Insurance Institute of India
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INSUNEWS
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• Quote for the Week •

"You may have the loftiest goals, the highest ideals, the noblest dreams, but remember this, nothing works unless you do."

Nido Qubein

INSIDE THE ISSUE

Insurance Industry

Insurers need better underwriting – Mint – 1st September 2016

The Union budget 2016-17 had brought in a special announcement for the general insurance industry. The listing of the public sector general insurers, which have over the years built significant value and brand equity, will be a significant milestone for the industry. Apart from monetising its investment to meet its divestment targets, finance minister Arun Jaitley also made it clear that listing public sector general insurers will bring in higher levels of transparency and accountability to the industry.

For the industry, the listing of the four public sector general insurers would be a benchmark and may set precedence for some of the other private insurers to gradually follow suit to not just fund their growth plans to ramp up insurance penetration but also for shareholders to unlock value in their investments. The insurers will now also be scrutinised for financial performance and returns to shareholders. The stock exchange listing will also force the industry to bring in underwriting discipline and ensure that companies make money from their core business rather than purely rely on generating investment profits.

The general insurance industry has grown from a topline ofRs.12,000 crore in 2001–02 to being worth around Rs.93,000 crore, clocking an annual growth rate of 17% with 29 general insurers in the market. However, the industry has faced some headwinds in the macro business environment given the relatively subdued industrial growth and the pricing wars following the de-tariffed regime.

After opening up of the market, the industry has seen the entry of several new private companies, which has increased competition for insurers but also choice for customers. Over the past few years, a multitude of factors have adversely impacted the industry's profitability. After the insurance regulator introduced price de-tariffication in 2007 and provided freedom to general insurance companies to decide the premium rates in most product segments, premiums in large volume group business have seen a major decline. The market has also seen several new entrants, intensifying competition by focusing only on growth, which has led to competitive pricing pressure.

The premium rates, especially in commercial lines of business such as property, fire and group health, which drive volumes for insurers, have seen severe competition and has seen prices fall to unsustainable levels. This trend, coupled with high natural catastrophe losses and adverse claims ratio in the motor third-party liability segment, has impacted the overall profitability and solvency requirements for the general insurance companies.

During the course of the past decade, regulatory interventions have helped open up the industry, foster more competition and has largely benefited the industry. However, insurance companies need to address several areas— particularly on issues of distribution, product, pricing and solvency reform.

The road to improved profitability would require companies to reassess several key aspects of their business models, right from pricing to products, risk management, customer acquisition and distribution. It is a known fact that the Indian general insurance industry has the highest combined ratio, a key industry parameter to measure profitability, across developed and other developing economies. Combined ratio is calculated by taking the sum of incurred losses and expenses and then dividing this by earned premium.

According to data from the General Insurance Council, the combined ratio for the industry has been consistently on the rise. It increased from 113% in 2014-15 to 119% in 2015-16. The total underwriting loss for the general insurance industry stood at around Rs.14,400 crore in 2015-16, up a staggering 52% compared to Rs.9,533 crore in 2014-15.

Besides, a recent report by Federation of Indian Chambers of Commerce and Industry (Ficci) highlights that returns post-detariffication have largely remained in single digits, even after adjusting for motor third-party pool losses incurred by the industry.

While the top private sector insurers have managed to maintain their combined ratios close to or less than 100%, for a majority of the companies, the combined ratios are currently much higher. Sustained underwriting losses for the general insurance industry implies that insurers are too preoccupied with the pricing game to look beyond upping their capabilities to focus on improving the customer experience and may also eventually impact the services offered.

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

The general insurance industry, considered the sunshine industry of the financial services segment, will see a positive overhaul with the listing, setting the stage for additional visibility, customer centricity, governance and focus on financial performance. While the fall in pricing has benefited customers, the industry also needs to step up its focus on creating new capabilities, digital innovations and in the crucial segment of claim settlements rather than competing on the basis of just pricing.

Source

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Making insurance customer-centric - The Hindu Business Line – 1st September 2016

The Indian insurance industry is facing a number of challenges such as low customer penetration, inadequate insurance coverage and misfiring distribution channels. For the past six years, the life insurance business has grown at a measly four per cent. As a result, life insurance penetration in India has declined to levels that are similar to 10 years ago, says a recent report on the insurance business from industry body CII and consultancy EY. The stunted growth has created a host of other issues, including expense inefficiencies and lower-than-expected profitability. So what could be the way forward?

The CII-EY study says insurance has traditionally been a product-centric business, focused on developing products for a given risk and delivering them in a cost-effective manner. However, social media and unprecedented access to information, such as peer-to-peer product and service reviews, are giving consumers greater power and creating more informed and demanding customers.

These experiences are shaping consumer expectations across all industries, including insurance. Customers prefer values that are clearly demonstrated, price that is balanced, and product features and services that are tailored to their needs. Therefore, insurers need to better understand the true needs of their customers to redefine the products and services they offer and the ways in which they interact and serve their customers. They need to know their customers better than ever and use the information and knowledge as a source of competitive advantage.

The marketing and sale of insurance products in India has largely been driven by agents. However, this scenario is fast changing, says the CII-EY study. India's internet user base has surpassed that of developed countries such as the US and Japan, and Brazil. The number of mobile phone users in the country has crossed the 1-billion mark, including 125 million smartphone users. As a result, the medium of sale is increasingly shifting online. "Data analytics will be a key tool used by insurers of the future to increase customer segmentation and offer tailored products," says the report.

Getting personal

It's not as if the players in the business have not taken note of the developments. The report cites several examples: IndiaFirst Life Insurance issues over-the-counter policies in 30 minutes after it receives data on its servers. HDFC Life's Cancer Care is a customisable niche product that can be entirely purchased online. Bharti

AXA partnered with Vymo to launch its lead management solution. Max Bupa Health Insurance recently partnered with Vizury Engage, a data and marketing platform, to segment users based on data-backed insights and target them with personalised engagements.

Cigna TTK's ProActiv Living Program has online health and wellness initiatives. The programme helps customers understand their health through check-ups and targeted online health assessment, and incentives are in the form of health and wellness discounts.

Customers can use the points they earn by participating in these initiatives to either increase their benefits or reduce their premium. ICICI Lombard enables its customers to pay renewal premium through Paytm wallets and Bajaj Allianz has over 350 virtual offices operating pan India.

Even on the government's side, the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) can be subscribed to via an SMS. They take into consideration banking KYC and auto-debit payment from customers' bank account.

De-jargonise

But industry players agree more needs to be done. "The need of the hour is to simplify insurance, help consumers understand what they are buying and to de-jargonise it," says Pradeep Pandey, CMO, Future Generali. His organisation has started using design to simplify.

For instance, the new policy document uses visual design and iconography styles, information more relevant to the customers is mentioned upfront (such as nominee details, amount covered for, what does the policy not cover, and so on). The company has also started inserting a voice chip in the online ULIP policy document which helps customers know what is covered in the policy even without even reading it.

"It's no longer enough to just have a digital capability. To compete in the digital world, you need to be a digital enterprise," says Sanjay Tripathy, senior executive vice-president, marketing, analytics, digital and e-commerce at HDFC Life. To create a customer-led digitally enabled organisation, companies have to move beyond treating digital as a silo within the organisation.

"It has to be an omni-channel integration," says Tripathy. He adds that organisations could take other measures including using predictive analytics to anticipate and understand customer needs better, focus more on robotics automation, create a continuous improvement and learning culture, learn from other industries such as e-commerce and invest in the right talent which understands the digital ecosystem.

Source

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RBI to ensure banks do not mis-sell insurance products - The Economic Times – 29th August 2016

Reserve Bank of India plans to enhance its vigil on customer service this year with a specific focus on mis-selling of insurance products.

"We now will examine how banks are faring, and whether further regulations are needed to strengthen consumer protection." RBI governor Raghuram Rajan said in a forward in the latest annual report for FY'16. "In particular, we will focus this year on the issue of mis-selling, especially of insurance products.

We will also focus on enhancing our communication with the broader public, with a view to informing them on what they need to do to take best advantage of financial opportunities, as well as protecting themselves."

Misselling has been rampant on insurance products, RBI deputy governor S S Mundhra said recently. "Often higher sales targets, coupled with front-ended high commissions, are the main motives for such misselling. There is no real oversight on unethical selling of third party products." he said. Since banks have a huge network of branches, insurance companies have tied up with them to sell their products. Banks earn commission for hard-selling insurance schemes which gives a boost to their bottomline.

"We will work to enhance grievance redressal procedures, both within the financial institutions, and if the customer is still unsatisfied, subsequently through the RBI's ombudsman scheme." Rajan said.

Source

IRDAI Regulation

To Curb Misselling, Irda may Ban Incentives to Bank Staff - The Economic Times (Delhi) – 29th August 2016

The Insurance Regulatory and Development Authority of India is cracking the whip on misselling of insurance by banks. It proposes to ban insurance companies from giving incentives and junkets to bank staff for selling insurance policies.

The regulator will come out with a differential commission structure a differential commission structure for agency and banks. This could shave off incentives for bankers selling insurance. “We're going to prescribe differential commission for agency and bancassurance,“ said Nilesh Sathe, member-life at Irda. “We are going to allow 35% commission and 7% incentives for agency. For banks, we would allow 35% commission but no incentives. The commission is spread over the term depending on the nature and tenor of products.“ In the exposure draft, the regulator had suggested legalising overriding commission to be paid to individual agents. Insurance companies have been paying productivity-related bonus to performing individual and corporate agents. “We have to compensate agents for their efforts,“ said Sathe. “An agent approaches several people before he/she is able to sell a policy. In banks, efforts put in are far less. Total reward should not be more than 20% of 35%.“ There is, however, reduction in overall commission. Insurance companies were paying commissions as high as 40% in the first year, 7.5% in second year and 5% in subsequent years. Normally, commission is three times the tenor of the policy till it reaches the limit of 35%.

Irda got the power to structure commission rates after the amendment to the Insurance Act. “Corporate agents incur organizational expenses that are additional to sourcing expenses incurred by individual agents,“ said RM Vishakha, MD, IndiaFirst Life Insurance.“ The suggestion of differential commission between corporate agents and individual agents is not comparable considering the unique challenges applicable to each channel. Payout should depend on a holistic approach.“

Source

The commission expenses ratio, which is commission expenses as a percentage of premiums, decreased marginally to 5.93% in 2014-15 from 6.63% in 2013-14. Overall, while the commission expenses increased in case of renewal premium, there's been a fall in commission paid to single premium and regular premium products. Companies have been emphasizing on persistency helped by focus on renewal and a relatively higher payout in the later years. “Irda should allow reward linked to persistency for intermediaries as lapsation is a big worry,“ said Vighnesh Shahane, MD at IDBI Federal Life Insurance.

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Irdai may tweak pension product norms to lure investors - The Financial Express – 27th August 2016

The Insurance Regulatory and Development Authority of India (Irdai) is planning to tweak regulations on pension products to attract more investors. The insurance regulator will release the exposure draft on ‘listing of Indian insurance companies’ and is also looking at coming out with a discussion paper on premium financing, particularly in the non-life sector.

Speaking at the Dun & Bradstreet’s national conclave on insurance, Nilesh Sathe, member-life, Irdai, said: “Pension segment has always been ignored. With the NPS, the awareness is being created toward. With the NPS, the awareness is being created toward pension. Irdai will re-look into some of the aspects of deferred annuities and immediate annuities plan, where withdrawal for specific purposes can be allowed because products need some sort of flexibility which NPS is likely to provide.

The insurance industry should also provide some flexibility on annuities products.”

An annuity is a lump-sum investment, which gives a regular income to the investor for the rest of his life. It can be an immediate annuity, which starts giving returns immediately, or it could be a deferred annuity, which starts paying after a certain period.

Officials at Irdai said the regulator is looking to bring draft regulations on commissions in the next board meeting. Irdai will come up with its exposure draft on listing in near future. Earlier this month, the insurance regulator had released a discussion paper on. Earlier this month, the insurance regulator had released a discussion paper on listing of Indian insurance companies’.

“We have released a discussion paper on listing of insurance companies. Comments of the stakeholders will start pouring in on the subject now. Based on that, we will be releasing the exposure draft. Then we will come out with a guideline on the issue and we will give enough time to insurers so that their business models can be worked out and their foreign partners are made comfortable for the same,” said Sathe.

Irdai also also looking at premium financing for the insurance sector. “All over the world, if a person wants to buy insurance and does not have money the premium is funded by the banks and investors can pay in installments. This is more for the non-life insurance products, as they can’t be taken in installments. So, we are planning to come out with the discussion paper and hope to come out with some regulations in one month time,” Sathe said.

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India: Regulator issues new equity investment rules – Asia Insurance Review

India's insurance regulator has tightened equity investment rules for insurers by prescribing that they invest in the equity of listed companies that have paid out at least 10% dividends for at least two consecutive years under the approved investment category.

Previously, the requirement was that the investee companies must have paid dividends of at least 4% for at least eight out of the previous nine years, reported *The Economic Times*. The new requirement is set out in investment regulations published earlier this month. The regulator wants insurance companies to stay away from investing in companies which have not paid dividends and are financially weak.

In addition, the regulations require every insurer to have a separate fund manager for debt and equity up to a fund size (for both shareholder and policyholder funds taken together) of INR100 billion (US$1.49 billion). When a fund exceeds INR100 billion, it will need to have a separate fund manager for life, pension, annuity and group fund and unit-linked segregated funds. No fund manager can be common between the different funds.

Source

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Life Insurance

Economic growth can help deepen insurance coverage: Arun Jaitley - The Financial Express – 1st September 2016

Finance Minister Arun Jaitley today expressed the hope that India will become a fully insured and socially secured nation as economic expansion gathers momentum over the years.

“As the economy grows faster, I hope we will become a fully insured and socially secured nation over the years, and I am sure LIC can play a very big role in achieving this,” Jaitley said, launching the Diamond Jubilee celebrations of the nation’s largest financial powerhouse here.

Lauding Life Insurance Corporation of India (LIC) for remaining the market leader with over 70 per cent market even after competition was allowed 16 years ago, Jaitley said: “I am glad that very few monopolistic institutions of the state have prospered in a competitive market environment and still continues to remain the market leader as LIC has done over the years.”

Normally state monopolies find it difficult to survive in a competitive environment, as the private sector devoid of bureaucratic hurdles can take market-oriented decisions faster in such climate and thus thrive, “but LIC has been able to do so even after the liberalisation”, he noted.

To retain its leadership, Jaitley asked the Corporation to be more and more innovative in its product offerings as well as nation building efforts so that it can continue to serve and achieve the objectives for which it was created way back in 1956.

Recalling the contribution of the Corporation to nation- building, Jaitley noted that LIC is the largest investor in our nation's growth story with over Rs 4 trillion (Rs 4 lakh crore) in investments into key sectors of the economy.

The Finance Minister also said, his counterpart at the Health Ministry is working on a plan to offer a health cover of Rs 1 lakh to the poor who form one-third of the population.

Meanwhile, outgoing LIC chairman SK Roy handed over a cheque of Rs 2,502 crore for last fiscal year, up from Rs 1,803 crore given in the previous year, to the Finance Minister as part of sharing its surplus with its owner.

Roy also announced that as part of the Diamond Jubilee celebrations, the Corporation will pay a one-time special bonus to policyholders over and above the annual payout of its profit sharing.

As per the LIC Act, the Corporation has to share 95 per cent of its profit, which in LIC's parlance is called 'surplus' has to be shared with the policyholders and the rest with the government as its owner.

Source

Accordingly, in 2014-15, LIC had paid Rs 34,283 crore as regular annual bonus to the policyholders.

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Health Insurance

Insurance firms' 24-hr hospitalization rule vexatious, anti-consumer: Forum – The Times of India – 29th August 2016

A consumer disputes redressal forum in Nashik has termed medical insurance companies' clause making 24-hour hospitalization mandatory to raise claims as "vexatious".

"We are of the firm belief that the mandatory clause of minimum 24-hour-admission for patients to receive any claim from medical insurance companies is vexatious, anti-consumer and cheating.

Even in cases where a patient has not been hospitalized for 24 hours and treatment is provided, it is the insurance company's responsibility to settle the claims," a three-member bench of the forum said while deciding on a complaint registered by Vasant Chintaman Kshirsagar, a resident of Sharayu Nagari near Indiranagar in Nashik.

The complainant was a beneficiary of the group insurance policy cover provided by The New India Assurance for up to Rs 4 lakh when he was working with the organization.

Kshirsagar underwent a surgery for a heart ailment on November 4, 2014 when the policy was active. On December 11, 2014, Kshirsagar was admitted to the same hospital where he underwent the surgery before, with complaints of pain in the brain, left hand and the left shoulder.

The treatment cost him Rs 13,576, though he was not admitted for over 24 hours. Kshirsagar sought reimbursement through the insurance claim as the policy was active till March 2015. The insurance company, however, denied the claim on the ground that the hospitalization period was not for more 24 hours.

"I was admitted to the hospital and underwent treatment. I was released within 24 hours. But when I tried to raise the claims, the company refused," he said in the complaint registered with the consumer forum on September 1, 2015.

The insurance company, in its reply to the forum, said there was no deficiency in services. It said the claim was rejected since there was no hospitalization for 24 hours. The forum, however, found the insurer's contention as an injustice towards consumers hospitalized for less than 24 hours.

Source

Kshirsagar was admitted to hospital on December 11 and released on December 12 — within 24 hours. The forum asked the insurance company to settle his claim along with a 10% interest rate from February 10, 2015 and pay him Rs 5,000 as damages for mental and physical harassment and Rs 3,000 as compensation for the expenses incurred.

General Insurance

Festivals open doors for festive event insurance business - The Hindu Business Line – 1st September 2016

As the festive fervour has started gaining momentum with ensuing festivals like Ganesh Chaturthi, Navaratri and Durga Puja, event insurance providers have spotted a lucrative business prospects from the festivities. Bajaj Allianz General Insurance Company looks to cash on the festival events insurance this year.

The festival event insurance covers the organisers from any legal liabilities arising out of the cancellation of the event, non-appearance of artist or instances such as natural calamity or terrorism activities. It also secures the organisers from losses arising out of non-refundable advances paid for catering, venue etc. in case of event cancellation.

According to Sasikumar Adidamu, Chief Technical Officer, non-motor, Bajaj Allianz General Insurance, with festivals gaining popularity, the spend on the events has also increased significantly, thereby putting organisers at the risk of financial loss in case of cancellation of the event. "The trend for insuring high-profile events or corporate events was a general trend. But recently, we are seeing more interest from festive event organisers to opt for insurance to safeguard themselves from the possible loss," Adidamu told BusinessLine.

Though at a nascent stage, the trend to insure festival insurance is gaining momentum with states like Gujarat, Maharashtra leading the lot. Bajaj Allianz received premium income of ₹2 crore last year, while so far this year the same has already reached Rs 70 lakh. For Bajaj Allianz, festival event insurance policies comprise of about 30 per cent of the total event insurance policies sold last year. The share is seen increasing at a rapid pace with more organisers opting for the cover.

"Last year (2015-16) we had sold total 190-200 event insurance policies, of which about 60 were towards festival events. This year (2016-17) so far, we have already sold total 50 policies. The number is likely to go up rapidly as we see increased interest from cities in Gujarat mainly for Navaratri and Ganesh Chaturthi," said Adidamu.

The average premium for an event size of about Rs 10 crore would be anywhere between Rs 3 lakh to 3.5 lakh. However, Adidamu explained that the premium calculation is done based on the risk assessment of the event and hence flexible.

The company conducts extensive risk assessment of the events with aspects such as location of the venue, season during which the event is being conducted, geological data, artist profile and his/her history, background check of the organisers apart from the liability assessment. Last year about 6-7 claims were made to the company.

Source

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Insurers call for 2020 fossil fuel subsidy phase-out plan - Business Standard – 31st August 2016

Multi-national insurers with more than $1.2 trillion in assets under management have urged governments to commit to phasing out fossil fuel subsides by 2020 at the G20 leaders' summit in Hangzhou, China next month.

Insurance companies Aviva, Aegon NV and MS Amlin have signed a joint statement along with the Institute and Faculty of Actuaries and UK-based energy firm Open Energi, warning governments of the risks of continuing to fund the production of oil, coal and gas.

Recent research by the Overseas Development Institute (ODI) and Oil Change International found that the G20 governments spend $444 billion every year to support fossil fuel production – despite pledging every year since 2009 to phase out subsidies and prevent catastrophic climate change. According to the institute, this was four times the $121 billion given out in subsidies to renewables across the world.

Now, a statement, signed by insurers and investors has urged G20 leaders to commit to a specific timeline for rapidly phasing out fossil fuel subsidies.

Mark Wilson, CEO of Aviva Plc, said, "Making a profit is essential in business. But, we will only be in business in the future if we act sustainably and create wider long term social value. That's just good business – and not acting sustainably is very bad business indeed."

Source

Survey & Report

Financial knowledge of Indians continues to remain shaky: survey – Mint – 28th august 2016

Although Indian consumers understand the need to plan their finances well ahead in life, they fail to review and realign their plans as per the varying events of their lives, according to the latest findings of the Life Freedom Index's 2016 edition said a report by HDFC Life.

Over 1,600 respondents were interviewed in separate surveys conducted between January 2016 and February 2016 across 10 Indian cities: Ahmedabad, Bengaluru, Indore, Bhubaneswar, Chennai, Delhi, Kochi, Kolkata, Ludhiana and Mumbai. The findings from the survey were distilled into various specific measurement indices that collectively form the overall Life Freedom Index.

The Index is made of up the following sub-indices:
Financial awareness index: It captures the financial product knowledge and the awareness level of events that can have a significant impact on the current and future financial needs of the Indian consumers.

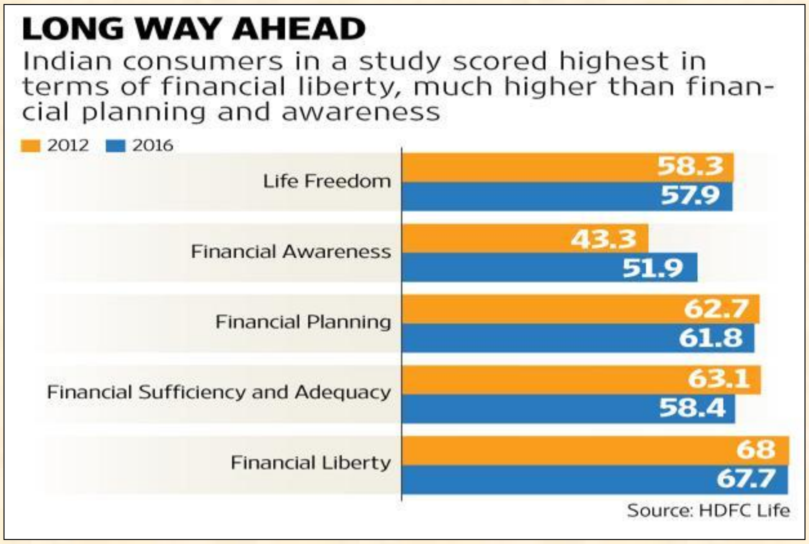
Financial planning index: This reflects the existence of a comprehensive financial plan, which is regularly reviewed and realigned to address evolving financial needs.

Financial sufficiency and adequacy index: It reflects the state of Indian consumers on the sufficiency of their financial plan to meet immediate and future financial needs. Adequacy reflects the level of confidence of the Indian consumers have in their financial management practices being adequate to live a life with dignity, and meet the desired standard of living.

Financial liberty index: This reflects the psychological feeling of 'Financial Freedom' and 'Financial Security' of Indian consumers in India.

The reason for inaction on the consumers' part may probably be happening as they are likely to be less aware of the risks or events that needs planning.

They are not very confident about living a life with dignity and are quite uncertain about the sufficiency of their financial plans in meeting the immediate and future commitments. Indian consumers are not very well acquainted with the various aspects and merits of goal-based planning either and thus, are yet to achieve a good alignment of their finances with their lives' significant goals.



This is probably because they are relatively unaware of the risks that need to be planned for. The life freedom index stood at 57.9 out of 100; marginally lower than 58.3 seen in 2012.

Broadly based on four parameters—financial awareness, financial planning, financial sufficiency and adequacy and financial freedom—the findings show that Indians score high on financial liberty (67.7) and financial planning (61.8) compared to financial awareness (51.9) and financial adequacy (58.4).

This gap in their planning and financial management activities fails to give consumers the confidence required for meeting immediate or long-term goals for leading a life with dignity.

The report took into account four consumer segments: smart woman (a working woman aged 25-45); proud parent (a person who contributes the most to the household income and is the key financial decisionmaker of the family, in the age group of 30–45 years); wisdom investor (a person who is aged 45–60 years; and young aspirants (a person who is aged between 20 and 30 years).

Interestingly, smart woman and young aspirant categories score higher among other consumer segments on the index. Compared to 2012, 9% smart women are now more aware about the importance of financial planning.

Lack of planning
While consumers do plan for unexpected events like accident, illness, death or damage due to natural calamities; they do not seem to not take into account factors like inflation, government regulation and interest rate fluctuations.

Tier 2 cities versus Tier-1
Indians residing in tier-2 cities enjoy more financial freedom across all segments compared to their tier-1 counterparts. Tier-2 consumers perceive themselves to be better-off in terms of planning, sufficiency, adequacy and hence they have a higher perception of financial liberty.

No health planning
Health planning score among wisdom investors was the highest (46.9), compared to other customer segments.

Source

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Global News

Singapore: General insurers update premium rules in 1st major revision since 2005 – Asia Insurance Review

From today, the General Insurance Association of Singapore (GIA) will implement the revised Premium Payment Framework (PPF), which has been substantially improved to boost efficiency in the collection of premiums for all classes of general insurance policies. The revision also aims to minimise claim disputes between insurers and customers arising from delay in paying premiums or their non-payment.

The GIA worked jointly with the Singapore Insurance Brokers' Association (SIBA), with the support of MAS, to address three key areas:

- new, renewal policies as well as endorsements,
- overdue premiums, and
- re-marketing by general insurers after cancellation due to breach of premium payment warranty.

Key changes
The revisions to the PPF will affect both general insurers and the public purchasing personalised general insurance products.

At the heart of the matter, premiums must be paid to the insurer (or intermediaries, where involved) on or before the inception date or the renewal of the coverage. In the event that the total premium is not paid to the insurer (or the intermediary) on or before the inception or renewal date, there will not be any cover and no benefits will be payable by the insurer.

In the event of special cases of non-payment, the PPF recommends insurers to review them on a case-by-case basis and within a reasonable time to ensure a fair outcome.

For the public, some of the key areas to note are:
- In renewing existing motor policies, the PPF states that the insurer has to inform the policyholder that they need to renew their policies at least 30 business days before the expiry date. Further, if the premium is not paid by the policyholder before inception, the PPF states that the benefits will not be payable to the customer.

- In the event customer purchases personalized policies like travel insurance through online channels and AXS machines, the cover is effective upon successful payment through the gateway used. In the event of a failure to pay because of insufficient funds and the like, insurers will not be obliged to provide coverage.

- For commercial policyholders such as businesses and government organizations, the latest PPF states that insurers may set the requirement for payment within 60 days from the policy inception date. At the same time, these organizations have to ensure that proper documents relating to their procurement procedure are set in place.

- From an industry perspective, the PPF now states that an insurer underwriting a new policy should not start providing cover without written confirmation from the previous insurer. This latest move is aimed at raising practice standards specifically relating to cases involving non-disclosure and payment by policyholders.

GIA Chief Executive Derek Teo said: "The key point in the revision of the premium framework is about introducing certainty to all the parties involved. It makes it clearer to the general public when their coverage starts and ends. Likewise, it provides greater clarity to the general insurers in the industry. At its core, it removes any source of disputes that could potentially arise."

He added: "This is about increasing transparency between all parties involved in a general insurance contract."

Since its introduction, the PPF had weathered robust changes in the credit control landscape. The guidelines outlined in the PPF had been subjected to many different interpretations as various parties developed new and creative business models and distribution channels to meet customers' expectations, and stay ahead of the competition.

With these robust developments, a PPF Workgroup comprising representatives from the GIA, SIBA and the MAS was formed in 2014 to review the framework. A survey was carried out in March 2014 to solicit feedback on the effectiveness and value of the PPF. Following several discussions by the PPF Workgroup, a consultation paper was issued in June 2015 on the proposed revisions to the PPF. The revisions included feedback from GIA and SIBA members.

Source

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China: Swiss Re puts risk of economic hard landing at 20% - Asia Insurance Review

Swiss Re is putting the risk of a hard landing in China, the world's second largest economy, at 20%, the global reinsurer's Chief Economist Dr Kurt Karl said over CNBC's "The Rundown" broadcast yesterday. At the heart of the concerns is the high level of indebtedness in the economy, much of which can be attributed to state-owned enterprises (SOEs) and companies, Dr Karl said. The share of debt to GDP has risen to around 250%, he said. It was 120% around five years ago.

"This rapid increase coupled with the fact that so much income (is used) to pay for the debt's interest payment; (the situation) becomes stressful," he said. "So far (the government) has done fine, but we do have a 20% chance of a hard landing."

He said, however, that the Chinese government may be able to evade the problem by stimulating the economy and restructuring the SOEs. After years of turbo-charged growth fuelled by debt, China's economic slowdown is raising concerns about whether it now has the ability to pay off those loans.

For 2015, the Chinese economy registered 6.9% growth, its slowest pace in 25 years. Separately, the Korea Economic Research Institute (KERI) said yesterday that the Chinese economy is showing signs of improvements centred around growth in domestic consumption, but the possibility of a hard landing still lingers due to growing corporate debts.

"Initially, there had been concerns that China's economic restructuring might create a hindrance to its growth, but such risks are being gradually reduced on a rise in consumption that has become a strong growth factor and positive outcomes of restructuring," reported the Yonhap News Agency citing KERI.

The Chinese government has also successfully worked to lessen the possibility of a hard landing by reducing the debts of the country's regional governments, noted the think tank which is run by the Federation of Korean Industries, the largest business lobby in South Korea that represents the country's top 600 firms.

Source

Nepal: Directors of insurance companies to serve at most 8 years – Asia Insurance Review

Directors on the board of insurance companies in Nepal can serve a maximum of two terms, according to a directive on corporate governance issued by the Insurance Board (IB) that came into effect earlier this month. According to the new directive, board directors will have a term of four years, and can be appointed for an additional one term. Furthermore, a new board director must be appointed within 35 days after a position falls vacant.

The new directive has retained the provision in the previous version fixing a maximum of two terms for an insurance company's CEO, reported the *Kathmandu Post.* IB Chairman Fatta Bahadur KC said: “The fixed term could help prevent the influence that these people can gain when they work at the top level for a long time.” He said that the two-term rule would be applicable for new entrants.

Qualifications
The directive has also fixed the minimum qualification for board members and the CEO. In order to become a board director of an insurance country, candidates have to possess at least a bachelor’s degree in any subject. CEO hopefuls should hold a Master’s degree or be a Chartered Accountant with at least five years’ working experience in insurance.

Candidates with a banking and financial sector background should have a minimum work experience of eight years. Earlier, there was no mention of the academic qualification of directors and the CEO. The minimum qualifications were introduced for board directors and CEOs with the aim of making the top management team more accountable to the insurance business and their clients. “By learning lessons from the past, we have tried to strengthen human resources in the insurance business,” Mr KC said.

The IB said a number of insurers had been found to have appointed candidates with low academic qualifications to the post of advisor. “In the new provision, such persons have been barred from holding positions at the decision-making level,” said Mr KC, adding that advisors would not be allowed to be involved in daily operations in the future.

Likewise, the new directive has declared that a CEO’s salary cannot be more than 15 times the pay of the most junior employee. If an executive has a proven record of delivering extraordinary efficiency to strengthen the financial position of the company, the remuneration scale can be raised to 25 times upon the recommendation of the annual general meeting.

The directive has instructed insurers to provide their staff with minimum salaries as per the payment scale fixed by the government. The IB has also barred board members from acquiring shares and debentures issued by the company during their tenure and up to one year after they leave their jobs. Insurance companies have to conduct board meetings at least six times a year. The gap between two consecutive meetings should not exceed three months. The new regulation also bars the IB Chairman from holding any position in insurance companies. Similarly, IB board members cannot work in insurance companies in any position for at least two years after leaving the regulator. "The new corporate governance directive is an updated version of the earlier directive. It enables us to protect the interests of the insured, public shareholders and all stakeholders by promoting transparency, good governance and accountability," said Mr KC. "This will also help to increase public confidence in the insurance sector."

Source

Back

South Korea: About half of population will be at least 60 by 2060 – Asia Insurance Review

More than 47% of the South Korean population is expected to be aged 60 or more by 2060, according to the Korea Insurance Development Institute (KIDI). In comparison, 18.5% of the population was aged 60 or more last year. KIDI released the projection earlier this month when it launched a website to provide information on retirement and the country's ageing society, according to local media reports. The life expectancy of South Koreans, which stood at 81.7 years in 2015, is expected to climb to 84.3 years in 2030.

A separate think tank, the Korea Economic Research Institute, has forecast that the country's GDP is projected to shrink by 8% in the next 10 years, as the population’s rapid ageing takes the steam out of the economy. The institute estimates that a 1-percentage point growth in the proportion of people aged 65 in the total population would lead to a 0.97% drop in GDP.

Source

Japan: Quake insurance contracts hit record, exceeding 60% - Asia Insurance Review

The proportion of newly signed fire insurance contracts in the fiscal year ended 31 March 2016 that include earthquake damage coverage rose by 0.9 percentage point from the previous year to a record 60.2%, according to industry data.

The proportion topped 60% for the first time, according to the General Insurance Rating Organization of Japan. The quake insurance contract rate climbed for 13 years in a row, reported Jiji Press. An increasing number of people are seeing the need to have earthquake insurance following the March 2011 earthquake and tsunami that struck the Tohoku region, officials of the organisation said.

Among the 47 prefectures, Miyagi, which was hit hard by the 2011 disaster, had the highest proportion at 86.2%, followed by Kochi, with 84.2%, and Miyazaki, with 76.3%. Both Kochi and Miyazaki are expected to suffer massive damage in the event of a giant earthquake that is seen to occur at the Nankai Trough off the country's Pacific coast in the future.

Kumamoto, affected heavily by a series of strong earthquakes in April this year, ranked 18th, with 63.8%, and neighboring Oita 19th, with 62.9%.

Source

Earthquake insurance, available as an option to fire insurance, covers damage to housing and household goods from temblors, tsunami and volcanic eruptions.

Back

Singapore: Proposal for insurers to help promote workplace safety – Asia Insurance Review

Insurance companies can influence improvement in mindset and behaviour concerning workplace safety and health (WSH), beyond disbursing work injury compensation, according to the International Advisory Panel's (IAP) recommendations for WSH.

Insurers can strengthen the risk profiling of insured companies through differentiated premium tied to the WSH risk profile. Insurers can also be more proactive in managing the claims. They can engage the companies in improving their WSH performance and focus on assisting workers in returning to work, the IAP said in a report released at the biennial WSH Conference last week.

Singapore could also look into refining the insurance system, such as by encouraging the setting up of a joint database of all insurers, the panel added.

This was among several recommendations made by the eight-member IAP which was formed in 2006 to advise on significant trends and developments in workplace practices that would impact on WSH in Singapore, share international best practices and evaluate standards, practices and the regulatory regime in Singapore.

Minister of State for Manpower Sam Tan, who is a member of the panel, added that insurers can set up a common database of the companies they insure, so that employers with poor safety records are less able to downplay their risk profiles.

Among several other recommendations made by the IAP are proposals to:

- leverage the construction supply chain to improve WSH. The supply chain involves many independent stakeholders such as developers, architects, designers, engineers, main contractors, and sub-contractors;
- raise the competency of frontline supervisors;
- learn also from minor injuries and near misses;
- push the boards of directors to become champions of WSH and drive change;
- help the construction industry to elevate WSH competency of their workforce beyond statutory requirements.

Manpower Minister Lim Swee Say, in his speech at the conference, said that the workplace fatality rate in Singapore could rise to 2.2 out of 100,000 workers, up from 1.8 in 2014 and 1.9 last year. He said that the construction sector accounted for 19 deaths or 40% of total workplace fatalities of 48 so far this year. Seven in 10 of the fatalities could be attributed to lapses in planning and execution of work activities. Nine in 10 cases happened because workers adopted the wrong or unsafe behaviour.

He said that the goal is to reduce the workplace fatality rate to 1.8 by 2018. Three priorities have been identified in working towards this goal. They are: to improve workplace safety standards in the construction sector; to strengthen workplace safety and health competency in the workforce; and to build collective WSH ownership.

Source

Back

China: Regulator to tighten up on insurers' equity acquisitions – Asia Insurance Review

The insurance regulator CIRC will limit the funding avenues for insurers which take stakes in other companies, in an effort to crack down on aggressive acquisitions, reported Reuters citing the financial news outlet Caixin.

CIRC will require insurers to report any large stakes they hold in other companies and apply for permission before undertaking any significant market transactions which may lead to a takeover of a listed company, Caixin reported. Insurers would be prevented from using insurance premiums or borrowed funds from asset management plans to acquire other companies. Insurers are currently allowed to invest 30% of their total assets in securities, including listed-company equity.

This news comes about two weeks after CIRC Chairman Xiang Junbo again warned shareholders of insurance companies against using the insurers as their financing channels for activities that are detrimental to policyholders. In July, he had issued a similar warning.

Mr Xiang's remarks are seen as targeted against shareholders of some insurance companies whose use of insurance funds has attracted considerable attention in recent months. The most high-profile case involves Baoneng Group, a Shenzhen-based property and insurance conglomerate, which is currently locked in a bitter takeover battle for the country's biggest residential property developer, China Vanke.

Baoneng is Vanke's largest shareholder with a stake of over 25%. Two subsidiaries, the investment company Shenzhen Jushenghua and insurance firm Foresea Life Insurance, bought Vanke shares between July and December 2015 for CNY43 billion (US$6.4 billion).

Baoneng owns 67.4% of Jushenghua which in turn holds a stake of 51% in Foresea Life Insurance. Vanke has complained to regulators that Baoneng took advantage of insurance assets and proceeds from the sale of wealth management products to fund the takeover tussle.

Source

Back

Sri Lanka: Insurance industry sees higher combined profits in 1Q - Asia Insurance Review

The combined pre-tax profit of the insurance industry in Sri Lanka increased to LKR2,713 million (US$18.6 million) for the first three months of this year, 9% higher than for the corresponding quarter last year, the Insurance Board announced in a statement.

Long Term Insurance Business reported pre-tax profit of LKR2,067 million for 1Q2016, an increase of 5.7% while General Insurance Business saw profits of LKR646 million for the first quarter of 2016, a surge of 20.9% when compared to the corresponding period of 2015.

Gross Written Premium in the Sri Lankan insurance market increased by 14.6% for the first quarter of this year to LKR33,293 million compared to the corresponding quarter of 2015.

The GWP of Long Term Insurance Business amounted to LKR14,729 million in 1Q2016, 23% higher than in the corresponding quarter last year) while the GWP of General Insurance Business grew by 8.7% to LKR18,564 million.

Total assets of insurance companies increased to LKR457,695 million as at 31 March 2016, 5.8% higher than the figure at 31 March 2015. The assets of Long Term Insurance Business amounted to LKR307,578 million at the end of March this year, showing an increase of 14.9% over 31 March 2015. The assets of General Insurance Business amounted to LKR150,117 million at the end of first three months of 2016, representing a decline of 9% compared to 12 months previously.

Of 28 insurance companies in operation as at 31 March 2016, 12 were engaged in life insurance, 13 in only general insurance three weree composite companies. Fifty-seven insurance brokering companies were registered with the Board as at 31 March 2016, mainly engaged in general insurance.

Source

China: Regulator mulls tougher action on risky short-term products – Asia Insurance Review

China's insurance regulator is weighing new measures to clamp down on high-yield, short-term policies that compete with wealth management products, in a bid to reduce risk created by the high liquidity needs of such products.

CIRC met representatives from about 30 insurance companies earlier this week, seeking their opinions on two draft regulations that appear to target insurance policies positioned as alternatives to wealth management products sold by banks and other financial firms, reported the *Caixin*financial publication.

Such products offer a certain amount of insurance coverage, allowing them to be classified as insurance. But they are more appealing as short-term investment products because they also offer high return rates even if buyers cancel them before they mature.

Insurance companies such as Anbang Life, Funde Sino Life and Foresea Life Insurance have grown fast over the past few years on the sales of such policies, which critics say are risky because they pose huge liquidity risks to the insurer. Insurance companies also face risks from offering products without adequate preparations for big stock market swings and other unexpected events.

The CIRC's new requirements would have an unprecedented impact on the industry because they are more comprehensive than any measures previously used to rein in investment-type policies, said experts who have read the drafts. For example, insurance companies are told to make realistic assumptions about conditions that are important to the pricing of products, such as the proportion of clients who may surrender their policies early and the amount of payout they can afford to make in a given period of time.

Tweaking these assumptions to underestimate risk allows an insurer to offer investors high yields and tolerate more early cancellations. The draft rules, aiming to end such practices, say that insurance companies that use "unreasonable actuarial hypothesis" to design and market products will be punished for "vicious competition" and "disturbing market order."

Insurance companies are also told to register all of their life insurance policies with a minimum guaranteed return rate on investment. Those products with a guaranteed yield exceeding a certain level must not be sold unless they have been approved by the regulator, according to the drafts.

CIRC Chairman Xiang Junbo said in a recent speech that investors looking for short-term profits tend to terminate their policies early, adding pressure on the cash flow of some insurers. He criticised some companies for selling too many short-term policies and using the proceeds to bet on investments that often take much longer to mature.

Source

A directive in March ordered all insurers to stop selling policies with a duration of less than one year and to scale back the sale of policies with a tenure of 1-3 years.

Back

Philippines: Insurance industry posts strong 76.5% growth – Asia Insurance Review

The insurance industry in the Philippines recorded a total net income of PHP19.17 billion (US$413.6 million) for the first half of this year, a 76.52% growth from PHP10.86 billion for the corresponding period in 2015, per preliminary data based on quarterly reports submitted by the life and non-life insurance sectors to the Insurance Commission (IC).

Insurance Commissioner Emmanuel F. Dooc said: “In terms of net income, the life sector fared better than the non-life sector. The life sector posted a 68.73% increase in its net income during the first half of the year from PHP9.05 billion to PHP15.27 billion. This increase can be attributed to the significant increase in capital gains, as well as increase in commissions earned and other miscellaneous income of some insurance companies. The same can also be attributed to the decline in underwriting expense of some companies.”

The non-life sector, on the other hand, posted an increase of 18.23% year-on-year from PHP1.81 billion to PHP2.14 billion.

In terms of assets, Commissioner Dooc said that the insurance industry’s total assets grew by 20.56%. As at 30 June 2016, the asset base of the insurance industry reached PHP1.29 trillion. He said: “A higher asset base means that the insurance industry has bigger resources and in a better position to meet its future obligations.”

Total investments registered PHP1.13 trillion as at end-June, up by 21.51% from PHP0.93 trillion a year ago. According to Mr Dooc, the consistent increase in the total investments of the insurance industry proves that the industry is a major force in capital market development.However, the total premium income in the first half fell by 9.12% to PHP105.52 billion.

“Broken down, the life insurance sector’s premium income dropped by 16.83% from PHP98.83 billion to PHP82.20 billion while the non-life insurance sector rose by 13.95% from PHP17.28 billion to PHP19.69 billion,” said Mr Dooc.

He said: “Based on the submission of the industry players, the decline in the total premium was mainly due to the lower sales performance by the life insurance sector. In particular, there was a significant drop in the premium production in variable life insurance products of the major players in the life insurance sector.”

Despite the dip in the premium income of the industry, he is very optimistic that the premium income of the industry players will post a growth by the end of the year. Based on past experience, the industry performs better in terms of premium production in the second half of the year, he added.

The industry’s net worth stood at PHP262.51 billion as at end-June, which is 40.70% higher than PHP186.58 billion recorded a year ago.

Commissioner Dooc expects that the total net worth of the insurance industry will dramatically improve due to the mandatory increase in the minimum net worth requirements for insurance companies. The Insurance Code requires all existing companies to increase their minimum net worth to PHP550 million by the end of this year.

Source