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INSUNEWS

- Weekly e-Newsletter

8th – 14th July 2016

● Quote for the Week ●

"When the winds of change blow, some people build walls, and others build windmills."

Chinese proverb

INSIDE THE ISSUE

Source

Insurance Industry

India: Insurance industry needs > 2.1 mln trained staff by 2025 – Asia Insurance Review

The Confederation of Indian Industry (CII) has estimated that there is a need for at least 2.1 million insurance employees by 2025 who have undergone insurance education, and three million by 2030, to fill manpower gaps in the industry. Mr Sushobhan Sarkar, Director of National Insurance Academy in Pune, said this at a national-level seminar on insurance education in India earlier this week, reported the Times of India.

Employment in insurance industry can be divided in two categories--direct and indirect. Some can be directly employed by insurance companies. At present, there are 53 insurance companies in the country and they have given direct employment to 349,000 people. Those who are indirectly employed work as agents, corporate agents, brokers, micro-insurance agents and village-level entrepreneurs for employment generation in rural areas, he said. There are more than 2 million insurance agents at present.

Insurance education

Mr Sarkar said that the insurance industry needs a wide array of skills, starting from business procuration at the field level to strategy formulation and execution at the highest level. At the entry level, those who have skills in marketing, communication and presentation skills, accounting, information technology, risk management, law, general administration and engineering are considered. For specialists' positions, some of the skills have to be obtained from specialised institutions. In post-graduate programmes, core management principles are taught along with a specialisation or emphasis on insurance.

He added that industry-academia collaboration is a must for a course on insurance to have proper content and curriculum design to keep it relevant. He said that the education system has to think about appointing retired officials from the insurance industry on a contract basis to help train talent and to keep insurance education vibrant and relevant.

Another speaker, University of Mysore Vice-Chancellor K S Rangappa, said: "The ivory-iower image of universities must change. Their larger role is preparing tomorrow's leaders and contribute to the quality of life of Indian communities through civic engagements. "India is a leading country with a range of micro-insurance programmes aimed at rural masses. But the micro-insurance programme is still to grow - over 80% of rural population are yet to be insured. Against this background, universities can play a vital role in educating the masses, particularly in rural areas, about the need and importance of insurance."

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IRDAI Regulation

Irdai tells insurers not to withhold payments - Financial Chronicle – 13th July 2016

The Insurance Regulatory and Development Authority of India (Irdai) has directed life insurance companies not to withhold or delay payment of claims when the policyholder/claimant expresses unwillingness or has objections to executing the advance discharge voucher or to accept the amount.

During instances of dispute, the life insurer should not insist on the discharge voucher nor make it conditional for releasing the policy payment.

"Where the policyholder/claimant expresses unwillingness/reluctance/objection for any reason to execute the advance discharge voucher or to accept the amount, the life insurer should not insist on the discharge voucher or make it conditional for releasing the policy payment. In such an event, the life insurer shall not withhold or delay the payment for this reason but make the policy payment to discharge its contractual obligations. Life insurer may preserve the proof of making the payment," Irdai said in a notification.

A signed discharge voucher signifies claimant's consent to discharge life insurer of contractual obligations, besides giving useful information to the policyholder/claimant about the amount payable under the policy as per policy terms and conditions.

However, life insurers may call for advance discharge vouchers in normal course at the time of making policy payments including free-look cancellation. The discharge voucher sent to policyholder/claimant should necessarily contain policy number and the nature of payment and amount of claim under different heads including deductions, if any, and other relevant details.

Irdai has pointed out that life insurers discharge contractual obligations when making policy payments, be it maturity or death claims or surrender value. Contracts of life insurance are not indemnity contracts but fixed benefit type and the claim amount is usually not in dispute. It is a standard practice to call for an advance discharge voucher-cum-receipt duly signed by the policyholder or claimant as the case may be.

Source

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Life Insurance

Cap on life insurers FD investments on cards - Financial Chronicle – 14th July 2016

Insurance regulator Irdai in its proposed Investment Regulations-2016 has said it would be capping the amount that life insurers can invest in bank fixed deposits and that debentures/bonds of National Housing Bank, HUDCO, housing finance companies accepting public deposits and equity/debt of dedicated infra finance companies will not counted as part of BFSI exposure. The new norms are expected to be notified soon.

According to the recently released minutes of the 92nd meeting of the authority, held in Hyderabad on March 11 this year, Irdai said, "The draft investment regulations were forwarded to the standing committee on accounting issues (SCAI) on January 23, 2016, and the recommendations were discussed with the chairman. Subsequently, the draft, as approved by the chairman, was placed before the insurance advisory committee (IAC) on February 8, 2016. The suggestions, as discussed in the IAC meeting, have been incorporated."

Speaking about the changes, Irdai said, "As limits for fixed deposit with banks were omitted in the Act, regulations prescribe limits and exposure norms for investing in fixed deposits. Now, life insurers can invest not more than 3 per cent of the controlled fund (fund containing premium from traditional insurance policies) or 5 per cent at the fund level and general insurers can invest not more than 15 per cent of investment assets in fixed deposits as a part of BFSI exposure."

The regulator said that the additional limits of 12 per cent and 15 per cent for exposure, based on assets under management, will be retained. Thinly traded listed equity shares would be part of 'other investments', and the 'other investments' limits in the case of non-life insurers would be brought to 15 per cent in line with the Act. Recently, the Insurance Laws (Amendment) Act, 2015 amended sections 27, 27A, 27B and Sec 28 of the Insurance Act, 1938. This necessitated amendment to Irdai's investment regulations.

"The draft regulations on investments of insurer was put up for public comments in July 2015 and, subsequently, discussions were held with the industry experts, LIC and PSUs. The submissions of both Life Insurance Council and General Insurance Council were examined and suggestions, where ever possible, have been factored," said the regulator.

Source

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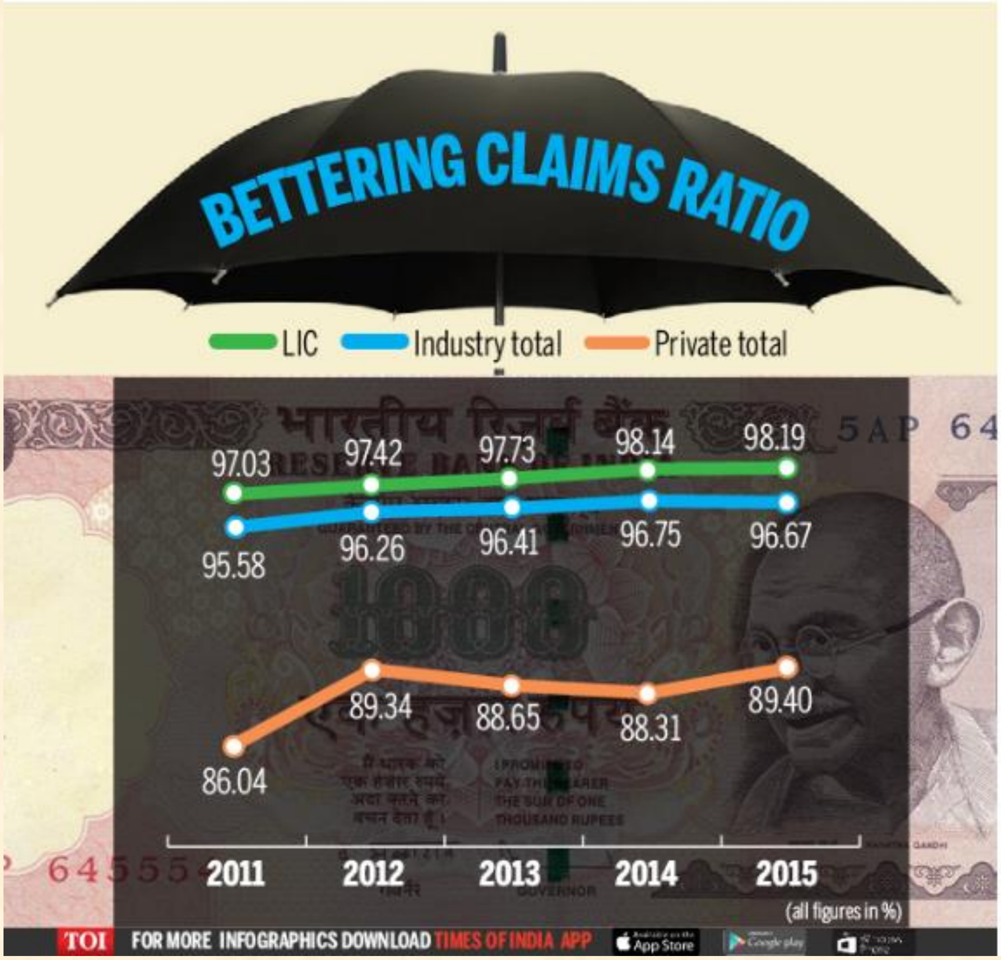
Insurers settle more claims with better management – The times of India – 14th July 2016

Private insurers saw their claims ratio improve year-over-year by 1.2% to 89.40% in 2015 and public-sector giant Life Insurance Corporation of India (LIC) also improved its claims ratio by 0.05% to 98.19% — making it the industry best.



Source

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New life premiums up 33% in Apr-Jun - Financial Chronicle – 12th July 2016

First year insurance premiums in the life insurance space grew by 33 per cent in value terms in the first three months of FY17, while they registered a marginal growth of two per cent in the number of policies.

The life players added new premiums of Rs 31,393 crore between April and June against Rs 23,568 crore in the same period last year. This came from 47.21 crore new policies, as per data from the Life Insurance Council.

State-run Life Insurance Corporation added Rs 22,594 crore, clocking a growth of 38 per cent against Rs 16,428 crore in the April-June period a year ago, while private players added Rs 8,798 crore against 7,140 crore, registering a growth of 23 per cent.

Among the top-five private players, SBI Life posted a growth of 79 per cent to Rs 1,862 crore, HDFC Life grew by 29 per cent to Rs 1,409 crore and Max Life grew by 24 per cent to Rs 570 crore. ICICI Prudential grew marginally by three per cent to Rs 1,259 crore and Bajaj Allianz de-grew by 14 per cent to Rs 580 crore. Among the other players, Exide Life grew by 182 per cent, India First by 71 per cent and Kotak Life by 23 per cent. “Max Life has delivered significant growth in new sales in Q1 FY17. Growth has been broad-based and has been driven by strong performance across the proprietary channels and the company's key partnerships mainly due to improvement in ticket size and efficiency," said Rajesh Sud, executive vice chairman and managing director, Max Life Insurance. In number of policies, LIC added the same number of policies that it added during the year ago period and private players saw a growth of seven per cent. Among the top-five private players only SBI Life and ICICI Prudential registered a growth in the number of new policies.

According to RM Vishakha, MD and CEO, IndiaFirst Life Insurance, the company has been seeing growth in both premium and number of policies. “The number of policies and ticket size has been growing for us. We have a focused effort to do a need-based selling of our products. We sit with the customer and do a need-based analysis, from which it becomes evident that the customer needs a larger cover," she said. The life insurance companies clocked 36 per cent growth in group business premium to Rs 19,365 crore. LIC posted 40 per cent growth to Rs 15,342 crore, while private players did a group business of Rs 4,023 crore, growing by 20 per cent. In case of individual premium, the sector saw a growth of 29 per cent to Rs 12,027 crore. LIC grew by 32 per cent and private companies by 26 per cent.

Source

Private life insurers garnered market share close to 30 per cent in the first quarter. In the group business they had a share close to 22 per cent and in individual premiums close to 40 per cent.

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Health Insurance

Soon, free insurance for dengue-hit students – The Times of India – 12th July 2016

The district health authorities on Monday rolled out a plan to provide health insurance to all government school students if they are diagnosed with dengue.

The scheme, sources said, will be offered to more than 20,000 students of 612 government schools across the city. A student will get a free-of-cost insurance cover of Rs. 25,000, and can avail treatment in any city government hospital.

"Some students won't get proper treatment owing to lack of funds. That is why the authorities have come up with the plan," deputy civil surgeon (vector-borne diseases) Dr Snehlata said.

The district health authorities, sources said, have come up with the plan with the help of a few private players. An amount of Rs. 150 per student will be paid by private companies as insurance premium.

"It's a PPP (public-private partnership) model. One private company has agreed to fund the programme already, while the authorities are planning to rope in more private firms in an attempt to increase the insurance amount," a source in the health department told TOI.

Appreciating the initiative, Dr. Rajesh Kumar of Paras Hospital said, "Children are most vulnerable to dengue. We witness a lot of cases of dengue among schoolchildren. So, free-of-cost health insurance cover is definitely a welcome step."

A standard health insurance plan for dengue provides a coverage of pre- and post-hospitalisation expenses for 30-40 days. Besides, the plan covers diagnosis and consultation charges. The exact benefits of the plan rolled out by the authorities are, however, yet to be revealed.

Nearly 400 cases of dengue were recorded last year. While in 2014, 135 cases were recorded, in 2013, 375 cases, including three causalities, were reported.

Source

According to doctors, children comprise nearly 35% of total dengue patients. "More than 35% patients are in the age group of 1 to 16 years. Many children can't get the required treatment owing to lack of funds. It is a commendable initiative by the authorities. However, the authorities should also take an initiative to provide financial help to children who are below two years of age, as their immunity is low and they often fall prey of dengue," Dr. Shazina Khan, a city-based general physician, said. The scheme is expected to be introduced on July 22.

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U'khand health insurance plan with Rs 1.75 lakh cover from August - Hindustan Times – 11th July 2016

The Uttarakhand government will launch on August 1 the second phase of the Mukhyamantri Swasthya Beema Yojana (MSBY) that will extend the health cover to each beneficiary from existing Rs 50,000 to Rs 1.75 lakh.

The chief minister health insurance scheme is applicable for non-government employees who do not fall under the income tax paying slab, health minister Surendra Singh said. Government employees and pensioners are not included in the scheme.

The first phase of the scheme, launched in April last year, promised each family cashless treatment up to Rs 50,000 at all government and empanelled private hospitals per year. The government had planned to increase the cover to Rs 1.75 lakh from October last year, but the date continued to get deferred.

"We wanted to launch its second phase right with the new financial year (April) itself but the President's rule delayed it," Negi told HT. Around 10,80,000 families are covered under the MSBY scheme as of now and the health department is hoping to rope in at least one lakh additional families after the launch of its second phase.

Principal secretary (health) Om Prakash said the insurance scheme would have a base cover of Rs 50,000 for general medical treatment and a tertiary care cover amounting to Rs 1.25 lakh per family every year.

"The tender process has been completed and we are gearing up to commence the scheme, which will cover a total of 600 diseases," he told HT. The tertiary care cover will take care of complex medical investigations and treatments of critical ailments related to heart and kidney, Om Prakash said.

A source in the health department said launching of the second phase was delayed because the government could not reach a consensus with insurance companies in the fray. Many private hospitals had even stopped providing treatment under the MSBY scheme owing to huge backlog payments until the government cleared off all the dues earlier this year, it said.

Source

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General Insurance

Motor insurance to have more touch-points - Business Standard – 14th July 2216

Customers will now find it much easier to buy motor insurance policies or renew their existing ones on the go as the Insurance Regulatory Authority of India (Irdai) has allowed more touch points and prevented insurers from discriminating between dealers.

Irdai also said it might consider relaxing agency norms to ease distribution of simple policies including motor third-party policies through agencies such as pollution-check centres. It is, however, not clear if there will be any mandatory training requirement. According to senior insurance executives, basic training in the products and how the premium is calculated, among others, should be provided to these new players.

The Insurance Laws (Amendment) Act passed in 2015 says nobody can be refused a motor insurance policy. According to the Motor Vehicles Act, all vehicles running on Indian roads should have a third-party motor insurance policy, which covers owners from third-party liabilities arising from accidents.

Irdai is also encouraging insurers to bring out over-the-counter products that can be sold easily through shops, and medical stores, among others. Earlier this year, the regulator had said all agents should have an equal opportunity to source motor business. Under existing rules, policyholders have a right to choose any agent, intermediary or insurer to avail of insurance services.

Irdai recently said that some general insurance companies having tie-ups with a particular motor dealer were not accepting motor business, if it was sourced by any other agent or intermediary. The regulator clarified there shall be no restriction whatsoever on sourcing or servicing motor insurance business (including personal accident policies) by any agent, intermediary or insurer on the grounds that they have a tie-up with a motor dealer or manufacturer.

Further, it has to ensured that no clause/agreement/tie-up in variation with the above directions shall be entered into by any insurer with any motor dealers/ manufacturers etc. It should also be ensured that all existing agreements confirm with the above direction.

Source

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General Insurance Council to create fraudulent claims data bank - The Financial Express – 13th July 2016

With most of the regulatory issues relating to the non-life insurance industry ironed out, the General Insurance Council of India is now into development of data bank of fraudulent claims, clearing house and standardisation of policy wordings for commercial policies, said a top official.

"Most of the regulatory issues have been sorted out. The foreign direct investment (FDI) limit has been increased to 49 per cent. We have decided to move ahead with couple of initiatives for the collective benefit of the industry," R. Chandrasekaran, Secretary General of the council, told IANS.

According to him, the council is now working on building a data bank on fraudulent claims, setting up a clearing house to settle inter-company dues and also standardise the policy wordings for commercial insurance policies. The council outsourced the development of the software for motor and health insurance claims fraudulent data bank and has given it to insurers.

"The insurers have to key in the necessary data about claims they think are fraudulent. The data that was keyed in will come to our system to build a data bank over a period of six months. Insurers who have keyed in the data in our software module can access the data bank for their decision making purpose," Chandrasekaran said.

According to him, once the data is gathered, a pattern on fraudulent claims can be made out. "We exist for the benefit of the industry. So, the software module will not be priced. Our members contribute funds for the collective benefit of all," Chandrasekaran added. The system is expected to go live in two weeks' time, he added.

While there is no official estimate as to the quantum of fraudulent claims dealt by the insurers, the general consensus is around 10 per cent of the health insurance claims are fraud. One of the unique aspects of non-life insurance is 'co-insurance'. Simply put, it is the sharing of a big risk and the premium among two or more insurers.

However, the policy will be issued by the lead insurer who will receive the full premium and then pay the other co-insurers of the risk. Similarly the claim will be settled in the ratio of the co-insurance share. The same modalities work for reinsurers.

"Clearing houses for non-life insurers are common overseas. This will help in settling inter-company balances. We will start with fire insurance co-insurance," Chandrasekaran said. He said there will be a software platform that will do the needful on feeding the data. The settlement cycle will be around six months.

While co-insurance contracts are majorly for fire insurance, there are other policies like the transit insurance that can be under co-insurance contracts. According to Chandrasekaran, the Council is also working on standardisation of wordings in respect of commercial insurance policies without hampering innovation in risk covers.

Source

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Go for long-term motor insurance - Financial Chronicle – 12th July 2016

Increasing popularity and affordability of cars, two wheelers continue to maintain their popularity, largely due to their economical value and ability to negotiate traffic jams and potholes. However, with ever-increasing road traffic and deteriorating road conditions, the number of accidents has steadily increased. Motorized vehicles accounted for 93.5 per cent of the total road accidents in 2014 and amongst the vehicle categories, two wheelers accounted for the highest share in total road accidents (27.3 per cent). In an event of accident, the rider not only ends up paying for his own medical expenses and vehicles repair bills, but is also liable to compensate for losses occurring to the other party. Having an insurance support takes care of such financial compensations. Meeting with an accident after the expiry and prior to the renewal of the policy can be risky. Hence timely renewal of the policy is of utmost importance.

Amid this backdrop, the decision of the Insurance Regulatory and Development Authority (IRDA) to allow non-life insurers to issue long-term insurance policies has bought relief to two-wheeler owners. It is a known fact that a huge number of two wheelers plying on Indian roads remain uninsured as their owners miss renewals for various reasons. The long term two-wheeler insurance is extremely convenient for the customers as it allows them to insure their vehicle for an uninterrupted three-year period, without worrying about annual renewals. The long term insurance also protects the two-wheeler owners from the hikes in insurance (third party components) for up to the next three years, which are usually in the range of 14-20 per cent each year. As per IRDAI guidelines, the total premium charged for the third party coverage is a simple addition of the annual premium and insurers are not allowed to revise these (upwards or downwards) during the period of the policy under any circumstances. Further, the owner of the two-wheeler could also save on the own damage section premium up-front up to 35-40 per cent considering no claim bonus and other benefits of renewing in advance.

Source

Insurance proposed for drivers' treatment cost - Business Standard - 9th July 2016

The insurance sector might be required to offer a cover for medical expenses of both transport and non-transport drivers in case of a road mishap.

A group of ministers (GoM), constituted by the Union ministry of road transport & highways, has in a draft interim report recommended that provision be made in the motor vehicles Act to compel this insurance cover. At present, third-party (TP) motor insurance is mandatory, taken by owners of the vehicles. This covers against liability arising out of TP liabilities. However, it does not provide for accident insurance cover to transport drivers. In a mishap, drivers are at the mercy of their employers for meeting their medical expenses.

In the past two years, TP motor insurance refusal rates have seen a big drop, with the regulator cracking the whip on insurers refusing to provide cover. Insurers been barred from refusing to cover a TP motor risk and asked to sell motor TP products online. The GoM draft report has also recommended that TP insurance must cover the accidental insurance for hired/paid drivers to the extent of Rs 50,000.

Sanjay Datta, chief, underwriting and claims, ICICI Lombard General Insurance, said there is paid driver insurance available but it is optional. “It is possible to put it as part of the TP cover,” he said. In one of the draft proposals for the Road Transport and Safety Bill, the maximum liability for compensation to a victim by the insurer, linked to the regulated minimum premium, shall be a sum of Rs 15 lakh. Hence, those seeking a large cover and willing to shell out a hefty premium might now get unlimited liability insurance from general insurance companies. Insurers said commercial vehicles like trucks, account for the largest share in value of claims paid and this has been rising at five to 10 per cent a year.

The GoM has recommended a group of officers under the road ministry, the department of financial services and insurance companies should study and recommend the insurance compensation amounts and also simplify the entire procedure for a claim.

Source

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Reinsurance

Reinsurance pie in life policies to get bigger - Business Standard – 8th July 2016

The reinsurance section in the life insurance segment is set to see more action in the near future, with more entities showing interest.

Reinsurance refers to an insurance company itself taking insurance, either directly or through other entities, for the risk in its own covers, to check own payouts. Till now, other than government-owned General Insurance Corporation of India (GIC Re), no other entity has branches in this country, although foreign-based reinsurers are allowed to do business here, too. Currently, the reinsurance market is Rs 18,000 crore in India, of which life insurance only contributes Rs 1,200-1,300 crore. Reinsurance players are seeing a big opportunity in this space.

GIC Re itself aims to focus more on the life insurance space for its reinsurance business from this financial year, says chairman and managing director Alice G Vaidyan. And, foreign reinsurers are hoping to do a lot more in this segment. Reinsurance Group of America (RGA) has got the R1 or initial approval to set up a branch in India. It wants to expand its business in this country's life insurance space. Globally, they are the market leaders in the life and health insurance space.

Thomas Mathew, managing director for India, Sri Lanka and Bangladesh? at RGA Services India, said they were a strong player in this space in the world and would be looking at the opportunity in this country as well. Mathew said in India they had about 35 per cent of market share -- of the total market of reinsurance premium ceded per year in life insurance of Rs 1,200 crore last year, they did Rs 439 crore. They have 23 clients in India, including Life Insurance Corporation of India.

There was a proposal to have life insurance companies transfer up to 30 per cent of their risks to GIC Re but this was put on hold. While the Insurance Regulatory and Development Authority of India (Irdai) had brought out regulations in this regard in 2013, it has not been implemented.

The life insurance market retains a portion of its risk with itself and only the rest is reinsured. With the rise in volumes, companies are looking at a higher level of reinsurance for their policies in the life space. By Irdai norms, non-life companies need to cede five per cent of their risks with GIC Re. They pay a ceding commission to entities for doing so and this retains a portion of the re-insurance business within the country. However, this also means a loss on the books of these non-life insurers, especially in motor and health policies, would be borne by the reinsurer, too.

Life insurance companies are mostly dependent on foreign reinsurance firms. Since the risks and losses in this segment are lower, those in the sector say mandatory ceding of risks within the country to GIC Re would boost the latter's business.

"Unlike general insurance where the policy size can go up to Rs 100-150 crore in the commercial segment, life insurance covers do not exceed a certain limit. Hence, the need was low but as premiums increase, the need will arise soon," said the head of products at a mid-size private life insurance company.

Source

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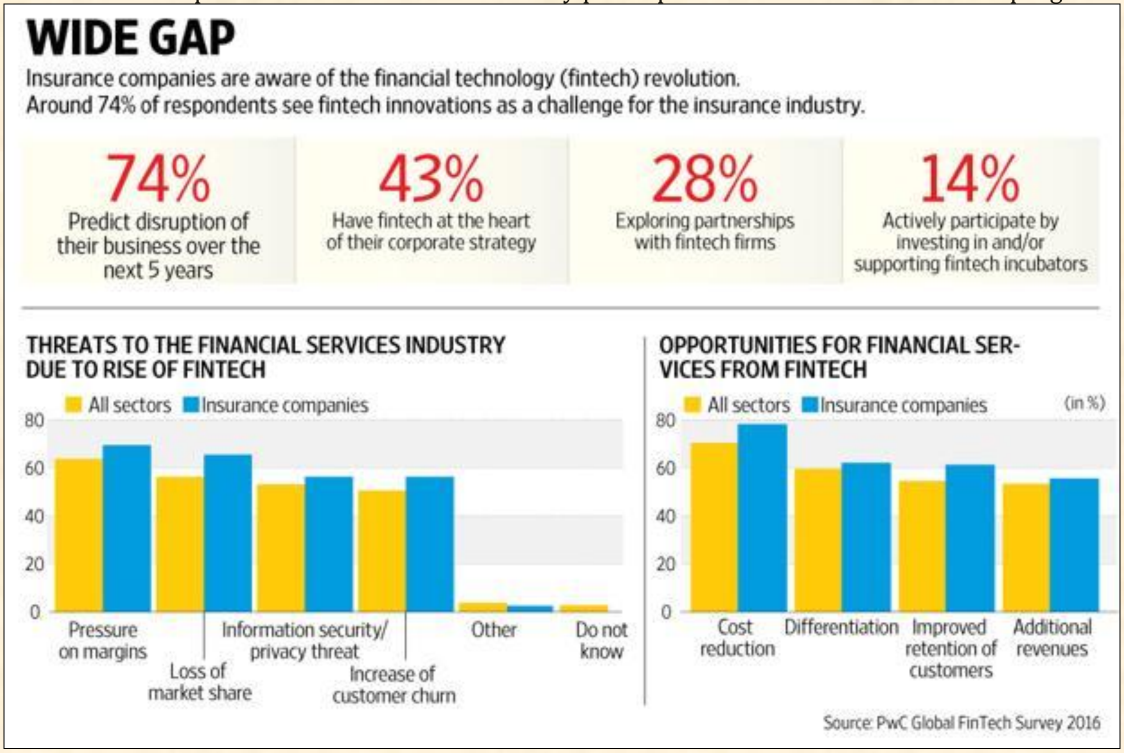
Survey & Reports

Insurance companies slow in bridging fintech gap: report – Mint – 13th July 2016

Insurance companies are aware of the financial technology (fintech) revolution: 74% of respondents in a survey of insurers globally see fintech innovations as a challenge for their industry. This was revealed in the 2016 PricewaterhouseCooper Global FinTech Survey, which is based on views of 544 respondents from 46 countries, principally: chief executive officers, heads of innovation, chief information officers, and top management involved in digital and technological transformation. The respondents are distributed across five regions: Asia, Europe, Latin America, North America, and Africa.

While a large part of the industry acknowledges the challenge, only 43% have adopted fintech as part of their strategy. Those who see it as a threat say they are concerned about the pressure on margins (73%) and loss of market share (69%). But among potential gains from fintech, say some insurers, are cost reduction (81%) and differentiation (65%).

There is, however, good reason to believe that insurance is indeed heading on the path of disruptive innovation, whether it is the effect of an external factor, such as the rise of sharing economy, or the ability to improve operations using artificial intelligence (AI). But there is still a disconnect between the amount of disruption perceived and insurers' willingness to absorb it. Only 28% of the respondents said they explored partnerships with fintech companies and less than 14% actively participated in ventures or incubator programmes.



Two sides of a coin

Nine in 10 insurance executives, the greatest percentage out of the financial sector, believe that at least part of their business is at risk due to fintech. Over a third of the traditional operations may be lost due to fintech popularisation. However, they also see opportunities that innovative solutions may bring.

Even then, 'insiders' believe that threat from fintech is well grounded as it is gaining significant momentum in an industry that is driven mainly by data insights. Venture capitalists are looking closely at start-ups dedicated to reinventing how people buy insurance and how insurers manage risk and bring in solutions for shared economies.

Meeting new needs

The key business impact that insurers expect from fintech is the challenge of meeting changing customer needs and the ability to match new offerings with their expectations. Clients now expect personalised insurance solutions, and 'one size' simply does not fit all. Being active in fintech could help incumbents discover emerging coverage needs and risks that require new insurance products and services to insure new practices.

Insurers also expect to see a growing need to enhance interactions with clients and introduce sophisticated solutions. For example, well-established companies could benefit by leveraging ability to provide better customer experience, often using new service concepts.

Insurance is the most call-centre reliant of the entire financial sector, with 78% of clients contacting companies by phone. But even though insurers expect significant changes in client habits, they are reluctant to establish strong relationships with fintech firms. In adapting their modus operandi, insurers lag way behind banking, which is more active in addressing fintech.

Source

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IRDAI Circular

Updated list of insurance marketing firms is available on IRDA website.

Source

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Global News

Taiwan: Commercial fire rate adequacy expected to improve – Asia Insurance Review

Rate increases in commercial fire insurance in Taiwan are expected as a result of recent regulatory changes made to address inadequate pricing, particularly on mega risks, according to a new A.M. Best report.

The Best's Briefing, titled, "Taiwan Commercial Fire Rate Adequacy Expected to Improve," states that commercial fire coverage accounts for 17.2%, or NT$22.7 billion (US$0.7 billion), of 2014 total property/casualty gross written premium in Taiwan, and this line of business grew by 3.65% year-over-year in 2014. It is the second largest line of business in Taiwan after automobile.

The recent revision to reinsurance regulations in Taiwan states that the rate on line for the retained layer of all property insurance cannot be lower than the upper layer's rate on line.

In addition, for mega risks' non-proportional layers with a local primary insurer participating, at least 30% of these layers need to be quoted and ceded to foreign reinsurers with acceptable global ratings.

The commercial fire line of business is subject to natural catastrophe risks. In addition to accumulated losses from residential and normal commercial risks, mega risks could lead to severe losses should a natural catastrophe occur.

The Taiwan earthquake in February 2016 is a good example of how material losses arose from high-tech risks and their related business interruption losses.

A.M. Best views the anticipated rate adequacy improvement as a positive rating factor when analysing the operating performance and balance sheet strength of Taiwan-rated companies. More adequate rates should strengthen each company's earnings and overall capitalisation.

Source

China: Govt to start long-term care insurance pilot scheme – Asia Insurance Review

The Ministry of Human Resources and Social Security has decided to start a pilot programme for long-term care (LTC) insurance in 15 cities nationwide.

In a statement, the ministry said that the cities include Chongqing, Chengde in Hebei Province, Changchun in Jilin Province, and Shanghai. The pilot programme will cover employees who subscribe to the state-run basic medical insurance scheme. The pilot is expected to last one to two years.

An LTC fund will be set up in the pilot cities, financed by the community. The amount of financing to be raised would depend on local economic conditions, demand for LTC, and the costs of providing LTC services. The ministry will allow the pilot cities to decide whom to cover under LTC insurance and the extent of coverage, depending on the LTC funds they can raise.

According to the China Longitudinal Aging Social Survey conducted by Renmin University of China's National Survey Research Centre, seniors are living longer but are also suffering from various disabilities that can create a heavy burden for their families and society in general. At the end of last year, China had 222 million elderly, more than 4.4 million of whom suffer from severe disabilities that require LTC. Currently, there is no national LTC insurance scheme in China.

Source