Insurance Institute of India
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INSUNEWS

- Weekly e-Newsletter

19th Aug – 1st Sept 2017

● Quote for the Week ●

"When we give ourselves permission to fail, we at the same time give ourselves permission to excel."

Eloise Ristad

INSIDE THE ISSUE

Insurance Industry

Mumbai Floods to Hit Insurers with a Rs 500-cr Claims Tsunami - The Economic Times (Delhi) – 31st August 2017

This is mall compared to Rs 5,000-cr claims made during Chennai floods.

Insurers are set to take a Rs 500-crore hit from Tuesday's Mumbai floods, with most of the claims expected to come from the motor and health segments and shops that faced damage due to waterlogging, industry executives said.

But this would be small compared to the claims after the 2005 Mumbai floods and the Chennai floods of 2015, when insurers had Rs 3,000 crore and to shell out about Rs 5,000 crore, respectively. Taking lessons from the large destructions in 2005, city residents had taken precautions this time. Insurance companies, on their part, had sent out messages on how to mitigate losses arising out of vehicle damage -a segment where they took the maximum hit 12 years ago. "Claim is most likely to come under motor insurance, health and shopkeeper's insurance. The situation was better compared to last Mumbai floods in 2005 and people did not crank their cars," said Sanjay Datta, chief of underwriting and claims, ICICI Lombard General Insurance. During monsoons, claims are generally filed for breakdowns, engine damage, hydrostatic lock of engine and cleaning of vehicles submerged in rainwater. Insurers say that repairing or replacing a water-damaged engine can cost Rs 75,000 to lakh -in case of high-end cars, it. 10-15 lakh could rise up to Insurers had sent out alerts, advising policyholders to seek technical help in case a car breaks down in a flooded area or get it towed to the nearest garage. Companies have taken steps to make claim settlements hassle free.

Future Generali said it is making sure that documentary requirements were kept to the bare minimum. "We have conveyed that the conditions of claims are waived to settle claims fast," it said in a statement.

Source

Insurance firms tap blockchain for ease of transaction - Business Standard – 28th August 2017

Thirteen Indian insurance companies have come together to use a blockchain-like technology to create a central repository of policyholder data, so that insurers need not repeat the registration procedure for multiple policies. “When the same records are available to a number of life insurance companies in a chain, the cost incurred by them is lower compared to what it is when they were all separately conducting tests and storing records,” said Akshay Dhanak, vice-president, business systems & technology at HDFC Life Insurance. A whole lot of work has to be done in know-your-customer, medical underwriting, financial underwriting, etc, when a customer buys insurance, he said. Duplication of these procedures can be avoided by having the entire data set on blockchain.

Blockchain is like a digital ledger used to store information of all cryptocurrency transactions. In this particular case, it takes the form of a distributed and decentralised method of storing information based on mutual agreement of members. PwC’s Global Fintech Report 2017 expects 77 per cent of financial technology institutions to adopt blockchain as a process by 2020, with payments, fund transfer and digital identity management being the top areas of usage. “Any new concept needs to progress sequentially,” said Mohit Rochlani, chief operating officer, IndiaFirst Life Insurance. “Any collaboration is taken apprehensively across industries because it constitutes data sharing as well as process sharing. There are also regulatory concerns regarding data privacy that need to be addressed.” Once the procedure evolves, he said, it would be advantageous in cost reduction and improving efficiency.

Global advisory firm EY will be facilitating the Indian insurer consortium through partnerships with multiple technology partners. “We are using multiple platforms like Hyper Ledger, MultiChain and Corda, among others. Each platform has its own benefits and limitations in terms of volume of transactions that they can handle and interoperability (that they offer),” said Sachin Seth, technology partner at EY. Interoperability with other insurance companies — apart from banks, medical centres, among others — would be the eventual goal, he said. The blockchain system will just hold the data, while the policyholders will remain free to pull their data out of the system at will. The change in financial overheads due to the new technology is yet to be seen. But the members are confident that greater transparency and reduced duplication would be beneficial for everyone involved. The 13-member consortium hope others would also come on board.

“Considering that it’s a very small group of insurance companies here in India. It will be a challenge if more than one standard for blockchain exists. We hope other companies will also join us gradually. Blockchain will detect multiple fraudulent claims efficiently compared to those of companies that might not have access to this platform,” said Pankaj Pandey, chief information officer, IDBI Federal Life Insurance. KPMG has noted that one of the most disruptive applications of blockchain would be the development of “smart contracts”, which would streamline verification and authentication of details across all member parties simultaneously. This would reduce costs.

BLOCKCHAIN IN INSURANCE

- Travel and life insurance: Develop a pay-as-you-travel insurance model that provides immediate payouts for delays or cancellation
- Personal accident insurance: Create a transparent and seamless claims journey to improve customer satisfaction
- Record-keeping: Leverage blockchain to create, organise and maintain company records in a single, reliable repository
- Digital identities: Use blockchain data and digital ledgers to digitise and validate customer information and improve compliance
- Claims management: Automate the verification and streamline claims settlement to improve operational efficiency and remove costs
- Reinsurance claims: Allow for the automation of straightforward claims triggered by smart reinsurance contracts
- Surety insurance: Create a “golden source” of data on surety bonds that is available in real-time to all participants
- Peer-to-peer insurance: Build a peer-to-peer network to establish smart contracts without need for an intermediary

Source: KPMG

Source

India: Govt panel highlights need for household financial products – Asia Insurance Review

There is a need for a minimum set of cost-effective financial products to be prescribed for Indian households like simple term insurance and basic health insurance, according to a report of the Household Finance Committee.

For instance, in insurance, simplified low-cost home and contents insurance and travel insurance should be offered, recommends the inter-regulatory committee consisting of members from IRDAI, the Securities and Exchange Board of India, the Reserve Bank of India and Pension Fund Regulatory and Development Authority. It adds that low-cost catastrophe insurance could be made mandatory when property is purchased in areas that are at a high risk of natural disasters. The committee also says that households should be given the choice to shop for the best annuity plans and that investment guidelines for annuity funds could be relaxed.

The panel suggests too a set of standardised norms across regulators for financial advice to be implemented in a phased and unified manner, supported with a fiduciary standard for financial advisors. It also proposes that the provision of financial advice be clearly separated from the distribution of financial products, and provided in a manner that avoids conflicts of interest.

Debt in later years

The report notes that the average Indian household holds 84% of its wealth in real estate and other physical goods, 11% in gold and the residual 5% in financial assets, and as households age, they pile up debt, a peculiarity unique to Indians. More than half the debt Indian households accumulate are unsecured, reflecting an “unusually high reliance on non-institutional sources such as moneylenders”.

Indian households tend to borrow later in life and are more likely to reach retirement age with outstanding debt, which is a source of risk given that they are no longer earning income during these years.

One reason for accumulating debt at a later stage in life could be the social arrangement, in which households bequeath the properties to future generations in lieu of old age care.

However, the panel notes these traditional structures were increasingly under pressure from shifting demographic patterns, social norms, and changing economic conditions, “introducing risks to economic well-being especially as households age”.

The report found that the contribution of pension wealth and insurance cover was prevalent in only a few states and not across India. Insurance penetration was low, despite risks from excess rainfall, health shocks and natural disasters.

Over the coming decade and a half, the elderly population is expected to grow by 75%, but only a small fraction of this had saved in private pension plans. Coupled with low insurance cover, Indian households “appear particularly vulnerable to adverse shocks later in life”.

More worrying is the habit of Indian households borrowing high-cost debt after a shock as opposed to insuring themselves in advance, it said.

This might be due to tight constraints on Indian household budgets which do not allow them to buy insurance in advance, or because of adverse selection, moral hazards or other issues which may cause the insurance premiums to become unaffordable.

This could be overcome by strengthening the public provision of health and social welfare services, the report says. It also stresses that Indian households must re-allocate assets towards financial products and away from gold.

One major issue for a distorted assets and liabilities picture in Indian households is the lack of unified framework or guidelines for the provision of high quality and low-cost financial advice.

As part of its recommendations, the committee proposes a set of sector-specific recommendations to improve the functioning of mortgage, collateralised lending, insurance, pension, and gold markets.

Source

Insurance Regulation

Irda Wants Capital Commitment from Pros Seeking Insurance Licence - The Economic Times (Delhi) – 28th August 2017

The Insurance Regulatory Development Authority of India is looking at capital commitment from professionals applying for general insurance licence to ensure that funds continue to flow for future growth, especially those backed by short-sighted private equity players.

"We want commitment for long-term investment from promoters getting in the insurance space," said an Irda official on condition of anonymity. "In case of individuals, we want to ensure that the net worth of the promoter is strong and capital is longterm and sticky."

Irda is looking into applications from three individuals backed by large funds seeking to operate general insurance companies: Go Digit General Insurance by Kamesh Goyal, Acko General Insurance by Varun Dua and Aspire Health Insurance by Rajesh Relan.

"The regulator is going slow in giving out licence as it wants to see who will fund future capital call and ensuring stickiness of capital," said one of the applicant."They are not keen on individuals becoming promoters, therefore asking huge capital commitment from individuals."

Irda is focused on the ability of promoter to build a successful business depending on how well one understands that business and how much money can one bring in. Insurance companies need funding support more from domestic sources as foreign direct investment limit is capped at 49%.

Irda will take up the issue at its board meeting on Monday. The board will take up applications filed by professionals including Acko General Insurance which is founded by Varun Dua co-founder Coverfox, backed by Narayan Murthy's Catamaran and other domestic, foreign venture capital.

Any one with more than 10% is given promoter status, as per Irda guidelines.

Source

"As a promoter, one should demonstrate domain knowledge either by partnership or on their own," said another individual who is looking to apply backed by private equity.

Back

IRDAI launches central database of insurance sales persons - The Hindu Business Line – 26th August 2017

The Insuranace Regulatory and Development Authority of India (IRDAI) has launched a Central Database of all Insurance Sales Persons in the country.

Christined as `Envoy', the database will esnure that all licensed insurance sales persons working for insurers and intermediaries including entities such as insurance agents, broker qualified persons, specified persons of corporate agents, authorised verifiers of web aggregators, point of sales persons (POS) etc do not work with multiple insurers and intermediaries in the same business category.

At the present stage, Envoy covers POS, specified persons of corporate agents, qualified persons of insurance brokers and authorised verifiers of web aggregators.

According to IRDAI, the next phase, to be taken up shortly, will cover all remaining categories such as individual agents and insurance marketing firms.

The database also provides a search facility for insurers and insurance intermediaries whereby an applicant insurance sales person's details are queried for a match in the database.

Source

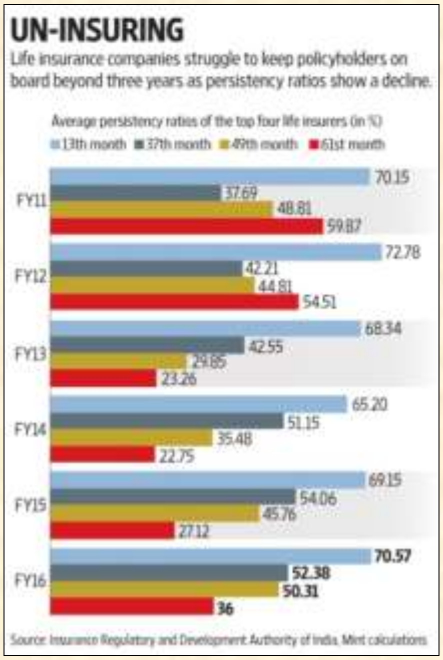
Appointment of such a person by the insurer or insurance intermediary shall be taken up only after ensuring that the Applicant does not already figure in the database.

Life Insurance

Persistency ratios show life insurers struggle to keep policyholders on board – Mint – 30th August 2017

Life insurance is a long-term product and so is the business. Costs are mostly upfront and insurance companies begin earning margins only later. A slew of life insurance companies will be tapping public money through share offers and get listed. In the wake of this, future prospects for these companies are a key metric that investors will monitor. One indicator of this is the persistency ratio.

The persistency ratio shows what proportion of policyholders stick with their product and keep funding it, and for how long. Insurers have to disclose persistency ratios of the 13th, 25th, 37th, 49th and the 61st month. In other words, insurers detail the proportion of policyholders who stick with their policies every year beyond the first one.



Life insurers fare poorly in persistency ratios beyond the third year and this does not augur well for their business outlook. For instance, only 50% of SBI Life's policyholders continue paying premiums beyond the third year. This ratio is 48% for the country's largest insurer, Life Insurance Corporation of India (LIC). Data from the Insurance Regulatory and Development Authority of India (IRDA) shows that almost all insurance companies see a sharp drop in their persistency ratios beyond the third year.

For fiscal year 2016, persistency ratio for the industry dropped to an average 38% in the 49th month from around 44% in the 37th month. This drops further to an average of 29% in the 61st month. The accompanying chart shows how the top four insurance companies, holding more than 80% of the business pie, fare in persistency ratios.

An important point to be kept in mind is that a falling persistency ratio hurts insurers that have a large portion of their products in market-linked rather than traditional products. That is because a rule change in 2010 mandated life insurers to not appropriate the entire corpus of a market-linked insurance policy which lapsed in the first five years. Traditional policies are still allowed to appropriate the corpus. Hence, persistency ratios may not hit LIC as most of its products are traditional ones. Private insurers such as ICICI Prudential Life Insurance would do well to improve on their persistency ratios.

To be fair, private insurers have seen a rise in their persistency ratios in the last three years, as the chart shows. But they still have a long way to go. It is not surprising that on the basis of renewal premium, the business growth of life insurers is dismal in the country. While new business premium growth was more than 25% in FY17, renewal premium business growth was in the low single digits.

Source

There are top-up premiums for Ulips – Mint – 27th august 2017

A life insurance policy is a long-term contract in which you agree to pay a fixed premium every year (in case of a regular premium policies) or for a specified number of years (in case of a limited premium pay policies) or just once (in case of a single premium policies). You pay the same premium instalments every year. However, what if you have a windfall gain and want to pump that money into your life insurance policy?

Unit-linked insurance plans (Ulips) allow you to top up your policy. Here are the details of doing so.

What is top-up premium?
A top-up premium is the amount paid at irregular intervals over and above the basic premium that is specified in the insurance contract.

As per insurance rules, each top-up premium needs to be treated as a single premium contract. In other words, the extra money that you park in your Ulip also needs to buy you an insurance cover.

As per regulations for single-premium policies, the minimum sum assured is 125% of the single premium for individuals up to 45 years of age. For those above 45 years, the minimum sum assured is 110% of the premium paid.

A top-up premium option is typically not available in the case of traditional insurance-cum-investment policies because, unlike a Ulip which has unbundled costs and the returns are market linked, traditional insurance plans are opaque and come with a minimum guaranteed return.

Charges and features
In terms of charges, typically you pay a one-time premium-allocation charge—this is deducted straight from the premium you pay—and a recurring mortality charge and fund management charge. Mortality charge (the charge for providing you life insurance cover) is as per the attained age of the policyholder, and not as per the age at which you bought the policy.

So, when you buy a policy at 35 years of age and top up at 40, the mortality charge applicable will be that of a 40-year-old person and not that which would be charged from a 35-year-old. In the same manner, the minimum sum assured is decided on the attained age.

You need to keep in mind that just like in the rule for Ulips, the minimum holding period of top-up premiums is 5 years. But if you are surrendering the policy, then you can withdraw the top-up money without waiting for the lock-in to get over.

Also, except in a unit-linked pension plan, top-up premiums are not allowed during the last 5 years of the policy term. In case of a unit-linked pension plan, you can make unlimited number of top-ups.
However, in a regular Ulip, at any point of time during the policy term, the total top-up premiums paid cannot be more than the sum total of the regular premiums paid till that point of time.

Should you top up?
In the case of traditional insurance plans and term plans, there are no top-ups.

However, Ulips are transparent market-linked products. You can pump in any windfall gain in it and it would work like a single-premium policy attached to the main policy, with the benefit of paying a lower premium allocation charge and zero policy administration charge.

Flexibility of a top-up is a good thing, but of late insurers are not actively offering top-up premium options and this is primarily due to the fact that the rules now mandate a minimum insurance cover with a top-up premium cover for this facility. And this is something you need to be mindful of as well.

If your motive is to increase the insurance component of your Ulip, then we suggest you look at buying a pure insurance cover called the term plan. And if the idea is to increase your investments, then you are better off without paying the mortality charge, and you can look at other market-linked products like mutual funds.

For those who only want to buy a bundled insurance product, a top-premium is a good option, but you should use it wisely. Make sure the fund performance of your Ulip is consistently good before you pump in more money.

Source

General Insurance

Motor third party portfolio could report profit soon: SBI General CEO - The Hindu Business Line – 31st August 2017

The motor third party portfolio in general insurance sector is starting to stabilise with premiums going up in recent years, according to SBI General Insurance.

"I would say that we're half-way towards making even a profit, if the current trend continues for the next two or three years," Pushan Mahapatra, MD & CEO of the company.

Motor Vehicles Act

This is especially so if the new Motor Vehicles Act gets implemented, as it should, he told BusinessLine during a recent visit here.

The Act has prescribed a period within which investigations have to be finished, including that required of the insurance companies.

One of the issues with motor third party business has been the length of the process involved - six to seven years in most cases, Mahapatra said.

"We will serve the cause of various stakeholders much better if we can close third party claims in say one year, that is, if the police, insurance company and the courts stick to a time schedule."

Speaking of the Kerala market, he said the low penetration defies logic given the high literacy and awareness about insurance and its benefits.

People here are aware but somehow the realisation that there are risks that they need to protect against, is largely absent.

Kerala defies logic

"I don't know why but somebody brought up the strange logic that natural calamities are few in Kerala. But fire, motor and health risks also should get equal attention."

For instance, the third party payouts are much higher here than any part of the country, Mahapatra said.
"Because the third party cost is high, your proportion of motor insurance premium is much higher than the national average, he added.

Giving out statistics, he said that the state generated approximately Rs. 3,721 crore in gross direct premium income in 2016-17, amounting to 3.86 per cent of industry (total size of Rs. 96,378 crore).

SBI General's total premium collection from Kerala accounted for Rs. 75.85 crore, he added.

A break-up by product segment showed that fire insurance contributed the most (61 per cent), followed by motor (21 per cent), group personal accident (8 per cent, health (6 per cent) and miscellaneous (4 per cent).

Source

The gross written premium during the first quarter of 2017-18 was Rs. 667 crore, a 32 per cent rise over the corresponding quarter of the previous year.

Back

Uber turns 4 in India; rolls out insurance programme for driver-partners - The Hindu Business Line – 29th August 2017

Global ride-hailing major Uber on Tuesday rolled out India's first-of-its-kind ride sharing insurance programme that is expected to provide protection to its nearly 4.5 lakh driver-partners across the country.

The accident insurance cover has been rolled out in partnership with ICICI Lombard General Insurance, the largest private sector non-life insurer in the country. It came on a day marking the fourth anniversary of Uber's journey in India.

This insurance policy provides driver-partners free coverage for accidental death and disablement, hospitalisation, and outpatient medical treatment in case of an accident while online on the Uber App and will be available for trip requests, en route or on a trip with Uber.

Pradeep Parameswaran, Head of Central Operations, India, Uber, said a driver-partner would be covered for Rs. 5 lakh for accidental death; up to Rs. 5 lakh for permanent disability; up to Rs. 2 lakh for hospitalisation with a sub-limit of Rs. 50,000 for outpatient treatment.

"This initiative will provide a safety net for our driver-partners, who keep our cities moving. This is just the beginning, we will continue to engage with our driver-partners and work towards making driving for Uber not just the most attractive opportunity but also the most preferred choice," Parameswaran said.

He said this partnership and other innovations are a reflection of Uber's commitment to listen, act and enable "our drivers to experience the 'apnapan' while driving for Uber".

Cover under this programme will go live as of September 1, 2017.

Commenting on the latest Uber initiative, Bhargav Dasgupta, Managing Director & CEO, ICICI Lombard General Insurance, said the general insurer was excited to partner with Uber India and introduce this unique insurance proposition for its driver-partners.

Uber offers this type of cover elsewhere in Asia, including in Myanmar and Indonesia, but it does not do so in most countries or in the US. India is the largest market in which it has rolled it out so far, according to Parameswaran.

Source

Back

How to buy a home insurance policy? – Mint – 29th August 2017

Home insurance continues to remain an ignored insurance product. A basic home insurance policy is a fire insurance cover that insures the structure of your house and its contents against fire and allied perils such as lightening, storms and floods.

A householder's package policy (HPP), on the other hand, is a fire insurance policy that packs in more options. It also insures the contents of your house against burglary, damage and mechanical or electrical breakdowns. A home insurance policy is a must for all homeowners.

Here we tell you some important facts to keep in mind while getting one.

Market value and reinstatement value
The value of your house comprises three broad components, which are: cost of land, cost of construction, and locality costs (a house in a premium location would cost more).

The insurance covers only cost of construction. A civil contractor or a real estate broker will tell you the cost of construction and while it may vary depending upon the city, it doesn't vary too much between one location and another. Now, there are two ways to arriving at the sum insured—first is on a market value basis or a depreciated cost basis, and the second is on a reinstatement basis.

In insurance, market value is the cost of constructing your house after subtracting depreciation; while reinstatement is the full value of construction of the house. Obviously, premiums for insurance plans that are based on the market-value basis, will be cheaper.

Under the reinstatement basis, insurers don't deduct depreciation and therefore such plans are preferable. Typically, insurers sell you a reinstatement-based policy but do check and confirm at the time of buying the cover.

Underinsurance
You also need to be mindful of underinsurance, as the insurer will penalise you by proportionately reducing the claim amount.

For example, if the cost of construction of your house is, say, Rs2,000 per sq. ft, and you buy an insurance cover for Rs1,000 per sq. ft, the insurer will consider this underinsurance. At the time of claim, the insurer would only pay half the claim amount.

Reinstatement in a housing tower
Even if you buy an insurance cover on reinstatement basis, you must remember that insurers will settle the claim only after the house is reconstructed or will make partial payments to help you reconstruct the house.

But then, you still have to get the house reconstructed; and if you live in a flat in a multi-storeyed complex, it means that for you to reconstruct the house, you need to wait for others to reconstruct their houses as well.

In order to deal with such situations, some insurers now offer home insurance on an agreed-value basis.

The agreed value factors in the cost of the area as well; so in the event of a loss, you get the agreed value and the ownership of your house is transferred to the insurer.

Source

You can then take the agreed value and buy a new house, instead of waiting to reconstruct the older house and there is also no threat of any penalty due to underinsurance.

Back

Modi's next challenge after Jan Dhan: Sell more insurance to more Indians - Business Standard – 29th August 2017

At a time when the Jan Dhan Yojana, which aims to get India's vast unbanked population into the formal economy, completes three years, the Narendra Modi government deserves a pat on the back for more reasons than one. The newly opened bank accounts of over 295 million beneficiaries have Rs 65,845 crore deposited. Of the total beneficiaries, as many as 230 million now have debit cards and are getting a taste of the digital economy for the first time in their lives. More than 170 million of these new bank account holders are in rural and semi-urban centres of India. The number of Jan Dhan bank account holders in states like Bihar, Jharkhand, Chhattisgarh and Uttar Pradesh equals the population of Australia and Canada put together.

While these numbers look impressive, Modi has many more miles to go before he can rest on the laurels of having created a wildly successful financial inclusion programme with few parallels across the world.

"Those who opened their accounts under the Pradhan Mantri Jan Dhan Yojana have received the benefit of insurance as well. Schemes like Pradhan Mantri Jeevan Jyoti BimaYojana, Pradhan Mantri Suraksha BimaYojana, with a small premium of one rupee or thirty rupees, are giving a new sense of confidence to the poor. For many families, in times of adversity or on the demise of the head of the family, through their one-rupee insurance, they received Rs 2 lakh in a matter of days," Modi said in his All India Radio address to the nation on August 27.

These two insurance schemes, launched in 2015, have met with limited success so far. The life insurance scheme (called the PM Jeevan Jyoti Bima Yojana) has managed to cover only 35 million people across India since its launch. Finance Ministry data show that the figures for the accident insurance programme (the Pradhan Mantri Suraksha Bima Yojana) have been a bit more encouraging, with almost 110 million people opting to get covered under it. For a government that is hard-selling these schemes as part of its endeavour to usher in a universal social security in India, these are not spectacular results.

Part of the reason for the accidental insurance scheme being more popular than life insurance is the obvious difference in premiums. While both provide a cover of Rs 2 lakh, an accident insurance can be bought by the underprivileged and poor by paying a premium of Rs 12 every year. What makes the accident insurance more attractive to the economically weaker sections is that it promises an amount of Rs 1 lakh to their families in case of a partial disability arising out of an accidents. The life insurance comes at a premium of Rs 330 a year, a day's income for many whom the government seeks to bring under the social security net.

What also discourages people is that they have no choice to decide its continuity. Once the insurance is sold, the buyer has to consent to 'auto-debits' from their accounts. Every year, the premium is debited at an appropriate time from their accounts by banks and paid to insurance companies.

There also seems to be reluctance on the part of insurers to settle life insurance claims for those availing of these two schemes. Information from finance ministry shows that only 93 per cent of the claims received to date have been processed by the respective insurance companies. Insurance companies in India have a better track record of claim settlement when dealing with those not covered under these schemes. Insurance Regulatory Development Authority (Irdai) figures show that between 2013 and 2016, more than 97 per cent of all life insurance claims were settled in India. The lower settlements might further deter people from becoming part of the Modi's government's envisaged social security net. The ministry reports that insurance companies have paid Rs 1,319 crore as settlements under the life insurance scheme till July 2017.

But an encouraging sign is the higher settlement rate of accident claims when compared with the national average. Under the PM's accident insurance scheme, 74 per cent of the 14,480 claims received were settled by insurance companies. Irdai figures show that the settlement rate nationally over the past three years has been around 62 per cent. For those who are the sole breadwinners for a family, an amount of Rs 2 lakh, though sustainable for only a few months, could mean a lot in terms of immediate sustenance. Until July 2017, under Modi's pet accident insurance scheme, insurance companies had paid Rs 231 crore to families of those permanently maimed or killed in accidents.

Source

Back

No insurance claim if you don't have engine-protection rider - The Tribune – 29th August 2017

If you get stuck in a water-logged area during rain and your car engine stops, don't even try to start it once because even one attempt can seriously damage the engine and insurance companies can reject your claim if you have not taken an engine-protection rider.

Last week when heavy rainfall wreaked havoc in the tricity, many cars broke down on the water-logged roads.

The New India Assurance Company alone was approached by over three dozen policyholders for claims. However, the chances of claim settlement for all the cases are bleak. Reason: Negligence.

"If we find cases wherein a policyholder deliberately drove the car in the water-logged areas, then their claims are declined. Also, cranking the engine after it has stalled due to water entering into it too leads to rejection of claim," said a senior official working with a public sector insurance company.

"The damage occurring due to negligence is not covered. However, damaged upholstery or any other part when the car is parked in a water-logged area can be covered and the policyholder is liable to get the claim," said a private sector insurer.

Public sector insurance officials said if a policyholder wants to claim insurance for the damage caused to the cars especially during monsoon, one should avoid driving in a water-logged area when he doesn't have engine protection cover. The engine protection cover can be purchased by paying around Rs 260 per lakh plus taxes. "So, if a car cost Rs 5 lakh, then the policyholder has to pay nearly Rs 1,500 for getting the engine protection cover as a add on feature with the existing policy," he said.

Source

Back

Why are insurance companies bullish about the new bankruptcy law – The Economic Times – 26th August 2017

ICICI Lombard, HDFC Ergo, New India Assurance and National Insurance are among the insurers who would be delivering a tailored insurance cover soon for Insolvency Professionals as the new breed of executives stare at multiple risks from charges of sabotage to negligence.

While there are broad indemnity covers, these are available only for a company's top executives and board of directors. But this cover wouldn't cover an Insolvency Professional who would take charge of running a company during the bankruptcy proceedings. The board of directors remain suspended though top management staff would be drawn upon to help run the company.

"As of now, the normal professional indemnity cover can protect," said Sanjay Datta, chief underwriting and claims, at ICICI Lombard differs. "Later on as market need increases we can develop a specialised cover for them."

Resolution of default cases under the new Insolvency and Bankruptcy Code is gathering momentum. Although it may be the most efficient way of resolving bad loans, it exposes the IPs to many litigation as promoters who hold their company close to their hearts would look at various ways to put obstacles in the functioning of IPs. That needs insurance which is absent since the insolvency profession itself is at a nascent stage.

Though Section 233 of IBC give protection to Insolvency Professional for any action taken in good faith.

"However, the onus to prove innocence will be on Insolvency Professional. Which at times may be difficult, time consuming and expensive. As such the professional indemnity insurance becomes vital and no professional should start without being insured," said Subodh Kumar Agarwal, an insolvency professional.

Source

Insurers fear being flooded with claims from deluge-hit states - The Hindu Business Line – 25th August 2017

The rising number of damage claims, mostly from the industry, fire and motor segments, pouring in from the flood-hit states has the general insurance sector worried.

Since late June, several states like Assam, Bihar, Gujarat Haryana and Rajasthan have been hit by devastating floods, leading to heavy loss of lives and damage to livestock as well as property.

State-owned non-life insurer National Insurance Company has received a total of 209 claims so far from Gujarat and Assam with a value of around Rs. 23 crore. A majority of claims have been generated under the fire segment.

"Its a matter of concern that catastrophic losses which are essentially Black Swan events, are happening every year. This will put considerable pressure on property pricing," National Insurance chairman Sanath Kumar told PTI.

But the company has been diligent in settling claims of the affected people even at the cost diluting some of the procedural norms, because "it's our endeavour that financial help is delivered to the policyholders who have been affected by the floods in Assam, Bihar, Gujarat and elsewhere," Kumar said.

Another state-run player United India has received a total of 216 flood-related claims from Gujarat alone so far.

Most of these claims are from the motor and industry segments.

"So far, we have received 216 claims from various parts of flood-hit Gujarat alone and we will settle all the valid claims within a fortnight," said director of United India M N Sharma, who is tipped to be the next chairman and managing director.

"We have already pressed in surveyors to the flood-hit areas in Gujarat and asked them to report about the claims within a week. Once we receive their report, we will settle the claims in a week's time," he added.

The company, Sharma said, is yet to receive claims from Bihar, Haryana, Rajasthan and Assam, which have had much more devastating impacts.

"We will take some more time to reach out to the victims in these states as the flood waters have not receded yet," he said, adding "We've made a provision of Rs. 15 crore for claim settlement. But we fear the figure may increase."

According to Sharma, most of the claims generated so far are from the motor and industry segments.
Private sector Bajaj Allianz General Insurance has also received claims from these flood-hit states. However, the value of those claims are very small compared to the actual economic loss.

The company has so far received 125 claims from Bengaluru which is likely to go up to 200. Similarly, it has received 25 claims from Bihar (which may also go up to 20) and 185 from Gujarat, an official said.

"The economic loss in any flood is much higher than the insured loss. The industry, along with government should strive towards coming out with a solution which doesn't cause financial hardships to the common-man whenever such events occur," Bajaj Allianz GI managing director and chief executive Tapan Singhel said.

Source

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RBI panel seeks rights-based data privacy in household finance - The Hindu Business Line – 25th August 2017

There is a need to adopt a rights-based privacy framework in household finance rather than the widely prevalent consent-based approach, a Reserve Bank panel has said. "(We) suggest adoption of a rights-based privacy framework in contrast with the more common consent-based privacy framework," the report of the Household Finance Committee of the central bank said.

The panel was set up following discussions in a sub-committee of Financial Stability and Development Council on April 26 last year. The RBI published the report hours after the Supreme Court gave its landmark judgement affirming privacy as a fundamental right yesterday.

"We note that technological advances like machine learning and big data have changed the ways in which we process data and as a result, have made consent a less-than- effective tool to protect personal privacy," the report said. Therefore, it is imperative to deploy an alternative system to protect data privacy, it said, adding the law should create a class of technically skilled intermediaries authorised to review algorithms that process personal data to evaluate whether the data is being processed in a privacy-neutral manner.

"The new privacy framework should contemplate the creation of a Data Commissioner who shall be responsible for redress of grievances as well as for establishment of standards of accountability and transparency," it said. "Our current belief is that rather than consent, a robust privacy framework in the modern world may call for a rights-based approach," it said.

"Data controllers (financial firms) will also be responsible for ensuring accountability, transparency, non-discrimination and data security while processing data," the panel recommended, adding they will be held accountable for any breach. Noting that "all financial technology solutions require the use of households' personal information, a form of wealth in itself", the committee said it is "worried" the country lacks a formal legal framework for data protection.

"There is no formal privacy statute and the closest thing to a formal privacy law is in the rules enacted under Section 43A of the IT Act of 2000 that spell out, in general terms, privacy obligations that apply to anyone who collects and processes sensitive personal data," the report said.

"Continued lack of clear privacy regulations presents an ever-increasing risk to personal privacy," it said. In most countries, privacy and data protection regulations restrict the extent to which data are available for both transactional and research purposes, it noted.

The committee was headed by Tarun Ramadorai, a professor in financial economics at Imperial College London, and had representatives from all financial regulators. Most of its recommendations are not mandatory and open for public comments at present.

The panel was also of the view that there should be a mandatory catastrophe insurance with automatically triggered pay-out in zones with high natural disasters like floods and earthquakes risks, Ramadorai said, adding that this was the only mandatory suggestion made by the panel.

"The panel suggested a set of standardised norms across regulators for financial advice, supported with a fiduciary standard for financial advisers," Ramadorai told PTI over phone from London. The panel also proposed simple home insurance policy covering structure and contents at a low premium.

Source

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India: Unpaid crop insurance premiums raise risk from govt – Asia Insurance Review

Outstanding premiums and claims of insurers have gone up over the past year in a first sign of risk from Prime Minister Narendra Modi's crop insurance scheme. The increase is driven by "a dramatic jump in the crop portfolio" of insurers as the business grows on the push from the scheme, Pradhan Mantri Fasal Bima Yojana (PMFBY), Mr Shashwat Sharma, head-insurance at KPMG, told BloombergQuint. This exposes a large section of the industry to risk from the government, he said.

For instance, ICICI Lombard General Insurance's premiums due from the government for crop and weather plans rose five-fold to nearly INR18 billion (US$281 million) at 31 March, according to the draft prospectus the private insurer filed for its initial public offering. Outstanding crop claims for ICICI Lombard, or the amount payable to policyholders, nearly tripled to INR22.4 billion at 31 March 2017, its prospectus said.

Under the PMFBY scheme launched in January last year, insurers receive 2% of the actuarial premium rate for kharif (monsoon) crops, 1.5% for rabi (winter) and 5% for horticulture crops from farmers.

The rest is subsidised, equally borne by state and central governments. The government has to pay its share at the beginning of the crop season. This payment is invariably delayed and results in late disbursal of claims. We cannot disburse claims until we get the premium subsidy, and a lot of work needs to go into speeding up that process," said Mr Sanjay Datta, chief actuary at ICICI Lombard.

Other general insurers including TATA AIG, Bajaj Allianz and HDFC Ergo's outstanding premium also rose at end-June compared to a year ago, according to exchange filings. While this includes premium from all businesses, the spike in outstanding dues is largely driven by crop insurance, according to Joydeep Roy, partner and leader in insurance and allied businesses at PwC India.

Impact on GIC Re

The outstanding receivables of insurers have added to the risk for the country's only state-run reinsurer GIC Re for which crop reinsurance contributes nearly a third of total premium collection, according to its draft prospectus. "Reinsurance business has doubled over the past year, and most of it is driven by crop covers. GIC Re will be affected much more if the delays in paying crop premium persist," said Mr Sharma.

GIC Re's consolidated dues from insurers and reinsurers rose nearly threefold in the year to March 2017 to INR108.91 billion, according to the company's draft prospectus. The risk from crop underwriting losses has the potential to exceed its risk appetite, GIC Re said in the document.

The reinsurer's crop premium collection depends on how fast insurers are paid. "We pay the premium as and when it is disbursed to us by the government," said Mr Datta. To be sure, the outstanding premium has the government's implicit guarantee. "If you believe in the fiscal solvency of the government and its intention, then the scenario of money going bad does not happen," said Mr Roy.

Source

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Global News

Myanmar: Insurance schemes to be introduced to farmers – Asia Insurance Review

Several different insurance schemes could soon be made available to farmers and fishermen in Myanmar. A coordination meeting on the introduction of insurance services for farmers and fishers was held at the Union of Myanmar Federation of Chambers of Commerce and Industry in Yangon earlier this month, reported *Eleven Myanmar*.

Myanmar Rice Federation (MRF) General Secretary Ye Min Aung, in a Facebook post, said: "The nod given by the Myanmar Insurance Business Supervisory Board to resume the life insurance system for farmers will be beneficial to both the local agricultural sector and rural people. At a meeting with farmers in Ayeyawady Region, they expressed their desire to resume the insurance system that existed when they were young."

He said that the MRF pays attention to farmers' demands and forwards their requests to government departments and policymakers. The MRF is also making efforts to ensure the emergence of natural disaster insurance and crop insurance.

"Crop insurance has been approved in Parliament, Ye Min Aung said. "Myanmar Insurance discussed the introduction of a weather-based insurance system with Japan. The crop insurance system will be introduced after step-by-step decisions made by the government, the Insurance Supervisory Board and the Ministry of Planning and Finance," he said. "We will introduce a weather-based insurance system first and then extend insurance services for drought, floods and yields gradually. A crop insurance system is expected to be launched during this fiscal year," he added.

Currently, only the state-owned Myanmar Insurance can offer crop insurance. A Japanese insurance company has submitted a proposal to Myanmar Insurance to provide rainfall-based insurance services in Pyay and Shwebo townships.

Source

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New Zealand: Building insurance costs could jump by more than 50% - Asia Insurance Review

Insurance brokers have warned that higher taxes and a changing market could see the cost of insuring some buildings rise by more than 50% soon. The comments follow the country's two largest general insurers- - IAG and Suncorp -- flagging premium increases in their latest financial results, according to a report posted on interest.co.nz. Both insurers noted rising claims costs, aside from payouts for last November's Kaikoura quake.

Runacres Insurance Managing Director David Crick said: "Immediately following the Christchurch earthquakes in 2010 and 2011, we saw insurance costs jump by up to five times higher than the year prior. However, over the past 12-18 months, we have seen a sustained drop in the cost to insure as insurers looked to grow their client base and new competitors entered the market.

"We expect that trend to change in 2017 and 2018 with the impact of increased taxes on insurance and the influence of other market forces coming through such as the Kaikoura earthquakes and limited supply of cover from some insurers." The CEO of NZbrokers, the country's second largest insurance brokerage collective, Ms Jo Mason, agrees.

She maintains competitive changes in the market, the rising cost of cover for methamphetamine damage in tenanted buildings, as well as increases in Earthquake Commission (EQC) and the fire service levies will see the cost to insure some properties increase by up to 56%. "While the fire service and EQC are essential factors in managing the risk of home ownership, it's a real concern to see that this increase is going to hit many of those in lower value housing disproportionately higher."

As for the taxes the government tacks on to private insurance premiums, as of July, the levy to fund the new fire service - Fire and Emergency New Zealand - was bumped up from 7.6 cents to 10.6 cents per $100 of insured property. The cap for residential property insurance was extended from NZ$76 (US$55) to NZ$106. In November, the EQC levy will increase from 15 cents to 20 cents per $100 of home insurance cover, with the cap pushed out from NZ$207 to NZ$276.

Source

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Nepal: Regulator targets 15% of people to have life cover by 2019 – Asia Insurance Review

The Insurance Board (IB) has set a target to expand life insurance cover to 15% of the country's population from the current 8% in the next two years.

Simplifying claim settlement procedures and educating the public, particularly in rural areas, to encourage more people to buy insurance as a host of new insurance companies have entered the scene will be major items on the regulator's agenda, reported *The Kathmandu Post*.

Currently, migrant workers leaving for foreign employment are required to buy mandatory life insurance, but very few buy policies on their own. IB Chairman Chiranjibi Chapagain said that the regulator issued permits to new insurance companies with the expectation that they would expand insurance coverage across the country beyond the Kathmandu Valley.

The board recently issued licences to 10 new insurance companies, bringing the total number to 18 in the Nepali market."We have planned to create a provision requiring them to conduct a certain portion of their business in locations outside the Valley," Mr Chapagain said. Kathmandu Valley is the hub of Nepal.

Source