult to comprehend, we may see more number of companies offering such policies," Ramani told BusinessLine .

Only a few companies such as Magma HDI General Insurance and Star Health & Allied Insurance have offerings on the retail platform. The cost of infertility treatment, which may require IVF, range upwards of Rs. 1.5 lakh to Rs. 2 lakh. According to Anand Roy, Executive Director & Chief Marketing Officer, Star Health, despite increasing demand, very few couples seek fertility treatment because of cost implications.

"As problems associated with maternity increase, couples look for alternative treatment. The increasing success rate of such treatments means a rise in exclusive maternity-related insurance covers for speciality products, such as infertility, genetic disorders and congenital anomalies," Roy said in an e-mailed response.

Star Health launched the coverage for Assisted Reproduction Treatment in its product 'Family Health Optima' in December 2016. Anurag Rastogi, Member of Executive Management, HDFC Ergo, felt that planning a child is a personal choice and should not be bound by any financial implications.

Source

Magma HDI, which offers insurance for IVF treatment under its 'OneHealth' policy, witnessed 'quite an encouraging' response since its launch eight months back.

Back

Crop Insurance

Why the crop cover scheme is seeing enrolment wane - The Hindu Business Line – 25th June 2018

After a good run in 2016-17, marked by an increase in area and the number of farmers covered, the Centre's ambitious crop insurance scheme, Pradhan Mantri Fasal Bima Yojana (PMFBY), lost pace last fiscal year. The total number of farmers covered under the PMFBY in FY18 was 4.72 crore, against 5.5 crore in FY17. The total area covered was 496 lakh hectares, versus 551 lakh hectares in the previous fiscal year.

While data for Rabi 2017-18 are not out yet, the numbers for the Kharif season show claims-settlement of crop insurance policies is progressing at a snail's pace. Data from the Ministry of Agriculture show that of claims worth Rs. 15,948 crore received for Kharif 2017, only Rs. 4,275 crore was settled by insurance companies till the first week of May.

What's going wrong?

Several factors have contributed to the scheme slowing down. One, insurers face a delay in receiving data on crop yields from the States. A case in point is the Kharif 2017 season; while the cut-off date for submission of yield data to insurance companies for the season was January 31, 2018, some States, including Chhattisgarh, Haryana, Rajasthan, Tamil Nadu and Telangana, delayed it by over a month. Andhra Pradesh and Madhya Pradesh took close to three months after the deadline, while Jharkhand and West Bengal had not provided the yield data till the first week of May. Also, in many cases, insurance companies do not agree on the yield data provided by the States, which results in disputes and delays in claims settlement.

The other problem is that the States do not pay their share of the premium on time, which means insurers are unable to process the claims. For Kharif 2017, States had to pay their share by December 2017 but many failed to do so. Bihar, Madhya Pradesh, Telangana, West Bengal and Andhra Pradesh, among others, had not paid their premium for Kharif 2017 even till the first week of June, according to an official at a crop insurance company.

The delay is also because the Centre has opted for direct benefit transfer (DBT) of claims payment. For this, details of farmers' bank accounts have to be provided to the insurers. This is often not done on time, which further delays the settlement.

From 2017-18, it has been mandatory for banks to register data pertaining to PMFBY customers on the government portal. Many banks had not finished uploading the data even in the first week of May. Further, insurers say, the drop in the number of farmers covered in FY18 could be because of the data moving online now, eliminating duplicate farmer records present in the previous year.

Source

Insurance companies are hoping FY19 will be a good year for all, with mandatory registering of farmer data, the push from the Centre for quicker yield assessment through use of technology, and a more efficient DBT process.

Reinsurance

India: Digital insurer agrees to buy 100% of sole local privately held reinsurer – Asia Insurance Review

Go Digit has entered into a share purchase agreement to acquire all equity shares of ITI Reinsurance, India's only domestic privately held reinsurer.

The deal is said to be worth about INR5 billion ($73 million), said a person familiar with the deal.

ITI Re obtained its licence in December 2016 and has a capital base of INR5 billion, reports The Economic Times.

Go Digit Infoworks Services will hold the shares, including 21,74,40,000 equity shares of INR10 each fully paid of ITI Reinsurance held Investment Trust of India, according to a filing with the Bombay Stock Exchange on 26 June.

The deal is subject to prior approval of the IRDAI.

Source

Go Digit General Insurance, incorporated in 2016 and based in Bengaluru, offers non-life insurance through their digital platform. Canada's Fairfax Financial has a 45% stake in the online insurer.

Back

IRDAI meet to decide on reinsurance regulations – Financial Express – 27th June 2018

The Insurance Regulatory and Development Authority of India (Irdai) is expected to take a final decision on new reinsurance regulations in its board meeting scheduled on Friday. Sources in the insurance industry added the board will also look into giving out a few new licences to some new standalone health insurers and branches of some new foreign re-insurance players.

In May last year, insurance regulator had constituted an 'Expert Committee on Reinsurance' headed by former member of Irdai, M Ramprasad to revamp the existing reinsurance regulations set-up to further streamline reinsurance operations in the country. The committee, that had members including foreign reinsurers and other experts, had unveiled the draft regulation 'Insurance Regulatory and Development Authority of India (Reinsurance) Regulations, 2018' for industry feed-back at start of this year in January.

The revamped regulations also aim to ensure that maximum reinsurance business is retained within the country and preference would be given to Indian domiciled entities — with the first right of refusal lying with the General Insurance Corporation of India (GIC Re) and then to foreign reinsurers (FRBs) and other 'Indian reinsurers'. The committee, in its report, had said, "The proposed regulations would ensure that Indian insurer places its reinsurance amongst at least four reinsurers. It would ensure wider spread of large risks and avoid domestic risk spiral in the market.

Source

Back

Insurance Cases

Rejecting claim comes with a price for insurer – The Times of India – 26th June 2018

The District Consumer Disputes Redressal Forum directed United India Insurance Company Ltd. to pay Rs 25,000 as compensation for "wrongly and illegally" rejecting the claim of a Sector 32 resident. The insurance company was also told to reimburse claim amount of Rs 3.50 lakh.

In his complaint, Bharat Bhushan of Sector 32 stated that he along with his daughter Sonakshi had availed Individual Health Insurance policy in 2009 and got it renewed from time to time. It was averred that in the 2013-2014 fiscal, there was a delay of 17 days in the payment of the premium.

It was submitted that on September 30, 2015, Bhushan felt severe pain in his heart following which he was admitted to a Mohali-based private hospital. He was treated for coronary angiography and remained admitted till October 3, 2015. The complainant paid Rs 4.20 lakh towards the said treatment. Thereafter, a claim was lodged with the insurance company. However, the company issued a letter on March 3, 2016 which stated that they have been informed by TPA that there was a delay of 17 days in the renewal of the policy in 2013 and any delay in the policy is considered a fresh policy and as per its terms and conditions. The disease for which the

treatment has been undertaken is considered a pre-existing disease, hence the claim is not payable, the letter stated. The complainant told the forum that he has not suffered or taken any treatment relating to his heart and the cardiac arrest was a sudden complication. He argued that he had clarified the same with the insurance company, but to no avail.

The company in its reply stated that in 2013, Bhushan had failed to pay the premium against the renewal of the policy and hence the policy lapsed. But after a gap of 17 days, he requested to renew the policy, and he was specially informed that the policy will be considered as a fresh one as he had failed to renew the policy during its commencement period. It was stated that on scrutinizing the claim lodged by the complainant, it was observed that there was a delay of 17 days in renewal of the policy in 2013-2014 and as per the exclusion clause of the terms and conditions of the policy, the claim being outside the scope of the coverage of the policy, was rightly repudiated.

The forum after hearing both sides quoted the renewal policy which stated that "the renewal of the policy if preferably done within a period of 30 days, the policy will be treated as a continued policy with the only exception that any claim raised during the break period will not be reimbursed".

The forum held, "It is not disputed that the complainant within a 17-day period got the policy renewed from the insurance company and also the claim in question does not pertain to that break period of 17 days, rather it is for the subsequent policy period. In this view of the matter, it is held that the insurance company has wrongly and illegally rejected the genuine claim of the complainant and such act proves deficiency in service on its part."

Source

Back

Pensions

EPFO relaxes rules for fund withdrawal in case of job loss - Financial Chronicle – 27th June 2018

Retirement fund body EPFO on Tuesday decided to give its members an option to withdraw 75 per cent of their funds after one month of unemployment and keep their PF account with the body.

The members would also have an option to withdraw the remaining 25 per cent of their funds and go for final settlement of account after completion of two months of unemployment under the new provision in the Employee Provident Fund Scheme 1952.

"We have decided to amend the scheme to allow members to take advance from its account on one month of unemployment. He can withdraw 75 per cent of its funds as advance from its account after one month of unemployment and keep its account with the EPFO," labour minister Santosh Kumar Gangwar, who is also the chairman of EPFO's central board of trustees, told reporters after the trustees meet here.

At present, in case of unemployment, a subscriber can withdraw his or her funds after two months of unemployment and settle the account in one go.

The minister was of the view that this new provision would give an option to members to keep their account with the EPFO, which he can use after regaining employment again. However, it was proposed that the members would be allowed to take 60 per cent of funds as advance on unemployment for not less than 30 days. But, the CBT raised the limit to 75 per cent in the meeting held Tuesday.

The minister further said, "We approved almost the entire agenda listed for the meeting of the CBT today. We have also given an extension of one year to ETF (exchange traded funds) manufacturers SBI and UTI Mutual Funds till July 1, 2019. We have also extended the term of fund managers till December 31, 2018."

There was a proposal to give extension of six more months to its five fund managers, SBI, ICICI Securities Primary Dealership, Reliance Capital, HSBC AMC and UTI AMC, for managing its corpus. The five fund managers were appointed for three years from April 1, 2015. They were given extension till June 30, 2018. The CBT has also approved the proposal to appoint consultant for selection of portfolio managers.

The minister further said that the EPFO's ETF investment would soon cross the Rs 1 lakh crore mark as it has already invested Rs 47,431.24 crore till May end this year, earning a return of 16.07 per cent.
The EPFO has also extended the tenure of its consultant CRISIL for evaluation of performance of fund manager till December 31, 2018.

Source

EPFO data confounding – Data suggests 10-12.5% of subscribers added in last one year – Financial Express – 27th June 2018

If one assumes the EPF (Employees Provident Fund) scheme subscriber data is a reliable proxy for employment, the addition of 6.9 lakh members in April is more than encouraging. But, drawing conclusions from this database is fraught with risk.

For one, there are several one-offs and in the absence of a complete Aadhaar-seeding, it is to tell whether the addition is a new worker. Some data points are particularly puzzling. A good chunk of the addition to the subscriber base over the past eight months is in the age groups of 29-35 years and above 35 years, while you would normally expect people to enter the workforce when they are much younger.

However, in April, more than a third of the new members were from these older age groups while in February too, the share was close to 30%. It is somewhat curious that as many as 2.27 lakh people, all over the age of 29, would have found formal employment in a single month, even if the economy has bounced back over the last six months; assuming the numbers are accurate, this suggests the economy is becoming more formal post the rollout of the GST.

If indeed the new additions are new employees, as government economists like the NITI Aayog chairman have claimed in the past, it is baffling as to why consumption and investment aren't growing any faster.

Private final consumption expenditure growth has actually clocked in at sub-7% growth for five straight quarters to Q3FY18; the Q4 FY18 growth of 6.7% y-o-y came off an anaemic 3.4% y-o-y rise in Q4FY17. Also, export-oriented sectors that employ large numbers have been performing poorly, especially the labour-intensive segments.

To be sure, the government too would have created jobs in sectors such as education and administration; there would be lots of construction jobs created, but, these are mostly in the informal sector. Which is why the data put out by the labour bureau—just 4.2 lakh new jobs in 2016-17—doesn't seem correct either. But, the EPFO data also appears somewhat contrived.

If you assume an annualised 6.2 million new subscribers on a base of 60 million "active subscribers", it would imply an addition of an incredible 10% of the base in just a year. If one uses the "average subscriber" base of 47.5 million, this would mean a higher 12.5% addition.

Since at least 80% of the country's jobs are created in the informal sector, this means the economy created 35-40 million jobs in 2017-18. Even if one assumes that this ratio has shifted sharply in favour of the formal economy, the numbers don't add up.

Source

Back

Govt may double minimum pension for organized sector employees – Mint – 24th June 2018

The union government is considering doubling, or even trebling, the minimum monthly pension for retired organized sector employees, said at least three officials familiar with the development. The move, if implemented, could benefit lakhs of pensioners, but it would also cost the government a sizable additional expense.

A three-member committee, constituted by the labour ministry three months ago, is of the opinion that the existing pension of Rs 1,000 per month is too low. Though a final decision is yet to be taken, there is a strong view that worker's minimum pension needs to go up.

"We have discussed that the minimum pension should be between Rs 2,000 to Rs 5,000 instead of the present Rs 1,000," said Ravi Wig, one of the members of the labour ministry-constituted committee on pension.

"The committee has suggested that the government should immediately announce Rs 2,000 as minimum pension. The further enhancement up to Rs 5,000 can be debated and arrived at over time. The government has a responsibility and, I think, the poor workers should be provided with an enhanced pension," said Wig, who is also a central board member of the Employees Provident Fund Organisation, or EPFO.

Wig said the existing pension is inadequate to even take care of the food costs of an employee. He said a daily pension of Rs 33 is of little help even to a pensioner living in rural areas. He said the previous additional

secretary of the labour ministry heading the committee has been promoted as the secretary, labour and employment, and he is hopeful that the ministry will take a view on the issue sooner than later.

The executive committee and the central board of the EPFO, which runs the pension scheme, is expected to brainstorm the way forward on Monday and Tuesday, a labour ministry official said, requesting anonymity. A labour ministry spokesperson, however, said he was not aware of any detail of the development.

Prabhakar Banasure, a central board member of the EPFO, said that he is expecting a detailed discussion on pension during the subsequent meetings this week. Low-waged employees need a bit of handholding by the government and the government must take a quick call on enhancing minimum pension, he said.

Every month, an organized sector employee contributes 12% of his basic salary and HRA to EPFO as provident deduction, and a similar amount is contributed by the employer. From the employer's 12% contribution, 8.33% goes to employees' pension scheme and the rest to the provident fund.

As of now EPF contribution is mandatory for employees earning a monthly salary up to Rs 15,000 in companies and establishments with 20 or more workers on its roll. EPFO has an active subscribers base of a little over 55 million.

Source

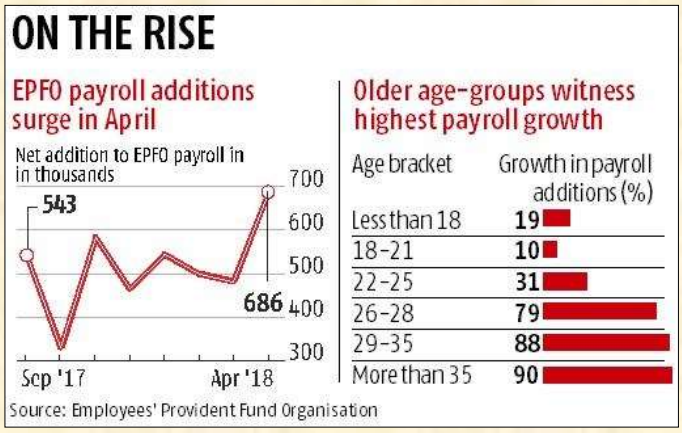
Back

On the rise: EPFO monthly payroll count jumps 43% in just a month - Business Standard – 25th June 2018

Monthly payroll count published by the Employees' Provident Fund Organisation (EPFO) showed a 43 per cent rise in April, with a net addition of 685,841 employees, compared to one of 480,749 in March.

The highest percentage rise was in the age brackets above 26 years of age. Additions in younger age brackets are associated with new jobs, while those in older ones with change of jobs or formalisation of companies, experts said.

While they are divided over the possible reasons behind a sudden surge in April, the EPFO says the data is raw and though it is indicative of jobs to some extent, it does not give a clear explanation on creation of livelihoods.



"We started publishing raw data for the purpose of transparency on jobs in the organised sector but it is very difficult to interpret correctly and derive conslusions out of it," says V P Joy, central PF commissioner.

Soumya Kanti Ghosh, chief economist at State Bank of India, thought the rise could be due to new recruitments at the turn of the financial year (April being the first month of 2018-19).

"Some industries are picking up, the construction sector being a good example. It is possible that companies are doing fresh investment and recruitment in the new financial year,"

Ghosh, along with IIM Ahmedabad economist Pulak Ghosh, had authored a first-of-its-kind study on EPFO payroll data in January, commissioned by NITI Aayog.

For employees nearing or having crossed the age of 30 years, the payroll count almost doubled in April from March. The absolute number of payroll additions was highest in the 18-25 years bracket but the gap between age-groups had narrowed in April.

This is the reason many economists are interpreting this more as formalisation and less as new job creation. "April is not normally a month of recruitment. So, it can hardly be said that the surge is due to new jobs.

Source

Instead, it suggests more enrolments to EPFO, in the process of gradual formalisation of firms post implementation of the goods and services tax," felt Madan Sabnavis, chief economist at CARE Ratings.

ovt notifies 8.55 percent interest on PF for 2017-18, lowest in 5 years - The Hindu Business Line – 25th May 2018

Retirement fund body has asked its field offices to credit 8.55 per cent rate of interest for 2017-18, the lowest rate since 2012-13 fiscal, into the PF accounts of around 5 crore subscribers.

The Labour Ministry has conveyed approval of the central government to credit 8.55 per cent rate of interest for 2017-18 into PF accounts of members, according to an order issued by the EPFO to its more than 120 field offices.

The finance ministry had ratified 8.55 per cent rate of interest on EPF for the last fiscal. But it could not be implemented because of model code of conduct for Karnataka elections.

The labour ministry had sought Election Commission's approval to notify rate of interest for crediting the same into members' accounts by the EPFO in view of model code of conduct for Karnataka elections.

The EPFO's Central Board of Trustees, headed by the labour minister, had decided to fix rate of interest at 8.55 per cent for the last fiscal in its meeting held on February 21, 2018. The labour ministry had sent the CBT's recommendation over the rate of interest to the finance ministry for its concurrence.

However, it could not be implemented for want of the finance ministry's concurrence and was further delayed due to model code of conduct for Karnataka polls on May 12.The EPFO had provided 8.65 per cent interest for 2016-17. The members got 8.8 per cent in 2015-16 and 8.75 per cent each in 2014-15 and 2013-14.

In 2012-13, EPFO had provided 8.5 per cent rate of interest on EPF. Thus, at 8.55 per cent for 2017-18, it is a five year low.

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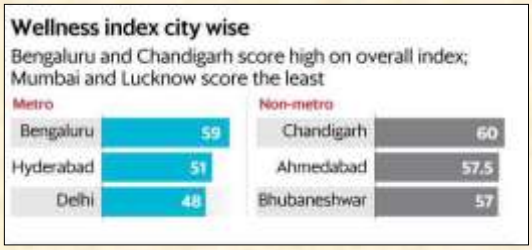
Survey & Reports

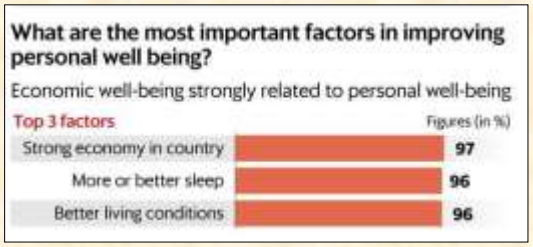
Those with health insurance feel the need to be healthy – Mint – 26th June 2018

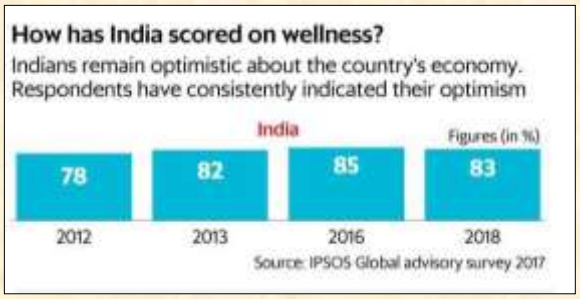
A study conducted to find out people's understanding of wellness found India scoring a moderate 58.3 out of a total of 100.

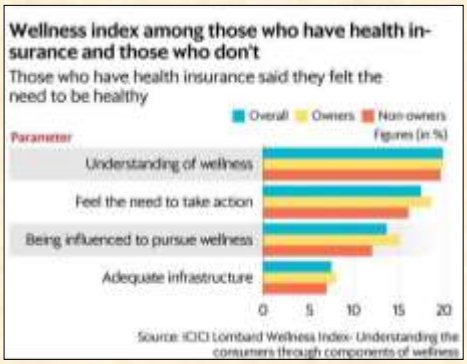
The study, conducted by ICICI Lombard General Insurance, also found that those who already have health insurance are more conscious of the need to be healthy, and that the general economy plays a role in individual's wellness.

Results are based on responses by 2,350 people from 11 cities.









Source

Opinion

Should insurers pay hereditary commission? – Mint – 26th June 2018

Insurers are allowed, though not mandated by law, to pay renewal commissions to non-serving agents or to their nominees after death. Deepti Bhaskaran asked experts whether it makes sense to do so

Tarun Chugh, Managing director and CEO, Bajaj Allianz Life Insurance Co. Ltd
Insurers can have their own policy

Under the amended Insurance Act of 1938, payment of renewal commissions to terminated agents after 5 years of service or payment of hereditary commissions to legal heirs of agents after their death, is no longer mandatory. As per Irdai Regulations, 2016 (Payment of Commission or Remuneration or Reward to Insurance Agents and Insurance Intermediaries), life insurers can now prepare their own policy around hereditary commissions.

Our approach has always been to reward quality and loyalty. Our policy on hereditary commission is that we will pay them to the nominee of the deceased agents, irrespective of their tenure with us. Also, if an agent who has completed 10 years with us, then in recognition of his service, we will continue to pay commissions on every renewal premium received on policies sourced by him. We are in the business of providing a financial cover to enable family members to continue with minimal financial impact in case the breadwinner dies. By paying out hereditary commission, we are taking a step ahead on this core proposition.

Kapil Mehta, Co-founder, Securenow Insurance Broker Pvt. Ltd
Pay commissions if agent stays active

There are two perspectives that matter in hereditary commissions. All of us, including agents, should be paid for the work we do. Not more, not less. The best agents are committed because they want to build a large renewal book that provides an annuity income. The need for an annuity helps agents face negative perceptions and rejection built into their job.

I think renewal commissions should be paid only if an agent is actively working on the policy. They collect premium, address policyholders' queries, ensure receipts are delivered, and support claims. If an agent moves out of the business and stops these activities, a common enough problem, then commissions should not be paid. Similarly, if an agent dies and the renewal responsibility is taken up by the insurer, then hereditary commissions should not be paid.

However, insurers should encourage agents to show commitment by providing performing agents with term insurance. Financially, this is similar to hereditary commissions, but the alignment between work and reward is better.

Shweta Jain, Founder, Investography Pvt. Ltd
Agents, customers need incentives

The penetration of life insurance in India is low and hence people need to be incentivised to educate on the need, amount and type of insurance one needs. But the interests of the agent and the policyholder need to be aligned so that they are both incentivised by the things that are right for the customer. Protection of life, liabilities and goals and adequate cover is required, so the agent has to ensure hand holding through the process and even beyond, regular servicing of the policy and also help at the time of claim settlement. However, when the agent dies, the commissions can go to his nominee.

While the nominee may/may not take care of the clients, he/she is entitled to commissions, the insurance company's stand to pay the hereditary commissions to the nominee is welcome. The insurance company has to ensure that where the nominee is being paid instead of the agent, the client is serviced by them directly as well so that the client doesn't suffer in this. The reminders, claim settlement etc. is as seamless for them as it would be, had their agent been alive.

Paying nominees of agents is debatable
Insurance is a long-term contract and the services of an agent may be required in terms of assistance in paying premiums, administrative work like change in nominees in policies, change of address as well as maturity or death claim settlement. It may be debatable whether paying a percentage of policy premium (instead of a lump

sum amount) on an ongoing basis for providing these services is fair or not—as the time taken for providing these services would be almost identical, irrespective of the sum assured or premium. In fact, with most insurers providing online recourse for servicing matters, it's easy for customers to do it herself.

It is even more debatable if such renewal commissions need to be paid to the nominee after the death of the agent. Unless the nominee is going to continue agency work, they may not be able to provide any services and the customer is left on her own. In such a situation, continuing to pay the agent or the company retaining that amount is not in the customer's interest. The insurer could credit this to the customer's account instead.

Source

Back

Insurance IPOs will usher in focus on profitability from core business – Mint – 26th June 2018

We are at the tipping point of exponential and prudent growth as an industry. Last year saw the landmark listing of multiple Indian insurance companies and India's national reinsurer hitting the capital markets for the first time. The successful listing reflected the growth that the general insurance industry has seen over the last decade, which has collectively raked over Rs 25,000 crore.

The Indian insurance industry is viewed globally as one of the most promising markets with the largest young insurable population and growing awareness of the need for protection and social security. The industry is set to grow with a multitude of factors such as structural rise in financial savings (as a percentage of household savings), high protection gap and rapid penetration of digitisation. Asset purchase has gone up and with a growing economy, people are able to hit their financial goals, thus the focus is now on protecting these hard-earned assets.

Privatisation of the insurance industry in 2000 opened the sector to private enterprises and allowed Indian companies to partner with foreign establishments. The development invited more insurance companies to come in and, therefore, the products, services kept evolving in a bid to be the best for the customers. All these years, a series of development-oriented regulatory initiatives under the Insurance Regulatory and Development Authority of India (Irdai) and digital interventions have helped in redefining insurance products, services and the industry itself.

The entry of new private companies and de-tariffication has spurred competition and innovation in products and distribution and choice for customers, with the industry growing at a compounded annual growth rate (CAGR) of around 20% every year to Rs 1.25 trillion with 33 non-life insurers in the market. However, profitability in the industry has taken a major hit with competition for the existing pie intensifying between insurers and premium rates in most classes taking a dip with the softening, resulting in price wars, a war that no one wins.

The Indian general insurance industry has the highest combined ratio, a key industry parameter to measure profitability, across developed and other developing economies and is excessively dependent on investment income to make up losses from its core underwriting business. In several segments, equitable premium is not being charged for the risks covered and the risk selection criteria is not always prudent.

According to industry statistics, during 2016-17, the total underwriting loss and combined ratio for the general insurance industry jumped to Rs 18,968 crore and 121.33%, respectively, as compared to Rs 14,494 crore and 118.4% in 2015-16. Despite the high combined ratio in the industry, however, insurance in India is largely perceived as a push product, a notion that needs to change given its benefits of providing a financial security net.

The perception of general insurance companies is negative among the population, and for an industry that pays claims to the point of making huge underwriting losses, it seems bizarre. Maybe the industry needs a prudent and customer-centric makeover.

Refreshingly, with the public listing of insurers, profitability has taken centre stage with actions in terms of cutting their loss ratios and expenses, as accountability extends from insurance regulator Irdai to capital markets regulator Securities and Exchange Board of India (Sebi), shareholders, investors and the society in general. There are hopes of improving pricing scenarios in the general insurance industry.

Listing is also a major step towards improving disclosure standards, accountability, efficiency and ensuring greater transparency, which will definitely add to a more robust and healthier industry. The good amount of capital influx into the sector that comes in through listing will boost better investments in technology and modernisation of the industry through technologies. Investments like these can help the industry redefine the

entire insurance experience, including the purchase, claim settlement, engagement and empowering consumers and insurers together. It looks like a win-win situation for both customers and insurers.

Continued losses in the coming future will affect the end consumers since it may result in laxity in claims management or towards investments on initiatives for innovation and better quality of products and services. This will not be the case if insurers can write sustainable business and fund their business growth and customer service innovations by generating profits.

A good disciplined business environment is, therefore, always good for consumers and listing is creating this environment and will also set precedents for writing the business fundamentally right. Risk-based pricing and not succumbing to market pressure will be beneficial for the industry in the long run.

Ensuring profits through disciplined underwriting and a healthy solvency ratio will be critical to ensure sustainable growth for the industry and to provide good return on capital to shareholders. This will also require companies to reassess several key aspects of their business models, right from pricing to products, distribution, risk management, claims management and adoption of technologies for a stellar customer experience.

While insurance has been in India since as early as 1800, its benefits are yet to reach the masses. Retail penetration for non-life insurance is just 3%. With the initial public offer (lPO) buzz, awareness for insurance purchase will also be spurred among retail customers.

Source

By Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance

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How to grow insurance industry – Financial Express – 25th June 2018

There is a need to redefine potential customers and their insurance needs to ensure that the insurance industry grows at an accelerated pace.

At a time when the economic landscape of the country has been changing fast, the insurance sector does not seem to be matching the pace of transformation. Both life and non-life insurers have remained pre-occupied with selling insurance to the middle and upper class for expanding their customer base.

Life insurers stress on number of policies and the 'first premium equivalent' for showcasing their growth. The non-life insurers keep highlighting their performance which is largely dependent on the statutory business. Their growth is induced by automobile and healthcare sectors. Health insurance premium is the highest contributor to the 24%-plus growth of the non-life industry during the last three years.

Growth in ticket size

However, motor and health insurance have been loss-making business for them. Hence, yearly growth in premium income is an illusion created by a commercially unviable segment of business. Insurers often celebrate growth in ticket size of premium and digitisation of many processes as indicators of transformation in insurance business.

Growth in ticket size is the effect of unit-linked insurance products (Ulips) as well as rise in income level of the middle and upper class people, mostly in the urban centres where the private sector invests most of its resources. State-owned LIC which secures business from urban and rural areas cannot boast of earning higher premium per policy.

Similarly, non-life insurers keep ignoring the insurance needs of the people and do not promote non-conventional products which people really need.

The industry boasts of large scale adoption of technology for boosting business. The technology adopted by them, however, is intended to streamline working in offices and to provide ease of access to the policyholders. But the fast changing socio-economic eco-system is likely to be very ruthless to those who refuse to upgrade themselves into an organisation which is sensitive to the substantially changed demands of the people.

Therefore, growth rate over the previous year performances does not mean much because such a growth is either not enough or not relevant to the prospective customers belonging to the new generation. The insurance schemes introduced for bank account holders by the prime minister three years ago points to the vast untapped potentiality that existed in the market for such a long time.

These two developments point to the changing landscape. There is a need to redefine potential customers and their insurance needs. In the non-life sector intense competition is seen among the insurers to outsmart each other in grabbing existing customers. There is no competition for expanding the market with more effective distribution system. The current scenario is not changing because no company takes initiatives to enhance the awareness of insurance products.

Comprehensive cover

If advantage is taken of the growing digital environment to reach out to potential customers and provide comprehensive cover easily, growth can be achieved at an accelerated rate.

Companies need to upgrade products and service delivery. In non-life business, in addition to the usual product offerings the companies need to cater to all kinds of risk for an individual or a family. In modern times, cyber security and related laws assume much more importance than many physical assets. Even the regulator needs to roll out new rules to govern digital sell and purchase of insurance so that the speed of buying and owning an insurance policy is not neutralised by hassles on points of law at the time of settlement of claim. For the growth of the insurance sector a very supportive regulatory framework is required.

An environment of freedom for growth must be provided with clear priority to the interest of customers in all situations. Good return for the policyholders in life insurance and very comprehensive coverage and benefit to the non-life policyholders must be provided. The market should be made to feel that it is easy to own the policies to cover different kinds of risk.

Source

Kamalji Sahay - ***The writer is former MD & CEO, SUD Life***

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IRDAI Circular

Source

IRDAI issued circular regarding Electronic Transaction Administration and Settlement System (ETASS)—Co-insurance Module to all CEOs/CMDs of general insurance companies.

Source

List of foreign reinsurers branch, Lloyd's India and Lloyd's India service companies in India as on 25-06-2018 is available of IRDAI website.

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Global News

Taiwan: Protection gap is wide despite high insurance penetration rate – Asia Insurance Review

With approximately NT$1 billion ($33 million) of new sales premiums flowing into the life insurance sector each year, Taiwan citizens are purchasing only NT$2 billion of protection, while other developed markets are achieving rates of protection at least four times higher, says the American Chamber of Commerce in Taiwan (Amcham Taiwan).

Although this protection gap can be measured in many different ways, the fact is that the savings oriented nature of insurance in Taiwan masks the true need for further protecting Taiwan citizens, says Amcham Taiwan in is 2018 Taiwan White Paper which summarises the chamber's recommendations to the government and public on legislative, regulatory and enforcement issues that have a major impact on the quality of the business environment.

Many Taiwanese purchase annuities, but in terms of lifetime income, only a very small percentage of people annuitise.

In view of the aging of society, the lack of guaranteed lifetime income will leave many people exposed to significant longevity risk. The paper points out that Taiwanese people remain under-protected although at nearly 20%, Taiwan's insurance penetration ratio is among the world's highest.

Amcham Taiwan urges insurers and policymakers alike to focus on creating ever better outcomes to help Taiwanese families prepare for and address fundamental risks.

Source

The White Paper highlights five key areas of focus:

1. Addressing the risks of dying too soon
2. Addressing the risks of living too long
3. Addressing the risks of being underinsured throughout life
4. Actively enabling and ensuring customer experience
5. Promoting sound asset/liability & investment management practices.

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