Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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● Quote for the Week ●

"One kind word can warm three winter months."

– Japanese Proverb

INSIDE THE ISSUE

Source

Industry

ESIC facility to be linked with Aadhaar – The Times of India – 24th March, 2017

The Indian Industries Association (IIA) has announced a series of camps in the factory hubs and special economic zones (SEZs) of Noida and Greater Noida to extend the health benefits of ESIC to the twin cities' large workforce. The move comes to make government health facilities accessible to the industrial workers of Noida.

The workshops will be hosted from next week to connect the Aadhaar numbers of the workers with the ESIC numbers and cards. The IIA initiative is meant for streamlining the health records of all workers and to help them access government-sponsored schemes efficiently.

Noida and Greater Noida together have four ESIC-approved hospitals that cater to workers from more than 9,000 factories. The ESIC benefits are accessible to any worker who draws less than Rs 15,000 salary per month.

"According to information from the ESIC hospitals, workers can now enrol online on the ESIC website to seek doctor's appointments or hospitalisation," IIA representative Deepak Srivastav said.

"In a meeting held with the committee, we have been informed that employees above 40 years would be now covered under a preventive health checkup facility for those employees who are insured by ESIC," Rajeev Bansal, chairman, IIA, Noida said.

Back

Insurers' Stewardship Code is a Sensible step forward – The Economic Times – 27th March, 2017

The Insurance Regulatory and Development Authority of India has done well to ask all insurers to publicly disclose their voting policies in companies where they hold stakes. The directive, part of IRDAI's guidelines on a stewardship code, will help raise corporate governance and returns. It is also in sync with the principles adopted by institutional investors such as mutual funds, pensions funds and foreign portfolio investors.

This is welcome. State-owned LIC is widely invested in many listed companies and should acquire the capability to take a view on business strategy, performance or approach to risks in an investee company. The need is for LIC to play an active role to understand how businesses are run and enter into a dialogue with the board for better oversight. Ditto for all other insurers.

Insurers, sensibly, have the flexibility to draw up policies based on the principles enunciated in the stewardship code. The UK's Financial Reporting Council issued the stewardship code in 2010 to make better investors out of institutional stakeholders and boost returns. Good practices include reporting on voting activities, monitoring investee companies and disclosures on managing conflicts of interest in relation to stewardship.

Indian regulation borrows from the UK one. So, insurance companies here will also be required to disclose their policy on conflict of interest in a way that policyholder interest is not compromised. Nudging insurers to come up with a policy for acting in concert with other institutional investors also makes sense.

Source

The stewardship code will bring in more transparency on the insurers' performance. LIC, with over 70 per cent market share, needs to make money on its investments and promote good business conduct, and lead the way for other insurers.

Back

Life Insurance

India: SBI Life to go public – AIR – eDaily – 27th March, 2017

India's largest lender, the State Bank of India, has announced that it would initiate an initial public offering (IPO) process to sell 10% of the life insurance joint venture SBI Life.

According to a regulatory filing, the executive committee of the SBI's central board has given in-principle approval to the IPO, reported Reuters.

SBI owns 70.1% of the life insurer while BNP Paribas Cardif owns 26%. The bank in December agreed to sell a 3.9% stake in SBI Life to affiliates of KKR and Temasek for INR17.94 billion (US$274.3 million).

The bank said in a filing it would explore selling an 8% stake in SBI Life in the IPO, while BNP Paribas Cardif would sell a 2% stake.

"The end of September is the earliest that we can contemplate going to the market subject to all regulatory approvals and clearances," SBI Life Chief Executive Arijit Basu told Reuters when asked about the timeline for launching the IPO.

Source

Currently, the only listed insurance company in the country is ICICI Prudential Life Insurance which went public last September.

Back

Family's financial security: Life insurance is not just for saving tax; here's what you need – The Financial Express – 27th March, 2017

IT is commonly believed that life insurance plans are meant for saving on individual taxes. This belief is further reinforced by reports appearing in the media during the last quarter of the financial year when people start thinking about optimising their tax liability through various exemptions allowed by the Income Tax Act.

But the relationship between life insurance and taxation is very different from the picture that it is projected. It is true that life insurance premium is part of the investments up to R1.50,000 which are deductible from the taxable income of an individual under Section 80C. But in our country, every year much more life insurance policies are sold than the number of taxpayers.

In 2014, the government, after a gap of 16 years, released data regarding taxpayers as on March 31, 2013. The number revealed that only 1% of the Indian population pays income tax. While 2.87 crore individuals filed IT returns, 1.62 crore did not pay any tax leaving the number of tax payers at only 1.25 crore. This number has been growing every year by 20-25%. During the same year, total number of new insurance policies sold in India was 4.41 crore as on March 31, 2013. It is therefore apparent that many individuals buy life insurance without being motivated by the consideration of saving on income tax.

My personal experience of marketing life insurance policies to a vast number of people in the hinterland for more than 30 years also reinforces the fact that people buy life insurance because they are made to believe by the foot soldiers of the industry that life insurance is necessary for them and it provides a very systematic avenue for long term savings. It is only the elitist urban mindset that often derides the value of life insurance by linking it to tax saving.

However, it is true that many service class people try to minimise tax liability by maximising savings under the schemes wherein investments are eligible for deduction under Section 80C.

Many tax advisors and investment consultants discourage people from buying life insurance policies citing low return. Some of them reject the endowment policies as if this could be the worst product in the market. On the contrary, I feel that this product is useful to individuals in many ways and it is wrong to despise its utility. The individual endowment policy is an evergreen product which serves the middle class in more than one way. The number of individual endowment type policies, under both traditional and linked platform, still top the basket of products offered by insurers in India.

In fact, term insurance, endowment insurance and insurance-linked annuity plans should be preferred by an individual in this order for comprehensive financial security for himself and his family before resorting to other savings avenues available under Section 80 C. Even if tax saving is not applicable to someone, he must first ringfence himself with these products before jumping to avenues that offer higher return but no financial security when the family or the salary earner needs such support for himself.

I would be happy to see the life insurers in India standing up and protecting their flagship products from being downplayed by those merchants of 'high return'.

RISKS VS RETURNS

- Do not get influenced by the rate of return while purchasing insurance policies
- Possibility of tax savings should not influence choice of insurance cover
- The individual endowment policy is an ever green product which serves the middle class in more than one way

Source

The writer is former MD & CEO, SUD Life, an Indo-Japanese JV

Back

General Insurance

Vehicle, health insurance to cost you more from April 1 – Financial Chronicle – 27th March, 2017

Car, motorcycle and health insurance premiums are set to cost more from April 1 with regulator Insurance Regulatory and Development Authority of India (Irdai) giving its nod for revision in commission to agents.

The change in premiums after modification will vary up to 5 per cent either way.

"There will be different slabs of hike in commission for different lines of insurance. The companies can modify the pricing of the product marginally. The company can take a call on this," said a top official of a public sector general insurer.

The increase in premium will be in addition to the enhanced third party motor insurance rates that come into effect from the start of next fiscal.

The Irdai (payment of commission or remuneration or reward to insurance agents and insurance intermediaries) Regulations, 2016 will be effective from April 1, 2017. The insurance regulator has said that the new regulations will bring about certain revisions in commission/remuneration rates and also introduce the reward system.

These may prompt insurers to revisit the pricing of their products, in so far as the costing input relating to commission or remuneration is concerned, it said. "The change in premium due to the new regulations should be limited to plus-minus 5 per cent of the existing premium rates of products/add-ons", Irdai has said.

SR Balachandher, company secretary and chief compliance officer of Royal Sundaram Alliance Insurance, noted there would be no change in retail health, but the commission for employee group insurance would go up by 2.5 per cent. "Retail property insurance will go up by 1.5 per cent. Insurance firms are free to make modifications in the premium to accommodate the commission hike. But they will have to file the product with new pricing once again with the Irdai," Balachandher said.

Source

A senior official of a top private general insurance company, however, disagreed. "In retail health policies, commissions are part of the premium rates filed with the regulator. The regulator allowing insurers to change commissions to distributors by 5 per cent does not mean that the premium rates will automatically increase for customers."

Back

Transferring insurance of second-hand vehicles – Mint – 27th March, 2017

Insurance companies often come across instances of second-hand car insurance claims, where the new owner files a claim without having transferred the insurance policy in his name. The claim, however, is not admissible in the absence of a valid contract between the insurance company and the new owner of the vehicle.

In a recent case, the Pune Consumer Court ruled in favour of the insurance company and upheld the insurer's decision to not pay the claim to a second-hand vehicle owner, as he had not transferred the insurance policy to his name. The court ruled that an insurance policy is a contract between a policyholder and an insurer. In the absence of the new vehicle owner's name on the motor insurance policy, there exists no valid contract between him and the insurance company. Hence, any accidental damage suffered by the new owner is not admissible under the previous policy.

Owing to low awareness about insurance among the general public, instances of post-loss insurance grievances in such scenarios are commonplace in India. Hence it is important for individuals, who have purchased or are looking at buying a second-hand vehicle, to know that transfer of insurance is a critical aspect of the process of buying a vehicle and it is ignored or procrastinated only at their own peril.

Also, individuals who sell their vehicle have an equal responsibility to ensure that the insurance is transferred in the new owners' name, to avoid any legal hassles that may arise in the future. Here we shall explain how the failure to transfer an insurance will impact both buyers and the sellers of vehicles. We shall also demystify for you the procedure of ensuring a seamless insurance transfer of a vehicle.

To begin with, it is important for you to understand the structure of a motor insurance policy.

A comprehensive motor insurance policy has two parts —own damage and third party. Whereas the third-party section covers damage caused by your vehicle to a third person—and is mandated by law—the own-damage section covers damage caused to your vehicle owing to any accidental mishap. After purchasing a used car, section 157 of the Motor Vehicle Act casts a duty on the new vehicle owner to get the insurance policy transferred in his or her name by applying to the insurance company within 14 days of the purchase.

For these 14 days, only the third party section of the insurance policy gets automatically transferred.

This automatic transfer does not apply to the own damage section of the policy. It will be transferred only after the insurance policy is registered under the new owner's name. After this 14-day period, if the new owner fails to get the insurance policy transferred in his or her name, the insurance company is not liable to bear any losses incurred by new owner—neither in the third-party section, nor in the own-damage section.

If the insurance is not transferred and the policy still bears the name of the first owner, then in case of an accident, the claim for damages caused to the vehicle, or to a third party, will not be paid by the insurance company. Moreover, the court may also send the first owner a notice to compensate for the loss caused to a third party, for an accident caused by the new owner.

The whole process of establishing the proof of sale, including the transfer of the vehicle's registration certificate, by the previous owner can be a gruelling exercise.

This can be easily avoided if both as a seller and a buyer of a second-hand vehicle, one insists on getting the insurance policy transferred to the new owner's name immediately after the sale is finalised.

Here are five points that will help you understand the insurance policy transfer procedure and will ensure that a seamless transaction with the insurance company takes place.

1. As soon as you purchase a used car, you must ensure that the insurance policy is transferred in the name of the new owner within 14 days.
2. To facilitate policy transfer and to ensure that the entire process is completed with ease, you need to fill a fresh proposal form and submit the evidence of sale— transfer of registration certificate, forms 29 and 30 duly signed by the previous owner along with the transfer fee and previous policy copy—to the insurance company. The insurance company shall then pass the endorsement of transfer.
3. The change of ownership in the registration certificate may take some time at the regional transport office (RTO). However, to transfer policy to your name, the documents as listed above are sufficient to initiate the endorsement. Submitting a copy of new registration certificate after it is issued by RTO will help in avoiding any glitches at the time of claim.
4. In case your insurance policy has been transferred but the transfer in the registration certificate copy is not made or the proof of same is not submitted to the insurance company, then in the event of a claim, you will have to furnish the proof of transfer of registration certificate to the insurance company to ensure your claim is settled.
5. If the transfer is still in process, the claim will not be repudiated. However, it will be paid after the proof of transfer in registration certificate has been submitted to the insurance company.

While so much thought is put into the purchase of a second-hand car, most of us are oblivious when it comes to transferring the insurance policy to their name. This can have a huge financial impact in case of an accident. As an insurer, we advise you to be vigilant about getting the policy transferred within the stipulated time as it is definitely the smarter choice, always!

Source

Manohar Bhat is head - motor insurance, Bajaj Allianz General Insurance.

Back

Govt kicks off listing process of GIC, New India Assurance – The Hindu – 27th March, 2017

Moving ahead with plans to list State-owned general insurers, the Finance Ministry has sought bids from merchant bankers to manage the listing of General Insurance Corporation of India (GIC) and New India Assurance Company (NIA).

Though it has not decided the quantum of stake it would sell in each of the insurers through the initial public offer (IPO), sources said it was likely to be about 10 per cent each.

The Department of Investment and Public Asset Management (DIPAM) on Monday floated request for proposals (RFPs) for appointing book running lead managers (BRLMs) for the IPO of the two insurers.

Both firms are fully owned by the Government of India.

“The size of the IPO, and the structure, shall be decided by NIA in consultation with the selected BRLMs, legal advisers, and subject to regulatory requirements,” it said, adding that the deadline for submitting bids is April 19. The appointment is likely to be made by the end of next month.

Announcing a similar strategy for the GIC listing, DIPAM said all bids should be submitted by April 18.

A part of the share sale will also be reserved for employees of the two insurers. Eligible employees and retail investors are also expected to be offered shares at a discount in the IPO.

Depending on market conditions, the government plans to list the two insurers in the first half of the fiscal.

Finance Minister Arun Jaitley had in Union Budget 2016-17 proposed listing all five public sector general insurers — GIC, NIA, United India Insurance, Oriental Insurance and National Insurance — to improve transparency in their functioning.

In January this year, the Cabinet Committee on Economic Affairs had approved the proposal and in line with market regulator SEBI’s listing requirements, it had said the shareholding of these public sector general insurers “will be divested from 100 per cent to 75 per cent in one or more tranches over a period of time.”

Budget estimates

Of the ₹72,500 crore estimated from disinvestment in the 2017-18 Budget, the government expects about ₹11,000 crore to come from the listing of these general insurers.

The five general insurers were set up during the 1970s after then government’s decision on nationalisation.

Incorporated in 1972, GIC has authorised share capital of ₹1,000 crore and paid-up share capital of ₹430 crore. Its had a net worth of ₹38,281 crore as on March 31, 2016.

Source

Founded in 1919, NIA, as on March 31, 2016, had authorised and paid-up capital of ₹300 crore and ₹200 crore, respectively. Its net worth stands at ₹28,895 crore.

Back

IRDAI hikes motor third party premium by up to 41% - The Hindu – 29th March, 2017

Vehicle insurance premium will go up from April 1.

The Insurance Regulatory and Development Authority of India (IRDAI) has increased rates by up to 41 per cent across various categories of vehicles.

The new premium rates applicable for fiscal 2017-18 was notified by the regulator on Tuesday.

The quantum of increase varies widely depending on the category of vehicles, such as two-wheelers, private cars, goods carrying vehicles (both public and private), motorised three-wheelers, and trailers.

In an exposure draft issued on March 3, the IRDAI had proposed an increase of up to 50 per cent for certain categories of vehicles.

The final order has, however, capped the maximum increase at 41 per cent.

"After examining the comments received from various stakeholders, the Authority has revisited the premium rates as the exposure draft has further moderated the premium rates in some categories," Yajna Priya Bharath, Chief General Manager (Non-Life), IRDAI, said.

Small, large cars

Motor third party insurance premium for small cars (up to 1,000 cc) will remain at ₹2,055. However, the rate for premium cars powered by 1,000-1,500 cc engines will be 40 per cent higher at ₹3,132.

The 40 per cent hike for bigger cars and SUVs (above 1,500 cc) will mean owners will shell out ₹8,630 from April 1 as against the current ₹6,164.

A discount of 25 per cent will be allowed for private vintage cars certified by the Vintage and Classic Car Club of India.

Two-wheelers

The premium rate for two-wheelers up to 75 cc has not changed and it will reamin at ₹569.

But the premium for two-wheelers in the 75-150 cc category is up 16 per cent to ₹720, and for those in the 150-350 cc by 40 per cent to ₹970.

The premium for super bikes (above 350 cc) has been increased to ₹1,114 from ₹884, up 26 per cent.

Rates for trucks

Premium rate for trucks less than 7.5-tonnes (gross vehicle weight) under the public carrier segment has not changed.

Source

For trucks under the private carrier segment, there is a marginal increase for sub-7.5-tonne trucks, while for others the increase is in the 5-40 per cent range.

Insurers are not permitted to cancel the current insurance policies and issue fresh policies to effect new premium rates.

Back

Kharif-16 proves bountiful for Fasal Bima Yojana insurers – The Hindu – 30th March, 2017

A normal monsoon in the Kharif 2016 season has resulted in lower claims under the Centre's flagship scheme — Pradhan Mantri Fasal Bima Yojana — keeping insurance companies happy.

The provisional figures from Maharashtra, which accounted for a fourth of the total premium collected under the scheme, is testimony to this.

The six clusters (36 districts) in Maharashtra were covered by four insurers — public sector insurer Agriculture Insurance Company (AIC), IFFCO Tokio, Reliance General, and HDFC ERGO.

Data available with Business Line show that while the total premium collected from Maharashtra under the PMFBY in Kharif 2016 was Rs. 3,920.8 crore, the claims were about Rs. 2,000 crore, or a tad over 50 per cent of the premiums collected.

An insurer makes good profit when the claim ratio (proportion of claims to the premium) is less than 80 per cent.

Agriculture Insurance Company (AIC) has, however, paid a higher amount to farmers.

The company is in the process of settling claims of Rs. 1,200 crore — amounting to over 80 per cent of the premium collected by it from the State. But this does not necessarily imply that the clusters covered by AIC faced a relatively higher risk.

When inviting bids from insurance companies for the PMFBY, the government divides the State into different clusters with a mix of low- and high-risk districts.

There is no difference in the risk profile of clusters of different insurers, says an official from the Department of Agriculture, Maharashtra.

Who takes profits?

In crop insurance, every insurer retains 15-25 per cent of the risk and the balance is hived off to re-insurers.

In India, while the government company — GIC — shares about 50 per cent of the risk as a re-insurer in crop insurance policies, the balance is taken up by the private international re-insurers.

This means, a portion of the profit, if any, in crop insurance policies goes to global insurance players.

Farmers' peeve

But private insurers are not deploying their profits to improve the claim assessment and settlement process, say farmer representatives.

Devinder Sharma, convenor of Kisan Ekta, a large farmers' union, says, "Crop cutting experiments for loss assessment is not being done properly.

Source

Private insurers have not invested even 1 per cent of what they have collected as premium in human infrastructure. Leave alone using drones as per the original mandate, they are not even employing the required manpower to do it manually..."

Insurers collected a total premium of Rs. 16,130 crore under the PMFBY in the last Kharif season.

Back

Health Insurance

Here's why your health insurance claims may get rejected – Mint – 23rd March, 2017

Health insurance, as we understand it, involves paying an annual fee (premium) for financially insuring your health and well-being, and covering medical treatment in the time of need. Unfortunately, such covers include and exclude a gamut of terms and conditions that vary from insurer to insurer, across policies as well as consumers. But no matter which product you choose to buy, lack of complete information regarding its utilization, and ignoring the list of exclusions, often leads to claim rejection—which can result in a huge financial shock.

In a bid to make some sense of terms and conditions, or exclusions, that you are likely to come across while purchasing, or using, a health insurance policy, the most common ones are explained below.

Initial waiting period: This is the first and the most common exclusion. Initial waiting period means that from the date of purchase of the policy to the period of 30-90 days (depending on your policy), any claim made by you will be rejected, though there might be exclusions for emergency situations.

Waiting period for pre-existing conditions: This clause means that any claim made for a pre-existing disease during the waiting period will be rejected. For example, if you had disclosed asthma as a pre-existing condition at the time of purchase and you make a claim for treatment costs incurred for the ailment, even after the initial waiting period of 30-90 days (depending on your policy) is over, your claim could still get rejected because your policy might state that you cannot make a claim for any cost associated with asthma for a period of 1 year from the date of buying the policy.

Be sure to enquire about, or check, the exact timelines associated with pre-existing conditions.

Specific waiting period: Another common waiting period, or fixed period, guideline is about the maternity cover. Some policies may have a specific waiting period for claiming maternity benefits. For example, if you bought a policy in June 2016, it may allow you to claim benefits after 9 months of the date of purchase. Some policies may have longer waiting periods of 24 or 36 months.

Apart from this, whether or not you have a specific ailment or you contract it in the future, there is a fixed list of diseases (depending on the policy) that have specific waiting periods associated with them.

Caps on diseases: Taking the example of asthma again, let's say you spend Rs1.2 lakh on asthma-related treatment, tests, hospitalization and medicines in a year and submit the documents to claim insurance, keeping in mind all the waiting periods. You might still find that the claim has been rejected, completely or partly, because your policy document also included a cap on the expenditure that can be claimed. If your policy caps the expenditure on a disease at, say Rs1 lakh, then you will not be able to claim the remaining amount. Being aware of this clause will help you plan recurring treatments wisely.

Permanent exclusions: This section in your policy document includes the entire list of exclusions that your policy will not cover under any circumstances. It could include diseases such as diabetes , sexually transmitted diseases, critical diseases such as cancer; or even expenses relating to treatment for emergency situations such as accidents, specific medicines that may be expensive, eye wear and prosthetic limbs. Treatment in intensive care units (ICUs) and critical care may also be in this list but it is possible to opt for policies with enhanced coverage that have a shorter list of permanent exclusions. Go through the list thoroughly to keep the relevant exclusions in mind and avoid surprises at the time of utilization.

Room eligibility: This may seem trivial but many policyholders get a shock when their claim is rejected, or only partially reimbursed, or only a portion is pre-approved because the room rent exceeds limit mentioned in the policy. Exceeding room rent limit means that if your policy states that only 1% of the total sum insured can be allocated to room rent charges at the hospital, then charges above 1% will not be eligible for insurance. For example, if your policy insures you for a sum of Rs5 lakh, you will be eligible for a room rent for Rs5,000 per day only. Most hospitals practice differential billing for medical expenses incurred, in line with the type of room you choose. Thus, if you choose a room that costs Rs6,000, the related medical expenses will also be charged accordingly but you will be able to use your policy for expenses associated with a Rs5,000 room only. The rest will have to be incurred out of pocket.

Source

While the real value of the policy can be measured when it is actually used, being mindful of the terms and conditions will certainly help you make more informed decisions and use your policy optimally.
Munish Daga is chief executive officer, Remedinet Technologies.

Back

Buy an OPD cover if you visit the doctor frequently – Business Standard – 26th March, 2017

When health insurance was developed initially, it was meant only to cover a person's hospitalisation and surgical expenses. It has since then evolved steadily in its effort to take care of all the health problems that customers may face. Surgical treatments of haemorrhoids, tonsil removal, cystoscopic removal of stones, and so on were not covered by traditional health insurance plans until a few years earlier, but are taken care of under day care benefit by most plans today. In some areas, such as OPD (out-patient department) cover, however, limitations remain.

Owing to growing risks from environmental hazards and lifestyle diseases, people are visiting hospitals frequently nowadays for smaller medical interventions, such as consultations for minor health issues, diagnostic tests, pre-emptive check-ups, etc. At least the one-fifth of Indians who have chosen to buy health insurance don't like to take a chance with their health, according to reports. However, these visits burn a hole in the pocket, especially of those who live in the big metros.

While day care treatments have now been integrated into most new health insurance offerings, OPD cover continues to be omitted by most flagship products. This is seen as a major irritant by the population that buys health insurance. Buyers believe that a health insurance policy should take care of every small cost they might incur on health. If they still have to pay for health issues, they become disgruntled.

The rising burden of OPD spending is making such a cover even more critical. In India, a whopping 60 per cent of health care spend is on OPD treatment. The lack of an efficient mechanism and absence of a closed network structure are the chief obstacles preventing insurers from introducing worthwhile and sustainable OPD products.

A few insurers have now developed an in-built OPD feature in their health insurance policies. These include Star Comprehensive Health Insurance plan, Cigna TTK Prohealth, Royal Sundaram Lifeline Elite, Universal Sompo's Individual Privilege Health Insurance Plan and Apollo Munich's Health Plan for PolicyBazaar.

Do OPD plans offer good value?

This is a difficult question to answer because OPD features are not priced separately but are bundled with plain-vanilla health insurance plans. This is primarily because a separately priced OPD feature doesn't follow the principle of insurance and spread of risk, resulting in an almost 100 per cent pricing for the benefits provided. For the benefit of customers here's a snapshot of the health insurance plans that carry OPD as an in-built feature

The level of coverage differs from one plan to another. Some plans only cover expenses incurred on dental consultation or optical treatment in network hospitals, whereas others cover all forms of OPD. In the second table (What is covered under OPD), we have provided a brief listing of the coverage that different plans available in the market offer. The policies are for a 35-year-old male living in a metro city with no history of pre-existing diseases.

Should you buy an OPD cover?

A typical OPD plan that would provide a benefit of, say, Rs 5,000 a year is usually Rs 4,000-4,500 costlier than a normal IPD (in-patient department) plan. Therefore, the decision to buy an OPD cover depends on how frequently you may have to use these services. Typically, families with young kids or older parents who have regular minor health issues may find these plans useful.

Universalising the OPD cover

A fairly priced universal OPD plan that provides value to all kinds of customers can develop only when insurance companies develop a strongly administered network of OPD health care providers (clinics, diagnostic centres, medical shops, etc.). The biggest deterrent today for insurance companies who wish to offer such a plan is the pilferage, abuse and misuse of such benefits by a small section of customers and service providers. One way to make such a plan possible would be through the use of a cashless-only network, but that would require investment of significant time and effort by insurers.

Source

Insurance companies are already making efforts in this direction. Many insurers have started work on putting together such networks where genuine claims can be handled in a fully cashless manner, providing convenience and efficiency to both customers and insurance companies. Such plans may well become available in the market over the next two-three years. Indian customers will then reap the full benefit of owning health insurance plans in their portfolio that are able to take care of all types of health problems they may face.

Back

Now, you can compare hosp treatment rates in advance – The Economic Times – 25th March, 2017

You get a second heart attack when you get the bill for the first, as goes an old joke in the medical industry.

Third Party Administrators (TPAs) like Medi Assist and health-tech startups like Vistara Health are displaying what hospitals will charge for various procedures on websites, in a bid to ensure that patients and their families get to know the bill amount in advance and can prepare accordingly.

Patients get a fair idea of what the final bill would be from informations like rates of packages, room rent and surgeon's fee. You can also select the hospital in the same city and type of room. Chances are remote for the final bill to shoot beyond the estimate, barring some unforeseen complications.

Insurers like ICICI Lombard have started portals like HealthAdvisor.com, where one can compare best hospitals in India and make more informed decisions.

On HealthAdvisor.com, patient reviews and ratings of hospitals are displayed to help people get a clear picture on the work, ethics and functioning style of the healthcare provider.

And, using the rate card helped Rita Sridharan (28), who wanted to have a normal delivery with her preferred doctor at a premier hospital. She got to know about the exact amount - Rs 55,000 - for various charges. It also showed her that it would cost up to Rs 70,000 if she opted for a C-section in an urban location. Almost exact amounts are displayed for treatments ranging from stent implants to knee replacements as these players work closely with hospitals.

"When you make a booking on TripAdvisor or MakeMyTrip, you know exactly how much it is going to cost you for a vacation in Paris or Venice.Then why shouldn't you make healthcare decisions just as easily?" says Prashant Jhaveri, head, products and strategy, Medi Assist Healthcare Services.

"In case of travel, your costing depends on parameters you choose - destination, brand of hotel, room type and others. Similarly, healthcare tariffs are based on various parameters as well -procedure type, hospital, city, room type, etc. And, it is the prerogative of members to choose a network hospital that suits their requirements," he says.

With MediBuddy, members can search hospitals in their insurers' network. They can filter search by specialty, city, location. "They can also view credentials of doctors, room types and other facilities available at the hospital. When they plan an e-cashless hospitalization with us, they get full information of the estimated cost of treatments at their chosen hospitals. Additionally, we display exclusive tariffs contracted by us with the network hospital to help reduce overall cost for our members," says Jhaveri.

Such transparency helps bring down medical inflation to a certain extent. After the rates were displayed online, web aggregators found that, same hospitals had to charge the same rates for each procedure. Apart from differential pricing within the same group, differential pricing among corporate hospital chains is a reality.

"The customer has a wider choice as he is armed with more information on different hospitals. If someone wants cardiology treatment, he could opt for smaller hospitals if they have the expertise in niche areas. We get a lot of queries from medical tourists and such information would also help them as they would be even more in the dark on treatment costs, facilities compared to an Indian patient," says Ravina Jain, CEO, Vistara Health.

Source

Medical tourists, in particular find services like web portal QHealth useful. "We display accreditation from National Accreditation Board for Hospitals & Healthcare Providers," says a QHealth executive.

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Regulation

Insurance Cos Must Play Active Role in Investee Cos' Meetings: Irda – The Economic Times – 24th March, 2017

The insurance regulator has asked companies to play an active role in the general meetings of investee companies and engage with the management at a greater level to improve governance so as to increase returns on investments for insurers.

“Insurance companies are significant institutional investors in listed companies and the investments are held by them as custodians of policyholders,” Insurance Regulatory and Development Authority (Irda) stated in a circular. “Therefore, it is felt that insurance companies should play an active role in general meetings of investee companies and disclosures relating thereto.”

This will be applicable from next financial year.

The regulator said the state of governance at the companies where insurance companies have invested is important. It has also laid out a set of principles, which insurers will have to adopt. The principles are being uniformly adopted for institutional investors like mutual fund, pension funds, foreign portfolio investors and alternate investment funds.

Irda has also decided to implement a code of stewardship for insurers. The regulator said all insurers need to draw up a policy based on principles spelt out in stewardship code within six months from date of issue of these guidelines and the board of directors should approve the same.

Source

Globally, companies are required to say which are the companies they have voted for and against in general meetings and disclose their stance.

Back

Irdai wants insurance policies issued in demat format – Mint – 28th March, 2017

The Insurance Regulatory and Development Authority of India (Irdai) is planning to ask life insurers to issue policies only in a dematerialized (demat) format beyond a specified threshold premium, four people aware of the development said.

This rule will be made applicable to all insurance contracts, both for existing and new customers, these people said, including executives from insurance repositories, insurance companies and a regulatory official.

India's insurance sector is the biggest in the world in terms of the number of policies—about 360 million are in force. This number is expected to increase at an annual average of 12-15% over the next five years, according to the India Brand Equity Foundation, a government trust under the department of commerce.

A demat format for insurance policy serves the same purpose as for equities: it is a single-view, paper-free, safe format which will also cut processing charges for insurance companies and potentially reduce premiums too
Irdai has been trying to get insurance under the demat format since 2013 when it first licensed five companies to set up insurance repositories. A demat format for insurance serves the same purpose as for equities: It is a single-view, paper-free, safe format which will also cut processing charges for insurance companies and potentially reduce premiums too.

So far, it hasn't worked.

Per current norms, insurance contracts have to be compulsorily issued and maintained in electronic form in one of two ways: either through an insurance repository (which maintains insurance contracts in demat form) or emailed to policyholders with a digital signature along with physical copies. Insurers have overwhelmingly opted for the second route.

A key hurdle to widespread use of demat formats has been resistance from state-owned Life Insurance Corp. of India (LIC), the country's largest insurer, which also has the widest geographical spread and users in rural areas.
"LIC has its concerns about the safety of data sharing and is yet to come up with a workable proposition," said the head of a large repository on condition of anonymity. "If LIC stays away from demat, a large part of the insurance accounts will remain out of demat business."

An email sent to LIC did not elicit a response.

In 2016, SHCIL Projects Ltd, one of the five firms to be given a repository licence, exited the business citing non-viability under the current circumstances. National Insurance-policy Repository (run by NSDL Database Management Ltd), CDSL Insurance Repository Ltd, Karvy Insurance Repository Ltd and CAMS Repository Services Ltd are the remaining firms in the fray.

"LIC has its concerns about the safety of data sharing and is yet to come up with a workable proposition. If LIC stays away from demat, a large part of the insurance accounts will remain out of demat business"- Head of a large insurance repository

Over the past few weeks, insurance repositories have made several representations to Irdai and have held discussions with LIC and large private life insurers to convince them to use the repository route. "All private insurers have tied up with repositories. Irdai is aware of the changes required and seems to be attempting to resolve the issues," said G.V. Nageswara Rao, managing director and chief executive officer of National Securities Depository Ltd, which owns NSDL Database Management Ltd.

Irdai, too, has played its part. On 9 March, the insurance regulator made it mandatory for insurers to issue and maintain all insurance contracts in demat form if they are sold through any e-commerce platform or online marketplace.

However, less than 1% of policies are sold through e-commerce platforms and so far no demat account has been opened for any policy sold through an e-commerce platform, said Rao.

"Nothing much really is happening. Only a few policyholders in the industry have opted for the demat facility because it is just an option. For us, the percentage of such customers is in single digit," said Amitabh Chaudhry, managing director and CEO, HDFC Standard Life Insurance Co. Ltd.

Source

"Once more customers avail of the demat facility and continue all future transactions in electronic form, the premium will start coming down. This will help policyholders, insurers and insurance repositories too," he said.

Back

Pension

EPFO to discuss making EPF optional for apparel workers – The Financial Express – 23rd March, 2017

Retirement fund body EPFO will consider a proposal to amend the EPF & MP Act for making provident fund contributions optional for employees in apparel and made-ups sector at the trustees' meet on next Thursday. However, the trade unions are against this move saying this would encourage such an exemption for other sectors as well in future and might defeat the purpose of retirement savings. "The proposal to amend the Act for implementing the Cabinet decision of making EPF contributions optional for employees earning less than Rs 15,000 per month is listed on the agenda of EPFO's trustees meet scheduled on March 30, 2017," a source said. Earlier last year in June, the Centre has brought a package for the textile and apparel sector which was later extended to made-ups also in December 2016. Among other sops in the package, it was announced that EPF shall be made optional for employees earning less than Rs 15,000 per month in these segments.

However it was a Cabinet decision but it could not be implemented without amending the EPF & MP Act 1952, the source said. In the present legal framework, the employees as well as employers contribute 12 per cent each towards mandatory contributions towards social security scheme — EPF, EPS and EDLI — run by the Employees' Provident Fund Organisation (EPFO). Once approved by the CBT, the proposal would have to go through the floor test in both the Houses of Parliament. Commenting on the proposal, All India Trade Union Congress Secretary D L Sachdev said, "All central trade unions will oppose this proposal because it would start a new practice of making EPF contributions optional for a set of categories of employees. This will set a wrong precedent."

Besides, the EPFO's apex decision making body, the Central Board of Trustees (CBT), headed by the Labour Minister would also take up a proposal of providing health cover to its around 50 lakh pensioners. Earlier, back of the envelop calculations done by ESI had estimated Rs 200 monthly premium per person for providing health cover under its scheme to the EPFO pensioners. The proposal is aimed at providing health cover to EPFO pensioner, who get very little amount as pension and hence healthcare is out of their reach. Besides, the CBT will also discuss the proposal to cover scheme workers like Anganwadi and mid-day meal, under the social security schemes run by the EPFO.

Source

Back

EPFO to consider investments of up to 15 per cent in ETFs on March 30 – The Financial Express – 23rd March, 2017

Retirement fund body EPFO trustees will meet on March 30 to discuss whether to increase its investments in ETFs to 15 per cent of investible deposits in 2017-18, from the current 10 per cent. The Employees' Provident Fund Organisation (EPFO) had entered the stock market by investing 5 per cent in August 2015, which was raised to 10 per cent last year. "Now buoyed by the performance of the stock market and expected good returns on such investments, the EPFO's apex decision-making body the Central Board of Trustees will deliberate on further increasing flow of its funds into ETFs at a meeting scheduled on March 30, 2017," a source said. The source said the status note on the ETF investments by EPFO is listed on additional agenda of the CBT meeting next Thursday.

Earlier in 2015, the finance ministry had allowed private provident funds to invest 5-15 per cent of its investible deposits in equity or equity-linked schemes. In view of the volatile nature of stock markets, the EPFO had then decided to start with investing just 5 per cent of its over Rs 1 lakh crore investible amount in ETFs. "We are proposing to invest up to 15 per cent during the next year. The CBT meeting will be held on March 30. We will seek its opinion. So far, during the past one-and-a-half year, we invested Rs 18,069 crore. We are getting good yield. It is encouraging," Labour Minister Bandaru Dattatreya had told PTI last week.

The minister had said that so far in the current year, the PF body invested the amount in the two index linked ETFs — the BSE's Sensex and the NSE's Nifty, which yielded a return of 18.13 per cent. According to the statement in the Rajya Sabha yesterday, the total amount invested by the EPFO in ETFs as on February 18 is Rs 18,609 crore — Nifty 50 and Sensex index based ETFs: Rs 17,105 crore and CPSE index based ETF: Rs 1,504 crore.

Source

Back

EPFO enrollment scheme to be extended for 3 months after logging grand success – The Financial Express – 25th March, 2017

Enthused by an encouraging response to its first three-month enrollment programme through which over 30 lakh new subscribers joined, retirement fund body Employees' Provident Fund Organisation (EPFO) will soon extend the programme for another three months with effect from April 1. "We are extending the programme. The labour ministry will issue the notification soon. The terms and conditions will remain the same," central provident fund commissioner V P Joy told FE. With the broader aim of universalising the scheme for all eligible workers, the retirement fund body launched the scheme first in January to rope in both past and new workers.

Under the scheme, for past workers (workers with their past service), an employer does not have to pay damages and administrative charges. Employers will have to remit only their contribution and 12% interest on the amount. If employees' contribution was not collected, this doesn't have to be paid.

New employers will have to pay just 3.67% with the remaining 8.33% coming from the Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) for first three years. However, for the apparel sector, there is no employers' contribution for new employees for three years. The scheme is also open for new employees, new establishments and voluntary enrollments.

Sources said some organisations had suggested for the extension of the enrollment programme. EPFO has 4.15 crore active subscribers now, which is likely to go up further.

Source

The EPFO has started enrolling workers from some semi-organised sectors like construction. The unorganised sector is not covered so far, but the retirement fund organisation has proposals to rope them in also.

Back

PF withdrawal norms for government employees relaxed – The Hindu – 26th March, 2017

The Centre recently decided to amend the provisions of the General Provident Fund (Central Service) Rules 1960, to address demands of government employees by raising the withdrawal limits and simplifying administrative procedure.

According to government officials, some of the main changes have been brought in the category of withdrawals done for education by allowing withdrawals for primary, secondary, and higher education, covering all streams and institutions, as opposed to only higher education earlier. The withdrawal limit has also been increased from the existing three months' pay or half the amount at credit, to up to 12 months' pay or three-fourth of amount at credit, whichever is less.

"Also, this is now admissible to a subscriber after completion of 10 years of service against the earlier general eligibility of completing 15 years of service," the official said.

Withdrawal for housing

In the category of withdrawals for housing, the permissible withdrawal of up to 90 per cent of balance at credit has been delinked from the limits prescribed under the HBA Rules and can be availed of by a subscriber any time during his service. Also, government employees will no longer need to deposit back the amount that was earlier required to be made subsequent to the sale of house for which GPF withdrawal had been availed.

Similar amendments have been made in clauses related to withdrawal made for purchase of car or two-wheelers. In addition, withdrawal of up to 90 per cent of balance without assigning reason, which is presently allowed to subscribers due for retirement or superannuation within a year, is now proposed to be allowed for up to two years before superannuation.

Documentary proof

The administrative procedure for withdrawals has also been simplified. The requirement of submission of documentary proof of reason for withdrawal has now been removed and a simple declaration form by the subscriber explaining the reason for withdrawal would suffice.

In addition, the declared Head of Department is now empowered to sanction the withdrawal of his employees. Some of the other key changes include fixing a maximum time limit for sanctioning withdrawals to 15 days, in a bid to make the withdrawal process easier, the official note said.

Source

The government has done these amendments to provide benefits to its employees.

Back

To generate better returns, EPFO to break from past practice, invest subscription receipts in liquid MFs – The Financial Express – 29th March, 2017

Making a departure from its earlier practice of parking all of its daily subscription receipts, around R356 crore a day, in Collateralised Borrowing & Lending Obligation (CBLO), Employees' Provident Fund Organisation (EPFO) will soon start part-investing them in liquid mutual funds (LMFs) also, aimed at generating better returns for its subscribers. The finance audit and investment committee (FAIC) of the retirement fund body, which has an annual incremental deposits of around R1,30,000 crore, has already given its go ahead to the proposal which would now be placed before EPFO's highest decision-making body Central Board of Trustees (CBT) in its schedule meeting on March 30.

The FAIC has approved parking up the liquid fund to the LMFs for a maximum period of 30 days, but sources in the retirement fund body said that it would like to park them up for a maximum of 3-5 days before the sum is invested in various instruments as per the approved investment pattern. (see chart) "Our intention is to maximise returns. It is expected that short-term investments in LMFs would yield even better returns than CBLO, the traditional money market instrument. Even 0.5% higher return would mean a lot for us," said a senior EPFO official.

Investment in the LMFs would be done on daily basis, but the ratio of investment between CBLO and LMFs would be decided by the portfolio managers. Liquid funds come with different plans like growth plans, daily dividend plans, weekly dividend plans and monthly dividend plants. In line with the falling interest rate regime, EPFO pruned the interest rate on provident fund deposits for its over 17 crore subscribers to 8.65% for 2016-17, the lowest in four years, even as it continues to be the most preferable fixed income instrument over all other debt instruments including PPF, senior citizen savings scheme and bank deposits.

The widening of the window for parking funds on short-term basis was thus extremely important for EPFO as it was under tremendous pressure to maximise its returns since its return on investments is lower than what its investments bring in return.

Meanwhile, enthused by higher returns, EPFO is likely to enhance its stock market exposure to 15% of its incremental deposits, or an estimated R19,500 crore, in FY18, from 10% now. The increase will be via the ETF route. A decision on this front is also likely to be taken in the forthcoming meeting of the CBT. EPFO has invested R18,609 crore in ETFs till February, 2017 and its returns on equity investments stand at above 18% in 2016-17.

Source

Back

80 million EPF retirees may soon get healthcare benefits – The Hindu – 29th March, 2017

Central board of trustees to meet on March 30 to decide

More than eight crore workers contributing towards Employees' Provident Fund Organisation (EPFO) may soon be eligible to receive medical treatment from Employees' State Insurance Corporation (ESIC) hospitals after their retirement.

The EPFO's central board of trustees will meet on Thursday to consider passing on medical benefits under ESIC to pensioners under Employees' Pension Scheme linked to EPF accounts.

"It has been requested to extend the proposed scheme of ESIC on medical benefits to the pensioners under Employees' Pension Scheme (EPS) of the EPFO also. The Scheme of medical benefits for EPS 1995 provisions as devised by ESIC will be implemented," according to the agenda of the CBT meeting, which will be chaired by labour minister Bandaru Dattaterya on Thursday.

1,400 dispensaries

The ESIC has a network of over 1,400 dispensaries and over 150 hospitals across the country which will be accessible to EPF pensioners once the plan is finalised.

EPFO's Central Provident Fund Commissioner V.P. Joy held a meeting with ESIC Director General Deepak Kumar recently to discuss the proposal.

The broad contours of the proposal will be discussed in the CBT meeting which has employers' and employees' representatives.

Workers drawing salary up to ₹15,000 per month are entitled to medical benefits for treatment during incidences of sickness, maternity, disability and death due to injury during work.

The ESI Act applies to factories with 10 or more workers and it is also applicable to shops, hotels, restaurants, cinemas and road transport undertakings.

While 4.75% of a worker's salary goes towards ESI as employer's contribution, 1.75% of the income goes as the employee's share.

Till March 2016, 2.13 crore insured persons were covered under the Insurance Corporation's Act.

The insured persons can avail such benefits from over 1,400 ESIC dispensaries across the country.

Whereas in the case of Employees' Pension Scheme, the Centre contributes 1.16% of the employee's salary (upto ₹6,500) towards the scheme along with employer contribution of 8.33% of the salary.

Source

At present, the minimum pension under EPS is ₹1,000 per month and an employee can receive pension only after minimum 10 years of service. Employees are automatically enrolled under EPS if they are members of the Employees' Provident Fund scheme.

Back

Circulars

Source

Modification in premium rates due to revised Commission/Remuneration Structure and introduction of Reward System – Circular Ref: IRDA/HLT/REG/CIR/064/03/2017 dated 24th March, 2017

Back

Source

Solvency Margin – Circular Ref: IRDA/ACT/CIR/SLM/066/03/2017 dated 28th March, 2017 Source:

Back

Source

Insurance Regulatory and Development Authority of India (Insurance Brokers) Regulations, 2017 dated 28th March, 2017

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Source

Premium Rates for Motor Third Party Liability Insurance Cover for FY 2017-18 – Circular Ref: IRDA/NL/NTFN/MOTP/068/03/2017 dated 28th March, 2017

Back

Global

China: First tech insurance company to be set up – AIR – eDaily – 27th March, 2017

China is on course to open its first tech insurance firm, according to a source with direct knowledge of the matter.

The proposal to establish a tech insurance firm has "received warm response" from CIRC, the nation's insurance watchdog, after submitting application materials last year, said Mr Wu Lebin, Chairman of Chinese Academy of Sciences Holdings Co, a state-run asset management company and a key initiator.

At least five companies are sponsoring the establishment of the insurer, most of which are enterprises affiliated to the China Academy of Sciences, the national institution conducting basic and applied research, reported China Daily. The proposed insurer's registered capital exceeds CNY1 billion (US$145 million).

Source

"We see great hopes to lead the country's first tech insurance company, serving high-tech companies of all scales and in various stages, from project approval to product selling," Mr Wu said.

Back

Malaysia: Cabinet approves unemployment insurance plan – AIR – eDaily – 24th March, 2017

The Malaysian Cabinet has approved a Bill to create a special insurance programme for retrenched workers. The scheme will provide temporary financial aid to workers during the period between their retrenchments and before they find a new job.

Human Resources Minister Richard Riot Jaem said the Cabinet approved the Bill last week. He said that it was up to the Prime Minister Najib Razak to announce details of the scheme and to decide when to introduce the new Bill in Parliament.

Under the scheme, employers and workers are required to contribute towards the worker's insurance account, the same way they now do for Social Security Organisation (Socso) coverage.

Earlier this month, Mr Riot's deputy, Ismail Abdul Muttalib, told Parliament that the proposed scheme was targeted for implementation next year.

The proposed scheme has been opposed by the Malaysian Employers Federation (MEF), which claims that it would lead to increased costs that would burden private companies.

The MEF has lodged a protest memorandum with Mr Najib. It argued that employers were already paying benefits to retrenched workers. It also said up to 99% of the workforce will not benefit from the scheme despite making contributions as the retrenchment rate had remained at less than 1%.

Source

As an alternative, the MEF proposed a private savings scheme in which employees will contribute 1% to an Employees Provident Fund account.

Back

Philippines: Driverless vehicles will cause shifting liabilities - Insurance Commissioner – AIR – eDaily – 28th March, 2017

Driverless vehicles will shift blame for vehicular accidents to two additional stakeholders--the vehicle manufacturer and the network provider responsible, besides the traditional human factor. This will change the way laws in the Philippines, as in other countries, deal with accidents, said Mr Dennis B. Funa, the Philippines Insurance Commissioner at the ongoing 5th Asia Motor Insurance & Claims Management Conference in Manila organised by Asia Insurance Review.

He was addressing what he called the "elephant in the room"—will driverless vehicles cause the end of motor insurance? Citing recent accidents and studies, he noted that the human factor in driverless cars, while reduced, still cannot be completely eliminated and accident risks continue to exist. In addition, production of today's driver-controlled vehicles, the next stage of semi-autonomous vehicles and then fully autonomous ones will see periods of overlap in the next few decades, which means potential accidents, thus insurance will remain necessary.

Autonomous' vehicles Impact on insurance and regulation

Autonomous vehicles impact claims as the automaker may be responsible for the car as a whole and the programme it runs on, which in turn would be relying on a network provider supplying information including traffic and road conditions. Thus, Mr Funa noted, regulations on the determination of liability would need to be modified, with variations depending on whether the vehicle is semi or fully autonomous, and may also involve the companies behind the autonomous programme and network modules. Driverless cars also mean that underwriting could be solely dependent on loss history, vehicle operating systems, and that it may eventually even consider weather conditions.

"With the advent of driverless cars, regulators will face the challenge of developing standards and regulations to guide the industry in adjusting to these changes and to safeguard it from collapse," he said. He added that regulatory change would need the involvement of the private sector, namely insurers and motor vehicle industry stakeholders.

Mr Funa said that as Commissioner, he looks to lead the way in exploring how driverless cars may affect the industry. For example, the administration is currently pursuing an amendment to the law involving motor vehicle excise tax, a move which needs to consider that vehicle prices will increase as new technologies are installed in vehicles. Beyond insurance laws, even the country's Civil Code on torts and damages may need to be updated if a driverless car was involved in an accident which could be attributed to the owner's negligence.

"Nimble is the new normal"

Offering the industry perspective was Mr Augusto Hidalgo, Chairman, Philippine Insurers and Reinsurers Association (PIRA) and CEO, National Reinsurance Corporation of the Philippines. He called on insurers to emulate the success of China's online insurer ZhongAn, in seeing new technologies as a new tool for growth rather than a threat. With the insuring public behaving differently because of greater interconnectivity and their needs changing quickly, insurers need to change along with them.

He said the Internet shouldn't be seen just as a distribution channel, as "going digital" for motor vehicle insurers should also mean using analytics and big data from intelligent cars, social media and other sources to create a personalised customer-based experience and develop new products.

In the Philippines, PIRA is sharing data with the government to help prevent and minimise not only carnapping incidents but also insurance fraud. To this end, it will be launching an improved version of the Motor Claims Information System (MCIS),

Mr Hidalgo called on the audience to challenge themselves with "How do I revolutionise the insurance industry in my own country or region?" or "How can I become like that ZhongAn that everyone's talking about?". He said he believes that the answer lies in company culture.

"First, we need to embed that culture of not only embracing data analytics but, more perhaps more importantly, committing to the highest ethical standards when using this data," he said, adding that data analytics is only truly effective and worth pursuing if it has a customer's trust. Second, the industry needs to boost the capabilities of its people. "This is why I believe we change the face of the industry not only by introducing new technologies but by putting people our first, giving them the right training and teaching them the right skills set," he said.

Third, he called on insurers to imbibe these values—confidence and trustworthiness, critical thinking and creativity and living by resoluteness and adaptability to be open to change and learn best practices from competitors. For motor vehicle insurers, going digital also means judiciously using analytics to leverage this goldmine of big data collected from connected and intelligent cars, from social media, and from other sources into creating a personalised customer-based experience, enhancing underwriting and claims management processes, and driving development of new insurance products and other services.

"Shift happens"

Elaborating on the need to adapt to changing customer behaviour and the need for insurers to reinvent themselves in customer-centricity was Ms Bona Santiago, Director of Philippines, Merimen Technologies. "Shift happens," she quipped. "Customers need coverage, they do not need insurance companies," she added, pointing out that tech providers had started to enter the same space to offer protection products, hence, service differentiation, trust in the company and branding are key in order for traditional insurers to hold their own.

She cited the need for transformation across the entire insurance value chain to provide consistent and coherent customer support. This requires product design that is tailored yet simple to understand; making use of external data for risk assessment for pricing and underwriting; "omnichannel" multi-touch points which integrate social media queries with traditional customer feedback and response channels; and distribution-wise, sales channels for self help and direct purchase and transparent and faster claims resolution for customers.

Source

The 5th Asia Motor Insurance & Claims Management Conference ends today. It is organised by Asia Insurance Review and supported by PIRA and the international Insurance Society, with Merimen as the motor solutions sponsor.

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