भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

Insurance Institute of India

C – 46, G Block, Bandra-Kurla Complex, Mumbai – 400051

INSUNEWS

- Weekly e-Newsletter

11th – 17th August 2018

• Quote for the Week •

"The ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy."

Martin Luther King

INSIDE THE ISSUE

Insurance Industry

Insurers see rising demand for policies on online platforms - The Hindu Business Line – 15th August 2018

The online marketplace is no longer just for buying clothes, ordering food and making payments. A large number of Indians are also shopping for insurance policies. Though the number of insurance policies sold online is still small, online insurance marketplaces and insurers are seeing a lot of interest not just from large towns but also from smaller towns for online policies.

Insurance penetration was at an estimated 3.49 per cent in India in 2016-17, which is much below the global average, and the online space is creating not just awareness but is also helping customers who do not have to depend on agents. "Customers are using online marketplaces to read up on insurance covers, understand exclusions and make informed choices," said Rakesh Goyal, Director, Probus Insurance, adding that the company sells nearly 18,000 policies online every month with plans to expand their portfolio of products thanks to high demand.

Ease and convenience

According to Tarun Mathur, Chief Business Officer at PolicyBazaar, just about 7 per cent of all insurance policies sold in the country are through online channels, but the ease, convenience and reach are major attractions. "Ten years ago, there was no online marketplace for insurance. But people are adopting digital technology in a big way. Insuretech is helping customers buy policies easily, and there is a lot of demand from Tier II and Tier III cities," he said, adding that the company has introduced video inspection for motor insurance as well as multilingual interface, which is seeing good response.

While motor and travel insurance are the main attractions, insurers point out that people also choose to go online for small-ticket policies for home insurance, and are also now reading up about life products such as term insurance. Insurers are also allowing online documentation for health policies.

Innovation and technology have become key focus areas for insurance companies, according to Nikhil Apte, Chief Product Officer - Product Factory (Health) at Royal Sundaram. "Almost everyone has a smartphone and internet connection now. In lifeline products, 54 per cent of our new business is from online. Of this, almost 50 per cent comes from Tier II towns," he said.

"Customers are using both online and offline means. But for online policies, they look for simplicity, trust, simplified underwriting and fast issuances," said Saba Adil, Chief Operating Officer at online insurance company Aegon Life Insurance, adding that the company sells about 30 per cent of its policies online.

Source

Back

Time to scale up deposit insurance - The Hindu Business Line – 14th August 2018

With the proposal of deposits being used for bail-ins thankfully scrapped, it's time for the Centre and the RBI to turn their focus back on the long-pending issue of woefully low deposit insurance cover, if depositors' interests are to be truly served. The coverage under the Deposit Insurance and Credit Guarantee Corporation

(DICGC) was last raised in 1993, from Rs. 30,000 to Rs. 1 lakh. Also, less than a third of bank deposits in value terms are insured by the DICGC. Much has been said on the abysmally low cover in India vis-à-vis other countries. The question then is: Why has there not been a strong move to correct the anomaly in over two decades?

The answer may lie in the fact that in India, beneficiaries of the deposit insurance system, up until now, have mainly been urban cooperative banks.

The last claim settled in respect of a commercial bank was way back in 2002. Hence, raising deposit cover, which will imply stronger banks coughing up more premium, mostly for the benefit of weaker banks, has created a perception of cross-subsidisation in the operation of deposit insurance.

To counter some of these issues, a committee headed by Jasbir Singh in 2015 made recommendations for the introduction of risk-based premium for banks. It is time the RBI pushed forth some of these changes to strengthen our deposit insurance system.

Fair pricing

In India, deposit insurance covers all commercial banks, local area banks, regional rural banks and co-operative banks. If a bank goes belly up, then the DICGC pays back the insured amount to the depositor. But the insurance limit is restricted to just Rs. 1 lakh per depositor per bank.

According to the 2017 annual survey by the International Association of Deposit Insurers (IADI), in India, the deposit insurance is just $1,543 (at a conversion rate of Rs. 64.8 to a dollar).

Indonesia has a deposit-insurance cover of $1,47,000, Brazil $76,700, and Malaysia $55,700. Mexico too has insurance coverage of over $100,000. Canada, Switzerland and France provide cover upwards of $70,000 per depositor. In the US, the Federal Deposit Insurance Corporation offers an insurance coverage of $250,000. Most of these countries cover 60-70 per cent of total deposits.

Against this backdrop, there can be little debate on the need to increase the strikingly low insurance cover in India. But an increase in cover would mean an increase in premium. Currently, the premium is borne by banks and not the depositors.

The DICGC charges a maximum premium of up to 10 paise per Rs. 100 per annum. This is computed on the total assessable deposits — insured banks pay advance premium to DICGC semi-annually, based on their deposits as at the end of previous half-year. Hence, any increase in premium rates would add to the burden of larger banks with higher deposit base.

So far in India, beneficiaries of the deposit insurance system have mainly been urban co-operative banks, many of which fail every year. During 2016-17, DICGC settled claims for Rs. 56 crore in respect of nine co-operative banks. There was no claim from commercial banks.

A risk based premium structure as against a flat based one, can address this issue to a large extent.

Bucketing banks

Jasbir Singh's report talks of assigning reward points to banks based on five parameters (CAMELS approach) — capital adequacy, asset quality, profitability, liquidity and others (adoption of technology, regulatory penalties, etc.). Higher the reward point, lower the risk.

The effective premium rate will be determined by multiplying the base rate by a multiple (a multiplicative factor) representing rating.

On, say, a base premium rate of 10 paise, a bank falling within the topmost category (with least risk) will have a multiple of 0.95, which would imply an effective premium of 9.5 paise. The multiplicative factor goes up to 1.25 for the highest risk category of banks.

Given that the CAMELS approach has been deployed by various deposit insurance agencies across the world, implementing the same in India should not be difficult. Of course, given the steep deterioration in financials of banks since the publication of the report, the thresholds for reward points may need a re-think.

For instance, there is no public sector bank that carries a net NPA (non-performing asset) of less than 2.7 per cent (levels put out in the 2015 report) that will earn it at least one reward point. Nonetheless, taking stock of the current state of affairs and tweaking the rules for assigning reward points should do the trick and set the ground for raising insurance cover.

Scrapping the Financial Resolution and Deposit Insurance (FRDI) Bill altogether has left a void in the legal framework for resolution of financial firms.

Effective bank insolvency laws include a special resolution regime (SRR) for banks that is separate from the general corporate insolvency laws.

Under the latter, as shareholders or creditors are allowed a longer time to challenge the action, there is a "de facto deposit moratorium, and potential for depositor runs", according to IADIs' core principles for effective deposit insurance systems.

IADI survey suggest that some form of special resolution regime for banks exists in around three quarters of jurisdictions.

Given the deteriorating state of affairs at public sector banks and weak governance norms, strengthening our deposit insurance systems and legal framework for bank resolution cannot be put on the back-burner any longer.

Source

Back

Chit fund investors to get insurance cover against frauds - Financial Chronicle – 14th August 2018

The government has accepted a parliamentary committee's suggestion to provide insurance cover to chit fund subscribers to protect them against scams as part of the plan to amend Chit Fund Act of 2018.

The committee, which tabled the report in Parliament last week, has favoured insurance cover to secure money of people who see chit fund as an alternative means of getting higher and faster returns.

The move comes amid reports of many investors losing money in dubious schemes floated by chit funds. "Keeping the recent Saradha-type chit fund scams in view, the government is taking steps to check such frauds.

We are mulling inclusion of an element of insurance coverage for subscribers to such schemes in the bill, as suggested by the panel," a finance minister source told Financial Chronicle on Monday.

"The finance ministry in association with the corporate affairs ministry is consulting market regulator Sebi and banking regulator RBI," the source said. "Sebi is also looking into chit fund issues and efforts are on to seize and sell assets of such companies to recover innocent investors' money," said the source.

The bill to amend the Chit Fund Act was introduced in the Lok Sabha in March and was referred to the standing committee on finance for scrutiny.

The report noted that mobilising short-term funds to meet various personal needs has been a chronic problem faced by people in developing countries like India.

"They have to often resort to high-interest loans from moneylenders and the informal sector, which leads to a huge burden on them," the report said and added the banking sector has not been able to fill these gaps and meet people's financial needs to the desired extent.

The All India Association of Chit Funds in their memorandum to the panel had requesting for allowing a chit fund firm to mention under their name as the Rotating Savings and Credit Association (ROSCA).

It would help distinguish their business from other unconnected business, it added. The bill proposes to incorporate the name 'fraternity fund' instead of the commonly known 'chit fund'.

In this connection, the panel said the government might bring in further amendments to incorporate words, ROSCA institution, to the proposed name of fraternity fund. "These changes may help them in image make-over and brand building," the report said.

The association had also contended that it's not viable for individuals and partnership firms to run the business with a prescribed ceiling of aggregate chit fund amount — Rs 1 lakh for individuals and Rs 6 lakh for firms.

Source

Insurance Regulation

Irdai asks insurers to cover mental illnesses - Financial Chronicle – 17th August 2018

In a step that can remove the stigma attached to psychological ailments, Irdai has asked insurance companies to make provisions for medical insurance covering treatment of mental illness.

The Insurance Regulatory and Development Authority of India (Irdai) has given the directive in reference to the Mental Health Act, 2017 which came into force on May 29, 2018. "As per Sec 21(4) of the said Act, every insurer shall make provision for medical insurance for treatment of mental illness on the same basis as is available for treatment of physical illness. All insurance companies are hereby directed to comply with the aforesaid provisions of the Mental Healthcare Act, 2017 with immediate effect," Irdai said in a notification.

The Mental Health Care Act was passed by the Parliament of India in 2017. The law intended to ensure a life of dignity to those who have mental health issues.

"Insurance of mental health is a progressive step in right direction. This will ensure a life of dignity for those who have mental health issues," said Jyoti Punja, chief operating officer and customer officer, Cigna TTK Health Insurance.

"We believe it will certainly create awareness, acceptance and inclusion when it comes to mental illness as any other ailment, while bringing mental health disorders at par with physical illnesses will 'normalise' diagnoses, reducing associated myths and stigma. At Cigna TTK, we focus on the health and wellness of our customers we serve and we welcome this step to drive a robust health and well-being ecosystem," said Punja.

However, currently most of the insurance companies do not provide cover for mental illnesses and in many cases their insurance applications get rejected if customers happen to have a history of mental illness. Currently, insurance largely revolves around hospitalisation and mental illnesses mostly do not need hospitalisation. There are not enough hospitals and licensed professionals to treat mental patients. Customers also should have stability of mind to understand the details of the medical cover and this is a challenge when it comes to mental illnesses.

However, the industry expects that introducing mental health insurance will promote mental health literacy among masses and thus reduce myths and stigma associated to them. Insurance cover will increase access to licensed mental health professionals as well.

Source

Back

Irda constitutes working group to review surveyor norms - The Pioneer – 14th August 2018

Insurance regulator Irda on Monday constituted a working group to update the norms for insurance surveyors.

The 7-member working group has been formed to address areas pertaining to licensing, renewal and IIISLA Membership in the context of the existing regulatory framework for Surveyors and Loss Assessors.

These issues were raised at a seminar organised by Insurance Regulatory Authority of India.

Source

Back

Life Insurance

Should you buy single premium insurance plans? These factors will help you decide – The Economic Times – 13th August 2018

Endowment plans and Ulips are promoted as products that meet the twin needs of insurance and investment, besides offering tax benefits. But what if an individual, due to irregular income or lack of financial discipline, cannot meet recurring premium payment commitments? Enter, single premium plans.

There has been a recent spike in single premium policy sales. Private sector insurers registered a growth of 54.75% y-o-y in the individual single premium segment in April-June 2018, even as regular premium business grew just 3.84% during the same period. "LIC remained focussed on single premium with 72% share in total premium in June 2018. The share of single premium for private players increased to 49% from 43% in May 2018," notes a Kotak Institutional Equities report.

Rising interest rates are a key contributor to this trend. "From a risk management perspective, insurance companies may be willing to price aggressively for single premium products. This in turn makes for a compelling proposition for customers wanting to lock-in these high rates," says Kailash Mittal, SVP-Actuarial, HDFC Life. This has resulted in increase in single premium plan sales. "The customers have taken note of the LTCG tax angle. Our overall sales growth was 20% y-o-y during April-July 2018, while Ulips grew at 80%.

For us, single premium volumes have been substantial," adds Ashish Vohra, ED and CEO, Reliance Nippon Life Insurance. The reasons may be several, but some industry-watchers believe the industry ought to pay more attention to regular premium products.So what should individuals make of the regular vs single premium debate?

Know the costs

Single premium policies are costly. Consider a simple term insurance policy, for instance. A 30-year-old male buying a Rs 1-crore term cover with a tenure of 30 years will have to shell out Rs 1.62 lakh under a single premium plan. For the same policy, the annual premium works out to Rs 9,717. The total premium paid over 30 years under the regular policy would be Rs 2.91 lakh. "However, we need to discount this amount at a suitable rate to arrive at the present value because the premiums would be paid over many years, not all at once today. At 6% discount rate, the present value works out to Rs 1.33 lakh," explains Amar Pandit, Founder, Happynessfactory.in, a financial planning firm. Thus, a single premium policy is costlier by close to Rs 30,000. "The difference only becomes larger with higher discount rates," adds Pandit.

Check compatibility

Given the higher upfront premium, it may not be suitable for salaried individuals, who would be better off servicing regular premiums. Those who are not confident of meeting recurring premium commitments, which can lead to the policy lapsing, can look at this option. "Single premium plans are suitable for those who do not have regular cashflows. Also, those who are likely to have relatively short careers can consider such plans," says Suresh Sadagopan, Founder, Ladder7 Financial Advisories. You could also consider these plans if you lack financial discipline but do not want your family to suffer due to your recklessness. This apart, if you land a sizeable bonus or an unexpected lump sum and your evaluation of your life insurance cover throws up a shortfall, you can use the funds to buy a single premium plan and plug the gap.

Beware of the catch

Life insurance advisers have consistently dangled the tax benefits carrot to lure prospective clients, so much so that for many, life insurance is synonymous with taxsaving. Given that the maturity proceeds are tax-free under Section 10D, it is not surprising that life insurance plans top the tax-saving popularity charts.

However, if you are keen on tax benefits, tread carefully. Not all single premium plans are eligible for tax benefits. The reason being the mandate that the premium ought not to exceed 10% of the capital sum assured in any of the years; if it breaches this limit, the maturity proceeds will be added to the taxable income in the year of maturity and be taxed as per the slab rate applicable. This is applicable to policies sold after 1 April 2012. For policies bought before this date, the limit is 20% of the sum assured. "If your maturity proceeds are not exempt under Section 10(10D), then the amount received is subject to tax deduction at source under Section 194DA at the rate of 1%. However, no tax is deducted where the maturity amount is less than Rs 1 lakh," says Taranpreet Singh, Senior Consultant with tax advisory firm TASS Advisors. In case of the policyholder's death, this condition is waived and claim proceeds paid to nominees are tax-free.

The tax impact

How your single premium policy's maturity proceeds will be taxed

Source: TASS Advisors

"The condition for extending tax benefits may not affect term policies as the single premium would usually be in the range 1.5-3% of the sum assured, but this could be a serious limitation for traditional policies where the premium to sum assured ratio is much higher," points out Pandit. This is particularly important for individuals who want to benefit from the long-term capital gains tax advantage that Ulips enjoy over mutual funds. "Policy buyers should evaluate whether their plan's maturity proceeds will be tax-free. Else, the purpose of choosing a Ulip over a mutual fund (due to LTCG tax) will be defeated," says Sadagopan.

The key, therefore, is to read the policy document carefully. "There are policies that offer sums assured of 10 times the premium paid, while others do not. You must study the policy offerings to understand the sum assured multiple before signing up," says Rakesh Wadhwa, CMO, Future Generali Life Insurance.

Source

Back

Fed up with market swings? Ulips can be a knight in your armour - The Economic Times – 10th August 2018

There is a saying 'as volatile as equity markets'. Reasonably so.

The equity market is known for its volatility. This fear of volatility keeps retail investors away from the stock market and deprives them of a probable double-digit returns in the long term.

For example, many experts believe that 2018 is likely to be a volatile year for equity markets due to general elections in 2019. The turbulence leads to unpredictability in returns in the shorter term. This means it's difficult for the retail investor to time the entry and exit from the market in a short span of time.

Historical data suggest that with increase in the holding period, chances of positive returns on the portfolio increase substantially. However, contrary to the above mentioned trend, most investors typically hold for less than two years, according to industry surveys.

Ulips to the rescue

It is possible to tide over the fluctuations in the markets with Unit Linked Insurance Plans (Ulips) as one of the options. Ulips empower policyholders to meet multiple financial goals with one single investment product. With investment in Ulip, investor achieves a return on investment, optimises on tax, creates wealth and last but not the least, insures life.

Ulips have a minimum of five-year lock-in period, and hence encourage the investor to stay invested for a longer term. Regular investments in equities over an extended period without bothering whether the market is bullish or bearish is the only way for a retail investor to gain from equity markets.

This tactic uses the concept of rupee cost averaging, in which you invest a fixed amount at regular intervals. This helps customers buy more units when prices are low and less when they are high.

Long-term advantage of Ulips

Investments in equities help policyholders beat inflation and meet long-term life goals. Ulips allow policyholders to invest in a portfolio of stocks, which also minimises the risk.

Nifty in 28 Years	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Total Years	27	25	23	18	13	8
Negative Years	11	4	3	1	0	0
Positive Years	16	20	20	17	13	8
% age in positive years	59%	80%	87%	94%	100%	100%
Lowest Return in %	-47.6	-13.8	-5.2	-1.1	6.5	7.4
Highest Return in %	244.3	51.5	37.1	19.2	16.9	14.8
Avg Return in %	21.5	11.9	11.0	11.3	12.5	11.1

Note: Past performance is not indicative of future returns

The longer the holding period, the lower the chances of negative returns, which is evident from the below data. For the 10 years, almost all years -- except one -- delivered positive returns, and the lowest yearly return was -1.1 per cent for the Nifty index. And there were no cases of negative returns for a period of more than 10 years.

Further, Ulips are designed for long-term investment with a number of flexible features, including switching, top-up and the like to align investment with your changing life goals and situations.

The amount paid as premium for Ulips is bifurcated into two parts -- one part is invested in the market depending on the choice of investor, and other is paid as an insurance premium to cover the risk provided by the insurer.

An investor has the option to choose the kind of funds -- equity, debt, or mix -- in which he/she wishes to invest, considering his/her risk appetite. Further, the insurance coverage can also be increased based on the investor's preference.

Ulips also offer flexibility to the retail investor to leverage the benefits of investing in the equity market through fund switching feature. Investors have the freedom to switch to equities – when the market is going through a bull run to maximise their returns, and gradually holding the returns by shifting the funds' allocation to debt – when the market becomes bearish.

This kind of flexibility allows you to take advantage of market volatility and invest strategically so that you can meet your life goals faster. Switching in Ulips also does not attract any tax liability.

Ulip investors can also choose to pay a premium in monthly mode, which enables individuals to have a disciplined approach towards their life goals investments and helps in systematic investing. Although there is a lock-in of five years, there are options of making partial withdrawals in a Ulip But it is advisable to stay invested through the policy term.

Source

The key to beat market volatility, therefore, is to stay invested for the long term to achieve your life goals and diversify your portfolio to adjust your risk and optimise returns.

Back

Non-life Insurance

Come Sept 1, Rlys to charge for insurance - The Tribune – 13th August 2018

Indian Railways has roped in three private insurers to roll out "optional travel insurance scheme" for passengers, as the government-owned IRCTC has decided not to provide the services free-of-cost from September 1.

A senior Railway Board official said, for the purpose the IRCTC has entered into a pact with three insurance companies "through Limited Tender". These are Shriram General Insurance Company Ltd., ICICI Lombard General Insurance Company Ltd and Royal Sundaram General Insurance Co. Ltd., he added.

Initially, when the scheme was launched in 2016 an option was given to all those, who booked their tickets online through IRCTC portal, to buy insurance cover by paying Rs 0.92 per passenger. But subsequently to promote digital transactions, the premium amount was waived and the insurance became free-of-cost from December 10, 2016.

Source

"Now we have decided to stop free travel insurance beginning September 1 and the IRCTC will give option to opt or not to opt in place of free insurance," the official said. — TNS

Back

Health Insurance

Government may take PPP route to increase hospital beds under Modicare – Mint – 17th August 2018

The government is banking on the public-private partnership (PPP) model to try and raise an additional 160,000 hospital beds that PwC-Confederation of Indian Industry (CII) report says are needed to provide health cover under its ambitious Ayushman Bharat-National Health Protection Mission (AB-NHPM).

Billed as the world's largest health insurance scheme, AB-NHPM, also called Modicare, aims to provide free health insurance of Rs 5 lakh per family to nearly 40% of the population—more than 100 million poor and vulnerable families (approximately 500 million people) based on the socio-economic caste census.

At least 33% of the people covered by the scheme will have no previous health insurance coverage and will have a hospital admission incidence rate of 6% with an average length of stay of three days. A PwC-Confederation of Indian Industry (CII) report on AB-NHPM released last week highlighted that the government will require the right infrastructure strategy to meet the new bed capacity demand.

Currently, there are 1.35 million hospital beds for around 180 million people population covered under the Rashtriya Swasthya Bima Yojana, according to the report.

“From the new population, which comes under coverage for the first time, and also from increased demand from previously covered population due to higher coverage, the demand for new beds can be met by capital investments, changing the status of non-functional beds to functional, public-private collaboration, new business models and focus on preventive health care,” the report said.

According to the Quality Council of India, an autonomous body to set up to ensure standards in various sectors, at least 6,000 private hospitals are likely to join AB-NHPM.

The government has long been pushing for PPP in this sector. In 2017, the government think tank NITI Aayog proposed that the ministry of health and family welfare adopt the PPP model to provide diagnosis and treatment for major non-communicable diseases in smaller cities. The majority of patients prefer the private sector over the public sector for healthcare services. According to the Economic Survey 2018, the expenditure by the government healthcare providers accounted for only 23% of the current health expenditure.

“Irrespective of ideological considerations, the fact is that the private sector does provide about 75% of outpatient care and 60% of inpatient care. Thinking of a health service delivery system without engaging the private sector is symptomatic of the refusal to face up to this reality. There is a need and space for vibrant public facilities as well as responsive private providers to take care of the patient load,” said Alok Kumar, adviser (health & nutrition, financial resources, and administration) at NITI Aayog.

Several states have adopted the PPP model, with Odisha, Andhra Pradesh and Uttarakhand attempting to use the PPP framework to set up secondary and tertiary care facilities. Uttar Pradesh has also recently announced that it will establish more than 1,000 hospitals under the PPP model. The Haryana government last month entered into a PPP agreement with the Kerala-based Meditrina Group of hospitals for cardiac care.

Public health experts claim that the PPP model can be considered a key to providing universal health coverage. However, the initiative is plagued with problems. “The main problem is with the rural areas, which lack quality healthcare facilities. In rural areas and Tier 2 and Tier 3 cities, the private sector can play a pivotal role in bringing healthcare to the poor,” said Prathap Kumar N, chief interventional cardiologist, chairman and managing director at Meditrina.

“The major problem is the lack of awareness among people that free and highly subsidised medical procedures are available for the poor. Even after we started providing free surgeries in Haryana, people did not know that there is such a facility,” he added.

Source

Back

Ayushman Bharat health insurance: Entitlement and eligibility - The Economic Times – 17th August 2018

Prime Minister Narendra Modi, in his Independence Day speech of 2018, announced the launch of the Ayushman Bharat-National Health Protection Scheme (AB-NHPS). The PM said that the national health insurance scheme will be rolled out on a pilot basis in some states. The full-scale roll-out of the project is expected to be in September end.

According to the various government websites, here is a look at what the health insurance scheme is all about.

Who is the AB-NHPS aimed at?

The scheme is targeted at poor, deprived rural families and identified occupational category of urban workers' families. So, if we were to go by the Socio-Economic Caste Census (SECC) 2011 data, 8.03 crore families in rural and 2.33 crore in urban areas will be entitled to be covered under these scheme, i.e., it will cover around 50 crore people.

AB-NHPS will have a defined benefit cover of Rs 5 lakh per family (on a family floater basis) per year for secondary and tertiary care hospitalisation.

It will offer a benefit cover of Rs 5 lakh per family per year. It will subsume the existing Rashtriya Swasthya Bima Yojana (RSBY), launched in 2008 by the UPA government.

Who all are covered?
To ensure that nobody is left out (especially women, children and the elderly), there will be no cap on the family size and age under the AB-NHPS. The scheme will be cashless and paperless at public hospitals and empanelled private hospitals.

How will the entitlement be decided?
AB-NHPM will be an entitlement based scheme where it will be decided on the basis of deprivation criteria in the SECC database. The beneficiaries are identified based on the deprivation categories (D1, D2, D3, D4, D5, and D7) identified under the SECC database for rural areas. For the urban areas, the 11 occupational criteria will determine entitlement. In addition, Rashtriya Swasthya Bima Yojna (RSBY) beneficiaries in states where it is active are also included.

Rural area categories: The different categories in rural areas include families having only one room with kucha walls and kucha roof; families having no adult member between the ages of 16 years and 59 years; female-headed households with no adult male member between the ages of 16 years and 59 years; disabled members and no able-bodied adult member in the family; SC/ST households; and landless households deriving major part of their income from manual casual labour.

Urban area categories: For urban areas, 11 defined occupational categories are entitled under the scheme. Main source of income related to household has been clarified in urban areas as beggars; rag-pickers; domestic workers; street vendors/cobblers/hawkers/other service providers working on the streets; construction workers/ plumbers/ masons/ labor/ painters/ welders/ security guards/coolies and other head-load workers; Sweepers/ sanitation workers/ malis; Home-based workers/ artisans/handicrafts workers/ tailors; Transport workers/ drivers/ conductors/helpers to drivers and conductors/cart pullers/ rickshaw pullers; shop workers/ assistants/ peons in small establishments/ helpers/ delivery assistants / attendants/ waiters; electricians/ mechanics/ assemblers/repair workers; washer-men/ chowkidars; Other work/Non-work ; Non-work (Pension/ Rent/ Interest, etc.)

What is the hospitalisation process?
The beneficiaries will not be required to pay any charges and premium for the hospitalisation expenses. The benefit also include pre- and post-hospitalisation expenses.

Each empanelled hospital will have an 'Ayushman Mitra' to assist patients and will coordinate with beneficiaries and the hospital. They will run a help desk, check documents to verify the eligibility, and enrolment to the scheme.

Also, all the beneficiaries will be given letters having QR codes which will be scanned and a demographic authentication will be conducted for identification and to verify his or her eligibility to avail the benefits of the scheme.

Benefits of the scheme are portable across the country and a beneficiary covered under the scheme will be allowed to take cashless benefits from any public/private empanelled hospitals across the country.

What are the inclusions?
AB-NHPM will cover medical and hospitalisation expenses for almost all secondary care and most of tertiary care procedures. The health ministry has included 1,354 packages in the scheme under which treatment for coronary bypass, knee replacements and stenting among others would be provided at 15-20 per cent cheaper rates than the Central Government Health Scheme (CGHS).

What is the eligibility criteria for a beneficiary?
There is no enrolment process in AB-NHPM as it is an entitlement-based mission. Families who are identified by the government on the basis of deprivation and occupational criteria using the SECC database, both in rural and urban areas, are entitled for AB-NHPM. Currently the database is based on census for the year 2011.

A list of eligible families has been shared with the respective state governments as well as state level departments like the ANMs, BMO, and BDOs of relevant areas. A dedicated AB-NHPM family identification number will be allotted to eligible families. Only families whose name is on the list are entitled for the benefits of AB-NHPM.

Additionally, families with an active RSBY cards as of 28 February 2018 will covered. No additional new families can be added under AB-NHPM. However, names of additional family members can be added for those families whose names are already on the SECC list.

The official website of AB-NHPM is www.abnhpm.gov.in . One may visit the site to view and download the beneficiary eligibility and empanelled hospitals list as and when it gets updated.

Hospital eligibility
Services under the scheme can be availed at all public hospitals and empaneled private health care facilities. Also, the basic empanelment criteria allows empanelment of a hospital with a minimum of 10 beds, with the flexibility provided to states to further relax this if required. Empanelment of the hospitals under AB-NHPM will be conducted through an online portal by the state government. Information about empaneled hospitals will be made available through different means such as government websites and mobile apps. Beneficiaries can also call the helpline number at 14555.

To control costs, the payments for treatment will be done on package rate (to be defined by the Government in advance) basis. However, hospitals with NABH/NQAS accreditation can be incentivised for higher package rates subject to procedure and costing guidelines.

Source

Back

Ayushman Bharat: Why world's largest health insurance may not bring big business to India's insurers – Financial Express – 16th August 2018

Ayushman Bharat, touted as world's largest health insurance scheme, may not be able to bring in big business for the domestic insurers. With most state governments bypassing the local insurance companies and establishing trusts to implement the mission, the insurance firms are failing to bag any substantial share from the National Health Protection Mission (NHPM), George Mathew writes in The Indian Express. Prime Minister Narendra Modi on Wednesday announced the launch of Ayushman Bharat (now Jan Arogya Abhiyan) on September 25 from the ramparts of Red Fort on the occasion of India's 72nd Independence Day.

The scheme offers Rs 5 lakh free health cover to 10 crore poor families. The country's insurers are failing to bag a significant pie because of the way bidding is being done and insurance model is being selected by different states, he writes.

NHPM was earlier expected to bring in large amount of business for the insurance industry. However, the industry is now in a worry as state governments are preferring the trust model, George Mathew writes citing an unidentified source from an insurance company.

As per sources, out of the 26 states which signed MoUs with the government for participating in the insurance scheme, only four namely Jharkhand, Nagaland, Manipur and West Bengal own the normal insurance model, he writes further.

Under the trust-based model, each state will form its own trust to look after the insurance scheme and claims get paid out from a corpus created from Central and state government contributions at a ratio of 60:40.

It will through the help of Third Party Administrators (TPAs) the claims made will be settled. In pure insurance model, insurance firms handle the cover which also includes claims. The hybrid model is a combination of both insurance and trust models. The states of Gujarat and Chhattisgarh have chosen for the hybrid model.

Source

Back

Challenges ahead as Ayushman Bharat insurance scheme gets set for launch - The Hindu Business Line – 15th August 2018

Prime Minister Narendra Modi has announced that the government-sponsored health insurance scheme – Ayushman Bharat, now rechristened Pradhan Mantri Jan Arogya Abhiyan – would now be launched in less than a month-and-a-half.

It surely seems an ambitious target. However, as the deadline looms, challenges on the ground remain immense. Since a month now, close to 7,000 hospitals have applied to be empanelled, said the scheme's CEO, Indu Bhushan.

"We have yet not closed the application process on the portal. Meanwhile, we are in the process of vetting hospitals. If the hospital does not adhere to norms infrastructurally, they cannot be a part of the scheme," he said.

North-eastern states and others such as Bihar have poor hospital infrastructure to begin with, he explained.

Chandrakant Lahariya, who wrote a research article in Indian Paediatrics Journal about Universal Health Coverage and the proposed insurance scheme, also emphasised on this aspect. "In India, the capacity of the States to run insurance schemes is lowest where these are needed most. The success of the scheme would also depend on how supply-deficient Indian States such as Uttar Pradesh, Bihar and the north-eastern States implement the scheme," Lahariya stated in the paper.

Bigger hospitals not keen

Bigger corporate hospitals have chosen to stay away, citing lack of clarity, and have yet not come on board.

Furthermore, Modi said that the scheme would eventually cover all sections of society, most importantly the middle class, and thus move towards achieving Universal Health Coverage (UHC) in its truest sense.

In the initial blueprint submitted by NITI Aayog, it was proposed that the scheme would have 100 per cent coverage. This clause was later scrapped by the Ministry of Finance and the PMO citing lack of funds, and the beneficiary pool was limited to 40 per cent, a top official from the Union Health Ministry told BusinessLine.

To begin with, the scheme conveys a pro-poor sentiment for now, a sentiment that Modi has assured will be changed once the entire population is covered.

"The UHC is about everyone, everywhere, and the mechanisms for financial protection beyond the targeted 40 per cent families as in PM-RSSM, should be explored and linkage between primary and secondary/tertiary care strengthened. This should be part of the mid-term roadmap and 'progressive universalisation' of financial protection in India. Over a period of time, non-poor should be a part of a government scheme. While the premium for poor can be borne by the government, the non-poor can subscribe to an insurance scheme (preferably, mandatory contribution)," Lahariya explained.

Source

Back

Modicare to facilitate health research – Mint – 14th August 2018

The implementation of the Ayushman Bharat-National Health Protection Mission (AB-NHPM) will help public health experts and scientists get access to large volumes of data sets, which will facilitate research.

"It will also create federated personal health records (PHR) framework to solve twin challenges of access to health data by patients and availability of health data for medical research, critical for advancing our understanding of human health," said Vinod K. Paul, member (health), NITI Aayog.

The government think tank had recently released the National Health Stack, the digital infrastructure to create a registry that aims to be the single source of pan-India master health data. It will also include unique digital health IDs, supply chain management for drugs and payment gateways across all health programmes, and health data dictionaries.

"The scheme will help in generating large volumes of data that may be used later for designing better and targeted health programmes. This will assist in effective medical management; in studying the impact of including or excluding specific diseases, populations or coverages; and in optimising costs and improving efficiencies," said a Confederation of Indian Industry (CII)-PwC report on AB-NHPM released last week.

The nationwide database for health records can "later be used innovatively for improvement of access to and quality of healthcare services in the country," the report said. "The scheme will also help in enriching the database of hospitals registered with the Registry of Hospitals in Network of Insurance (ROHINI) system and the human capital captured under the National Health Resource Repository (NHRR) project," it added.

ROHINI is a registry of hospitals in the health insurer and third-party administrator network.

NHRR is India's maiden healthcare establishment census to collect data of public and private healthcare centres.

The project aims to strengthen evidence-based decision making and develop a platform for citizen- and provider-centric services by creating a repository of India's healthcare resources.

"We have asked the hospitals to create their own portals within their precincts on a voluntary basis to showcase their performance. This will also help in generating more data," said Preeti Sudan, secretary, ministry of health and family welfare.

The ministry said it was also working on enriching the ROHINI system through large-scale empanelment and registration of hospitals by removing inefficiencies such as non-reporting, under-reporting and delays in transmission of public health data.

"There should be better fraud management at the provider level due to the generation of unique IDs for each hospital and improving claim efficiencies. It will also address the issue of unavailability of private sector health resource data, health infrastructure, equipment and other important data points," the CII-PwC report said.

The national health insurance scheme will be implemented through over 300,000 common service centers (CSCs) across the country. CSCs are access points with basic computing infrastructure run and operated by a local entrepreneur. These centres will help beneficiaries to identify their names in the ministry of health database and their entitlements under the scheme.

AB-NHPM, popularly known as 'Modicare' and billed as world's largest health assurance scheme, will provide Rs 5 lakh insurance cover, per family per year, to over 1 million poor households, or 50 million people, for secondary and tertiary care hospitalization.

Source

Back

Centre battles phishing emails on yet-to-begin health scheme - The Tribune – 14th August 2018

The Union Government finds itself braving a unique challenge from fake websites promising benefits under a scheme that is yet to be launched. The National Health Protection Scheme (NHPS) is to be flagged off by Prime Minister Narendra Modi on Independence Day.

The Ministry of Health has issued an alert to states to be wary of websites and organisations asking people for premium money in return for enrolment under the NHPS or for help in filling enrolment forms.

"If any organisation or individual or website asks for premium money or to fill an application for enrolment as a beneficiary under the National Health Protection Scheme or Ayushman Bharat Mission, please email or report on pm-nhpmission@gov.in," a Health Ministry advisory says.

Speaking to The Tribune, Health Secretary Preeti Sudan said: " We want to clarify that NHPS is an entitlement-based scheme and not an enrolment-based scheme."

Already, the ministry has flagged three websites indulging in fraud — ayushmanbharat.net; pradhanmantriyojna.in and ayushmanbharat.co.in. Ayushman Bharat Mission Director Indu Bhushan said the ministry would ask officials of the Home and IT Ministries to track down phishing websites and launch criminal proceedings. A similar problem had occurred when the PM had launched the 'Beti Bachao Beti Padhao (BBBP)' plan. A number of organisations had then come up asking people to pay money in return for cash benefits whereas the scheme had no cash component.

The PM will announce "Ayushman Bharat Mission" in his speech from the Red Fort on August 15. "He will dedicate the Mission and the NHPS to the nation and delineate the launch plan," a ministry official said, indicating that the ground launch may happen only later.

As of today, eight states are yet to sign MoUs for the NHPS which will provide Rs 5 lakh annual financial protection to 10.74 crore poor families listed by the Socio-Economic Caste Census, comprising 50 crore members. All of them are natural beneficiaries of the NHPS and won't need to be enrolled.

The states yet to join the NHPS are Punjab, Maharashtra, Karnataka, Tamil Nadu, Kerala, Delhi, Telangana and Odisha. "Maharashtra, Karnataka, Kerala and TN will join any time but we are getting confusing signals from Delhi, Telangana, Odisha and Punjab," Indu Bhushan said.

Telengana and Odisha are unlikely to join until the 2019 Assembly elections.

The Tribune has learnt that the ministry has received 7,705 applications from hospitals for empanelment. The number is expected to reach 20,000 by a month.

Source

"These 7,705 hospitals have 58,690 beds. Looking at the beneficiary data, an estimated one crore would need hospitalisation and services annually. For all of them, we would need two lakh beds," Bhushan said.

Back

Motor Insurance

Insurers worried about lack of clarity on long-term third party motor cover - Financial Chronicle – 16th August 2018

Days ahead of the September 1 deadline, insurance companies are worried about the lack of clarity in pricing and paucity of time to implement the mandatory long-term third party motor insurance for new private vehicles. They also apprehend an adverse impact of the long-term third party policy on own damage cover.

In July, the Supreme Court had ordered insurance companies to sell long-term third party motor insurance policies for new private vehicles from September 1. The new private cars sold in the market from that date onwards should have mandatory third party cover of three years while two-wheelers should have a cover of five years.

However, the Insurance Regulatory and Development Authority of India (Irdai) has not yet announced the pricing, commissions and other details of the cover. "The pricing has to be determined on the basis of actuarial estimates and with past data available with Irdai, the regulator has to come out with the details. We are still waiting for the announcement from the regulator," said R Chandrasekaran, secretary general, General Insurance Council.

According to him, the greatest challenge for insurers will be on the logistics front. With only half-a-month left, the insurers have to get the pricing details across all outlets which sell new vehicles.

However, the insurers find that determining pricing itself is a challenge before the Irdai. "Usually the regulator revises third party premiums every year based on the loss ratios in each segment. When premiums are fixed for a longer term, the pricing calculations have to be done based on projections," said a top official of an insurance company. The pricing can either turn out to be inadequate for the insurance company or expensive for the customer.

Usually, insurance companies combine both third party and own damage cover while selling the motor cover. Paying the entire cover upfront for three years or five years will be a burden for the customers. "If the yearly premium of a car is Rs 28,000, paying Rs 84,000 upfront will be considered a burden," he said.

In such a situation, there are high chances that customers may not buy own damage policy for all the years together. Customers usually renew the motor cover, as the third party portion is mandatory. If the third party premium is already paid for the long term, customers may not bother to renew the own damage cover. Own damage accounts for almost 85 per cent of the motor cover and such a situation will lead to significant loss of business for insurance companies.

Source

"There is lack of clarity about the product, pricing and commissions. We expect the deadline to be extended to address all the issues," said the official.

Back

Uniform insured value for vehicles from Oct 1 - The Hindu Business Line – 13th August 2018

Soon, vehicle owners renewing their auto insurance policies will no longer need to ascertain which insurer offers the highest insured value for their set of wheels.

From October 1, all non-life insurers will assess the worth of vehicles using the same parameters, and offer a uniform insured value — so customers just have to compare insurer quotes on the basis of premium payable.

In effect, this would mean that a car of a particular make and model would have a standard sum assured, or current market price across insurers. The premium is based on this value and is used to compensate vehicle owners in case of theft, accident or loss. "We are standardising insured declared values across the industry for motor insurance. All insurers would give the same value for any particular car," said R Chandrasekaran, Secretary-General, General Insurance Council, adding that some insurers had already done it, while others were expected to do so by September-end. At best, there could be a five per cent variation in the insured declared value of vehicles between insurers, he said. However, the premium could differ based on accessories and add-ons that a vehicle owner may choose to include as part of the policy.

According to Chandrasekaran, the move would not only help customers but also benefit the industry. "Often, people do not realise the importance of the insured value until they file a claim. They may choose an insurance policy as the premium is low, not understanding that the value of the car has also been kept lower," he said.

At the same time, the industry also loses premium. "We don't want the sum insured to become a competitive element in the industry," he contended.

Third-party motor insurance is a compulsory requirement for all vehicle-owners. Often, people also opt for their own damage insurance. Motor insurance is a key business for general insurers, accounting for over 40 per cent of their revenues.According to industry data, Rs. 15,074 crore of gross direct premium income underwritten by non-life insurers came from this segment in the first quarter of this fiscal.

Source

Back

Pension

National Pension Scheme to become compulsory for new RRB employees - The Economic Times – 14th August 2018

The government is all set to make National Pension Scheme compulsory for new regional rural bank employees. The defined contribution pension scheme will come into place for employees joining after March 31 this year, two people familiar with the development said.

The Department of Financial Services (DFS) has finalised it Monday at a meeting with senior officials of National Bank for Agriculture & Rural Development and nationalised banks, which own 50% in RRBs.
NPS is already in place for nationalised bank employees since April 2010.

DFS has also finalized the modalities for the pending pension scheme for existing RRB employees and retirees. It has decided that people who were in service as on September 1, 1987 will be eligible for pension at par with nationalized banks.

RRB employees, which were fighting for pension parity for the past two decades, received a verdict by Supreme Court in their favour in April this year. They will get pension will effect from April this year but decision on arrears prior to April is yet to be taken, sources said. Officials of a dozen nationalised banks and chairmen of four RRBs attended the meeting.

It has also been decided that RRBs will pay pension from their working capital till a structured pension fund or trust is created as per provision of Pension Regulations.

About 27,000 retired RRB employees will start getting pension now. Earlier they used to get a measly pension payment (anything between Rs 1000 and Rs 2500 a month) from Regional Provident Fund Commissioner. Pensioners will have to refund payment made by the RPFC from April.

The rate of basic pension will be 50% percent of the average pay as defined in pension scheme for full time employees. Accordingly, a person who used to draw Rs 2500 from RPFC will now receive Rs 35000 a month, senior RRB employees said.

Source

Back

Women in workforce dipping, govt plans to extend EPF subsidy – The Indian Express – 14th August 2018

Following a sharp decline in employment of women in the workforce, the Labour Ministry plans to extend the Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) for women to five years, instead of the current three, to encourage employers to hire more women.

Small and medium enterprises as well as micro businesses would be incentivised to hire more women as the government would pay the employer's contribution of 12 per cent towards the employees' pension and provident fund for five years for fresh talent who join the workforce.

Launched in August 2016, the subsidy to employers is currently available for three years against all skilled and unskilled workers across all sectors with monthly salary up to Rs 15,000 who joined since April 2016. As of July 25, 61.12 lakh employees have been enrolled under the PMRPY.

Sources said that the launch of the special edition of the scheme for women is being targeted for September 17 – Vishwakarma Day, celebrated for the Hindu god of architecture. The proposal is being readied for Finance Ministry's approval, they said. Initial estimates are that the extension of coverage by two more years for women would cost an additional Rs 2,500 crore. The existing three-year scheme for both men and women recruits is estimated to cost Rs 18,000 crore with the Centre budgeting only for Rs 10,600 crore.

India's low female workforce participation rate is amongst the worst in South Asia. Employment of women has declined to 24 percent — according to the 2018 Economic Survey — from 36 percent in 2005-2006. Between 2004 and 2011, the year of the last Census, nearly 20 million women fell off the labour map, and there are no signs that this slide has stopped.

Source

Back

Insurance Cases

Insurance company told to pay Rs 15 lakh - The Tribune – 16th August 2018

The Permanent Lok Adalat has directed the New India Assurance Company Limited to pay Rs 15,01,500, along with the interest rate of 10 per cent per annum from the date of filing of application till the date of payment.

The application was filed by Surinder Singh, a resident of Chuharwali village against the New India Assurance Company Limited. Surinder Singh in his application said he had insured his truck LPT 3118, bearing registration number PB08-CB-4813 with the Insurance Company for a period one year - from July 26, 2013 to July 25, 2014.

He said the truck that was insured for Rs 20.06 lakh was, however, stolen by some unknown persons on May 21, 2014, when it was parked in Bhagwanpur area, Roorkee, Haridwar. After the theft, the applicant sought his claim with the insurance company and the payment of the insured amount as per terms of the insurance policy. Subsequently, the insurance company appointed a surveyor, who assessed the total value of the vehicle as Rs 22,35,000 (Rs 19.15 lakh as per purchase invoice and Rs 3.2 lakh as the expenditure spent on the fabrication of the body). The surveyor after deducting 20 per cent of the amount as depreciation being the second year policy had assessed the value of the vehicle as Rs 17.88 lakh.

The respondents in the written statement said that claim of the applicant stood repudiated by a letter dated July 31, 2017 for the reason that the applicant had not deposited any ignition key of the truck, but the applicant said the truck had met with an accident and one ignition key got destroyed in 2013.

The company also raised the issue that the FIR regarding theft was not lodged immediately on May 21, 2014 but on June 7, 2014, but the complainant proved that he had lodged the complaint with the police in time and that the police took its own time to register the FIR. The court thus entitled the complainant 75 per cent of the insured amount of Rs 20.06 lakh which comes to Rs 15.01 lakh, along with 10 per cent rate of interest on the amount.

Respite to the complainant
The truck that was insured for Rs 20.06 lakh was stolen. The applicant sought his claim with the insurance company and the payment of the insured amount as per terms of the insurance policy. The company appointed a surveyor, who after deducting 20 per cent of the amount as depreciation assessed the value of the vehicle as Rs 17.88 lakh. But the court later entitled the complainant 75 per cent of the insured amount of Rs 20.06 lakh which comes to Rs 15.01 lakh, along with 10 per cent rate of interest on the amount.

Source

Back

Firm rejects Rs 390-cr crop insurance claims in 2 dists - The Tribune – 14th August 2018

An insurance company, ICICI Lombard, has rejected crop insurance claims of Rs 390 crore of Sirsa and Bhiwani districts for the 2017 kharif season, leading to unrest among farmers. The Agriculture and Farmers' Welfare Department had assessed the claims through crop-cutting experiments (CCEs) carried out in the fields have been "rejected" by the ICICI Lombard.

The insurance company is contesting the methodology in CCEs and has quoted satellite evidence to prove its point, while the department alleges the matter was never raised when it settled the claims in five other districts where the amount of losses was lower. But it is disputing claims in Sirsa and Bhiwani as the amount of losses is higher.

In Sirsa district, claims worth Rs 170 crore of cotton crop are pending and, in Bhiwani district, claims worth Rs 220 crore of bajra crop are pending. "The company has already received premium for the rabi crop and it will move to some other district now as a company is assigned a cluster of districts only for two years. Initially, company officials continued buying time.

First, they sought time till June 1, then till July 20 and then till August 2. Now, they have refused to settle the claims," alleged Vikal Pachar, president, Akhil Bharatiya Swaminathan Aayog Sangharsh Samiti, Sirsa.

Dusmanta Kumar Bahera, Director of the department, said: "The insurance company has wrongly disputed the claims. The department has taken up the matter with the Technical Advisory Committee (TAC) of the Centre constituted under the Pradhan Mantri Fasal Bima Yojana (PMFBY)."

He said the meeting of the TAC was to be held in New Delhi on Monday, but it was put off due to some reason. A spokesperson for ICICI Lombard, however, claimed that the CCE schedules were not shared with the company for co-observance and even where company's officials were involved, data mismatch have been found.

Source

"The company resorted to Remote Sensing Technology (RST) analysis using normalised difference vegetation index (NDVI). The results showed that our stand was correct. We have placed the evidence before the TAC, which is to take the final call," the company said. On why the matter of the CCEs was not raised in other districts, ICICI Lombard said the anomalies were mainly observed in multiple-harvesting crops such as cotton.

Back

IRDAI Circular

Source

IRDAI issued guidelines on Insurance claims of the victims of recent floods (August 2018) in the state of Kerala to All CEOSs/CMDs of all Non-life Insurance Companies and Stand-alone Health Insurance Companies.

Back

Source

IRDAI issued circular regarding The Mental Healthcare Act, 2017 to all Insurers.

Back

Source

IRDAI issued exposure draft on IRDAI (Insurance Services by Common Public Service Centers) Regulations, 2018.

Back

Source

IRDAI issued the order for Constitution of Working Group for revisiting the Surveyor Regulations.

Back

Global News

World: Catastrophes cause global economic losses of US$36bn in 1H – Asia Insurance Review

Global economic losses from natural catastrophes and man-made disasters in the first half of 2018 stood at $36bn, according to Swiss Re Institute's preliminary sigma estimates.

This figure is well below the 10-year average of $125bn in economic losses and significantly lower than the losses reported for the same period a year earlier. Of the total global economic losses in the first half of 2018, $20bn were covered by insurance.

A series of winter storms in Europe and in the US caused the largest losses in the first half of 2018. Globally, around 3,900 people lost their lives or went missing in disaster events during the first six months of 2018, compared to approximately 4,600 for the same period in 2017.

Of the $36bn in total global economic losses, Nat CAT accounted for the majority, or $34bn in the first half of 2018, compared to $58bn in 1H2017. The remaining $2bn of losses were caused by manmade disasters.

Global insured losses from natural catastrophes fell to $18bn in 1H2018 from $25bn in the corresponding period the year before, while insured losses from man-made disasters decreased to $2bn in the first six months this year from $5bn in the first half of 2017. Nearly 56% of all global economic losses were insured as most disastrous events occurred in areas with high insurance penetration.

Winter storm Friederike in Europe was the costliest event in the first half of 2018 with insured losses of $2.1bn.

Higher losses may still lie ahead for 2018
This year, already in the first half, several parts of the world have been in the grip of heatwaves and severe dry weather conditions, triggering major wildfire outbreaks in California and Greece, and causing widespread drought across Europe and southern Australia.

Numerous regions are exposed to above average temperatures and drier weather conditions. Southern Australia, for example, is experiencing its second driest autumn on record according to the Australian Bureau of Meteorology. Losses from droughts in the agriculture sector and from wildfires are yet to be determined.

Mr Martin Bertogg, Head of Catastrophe Perils at Swiss Re, said, "We expect to see more extreme weather conditions such as intense heatwaves and dry spells of the like we've seen over the last few weeks. This may well become the new normal. According to scientific climate models, temperature, and atmospheric humidity will increase in many parts of the world, and at the same time also become more volatile."

He added, "We will experience more variable rain patterns and severe droughts and in consequence raging wildfires. Accelerating urbanisation and the ongoing expansion of dwellings in natural forest areas will considerably exacerbate this loss potential. Society will need to adapt and prepare for these increasing occurrences."

Source

Back

Amazon considering UK insurance comparison site, say sources – Financial Express – 16th August 2018

Amazon.com Inc is sounding out some of Europe's top insurance firms to see if they would contribute products to a UK price comparison website in what would be a major foray by the U.S. online retail giant into the region's financial services. Three industry executives told Reuters they had held talks with Amazon about the possible launch of a site. One said the talks were part of several discussions Amazon is having with insurers. A second said there were no imminent launch plans.

While it was not immediately clear what type of insurance would be sold on any Amazon site, home and motor policies are popular sellers on existing UK price comparison sites. "As Amazon becomes a larger part of the home, whether it's products delivered to the home, security monitoring, home services like Wi-Fi installation, you can make the case that insurance is the next logical step for this company," said Morningstar analyst R.J. Hottovy. The industry sources declined to be named as the talks are confidential. Amazon declined to comment.

An Amazon price comparison website for insurance products would be a potential challenge to existing UK sites given the U.S. company's cutting-edge technology, reach and loyal customer base. Two of the most high profile are comparethemarket.com which shows products from insurers including AXA, Hastings and eSure; and GoCompare, which lists insurance from firms such as Santander and LV.

A UK insurance site would also build on Amazon's existing products in Europe offering extensions to manufacturers' warranties, a service known as Amazon Protect. While Amazon's loyal customer base and reach would probably prove attractive to some insurers happy to cede some of their premiums to Amazon to expand sales, the potential for premiums to be forced lower through competition could deter others.

One of the industry sources said the comparison site model fitted Amazon's strategy of offering a range of products, as opposed to partnering with one firm. A price comparison website in particular could also be used to help drive traffic to its other marketplaces, Hottovy said. It was not immediately clear what financial arrangements Amazon would strike with insurers if it were to go ahead. Tech-rival Google launched a financial services comparison site in the United Kingdom and the United States in 2016 but shut it down after only a year due to low traffic.

REGULATORY BURDEN

In the United States, Amazon has a joint venture with insurer Berkshire Hathaway and JP Morgan aimed at slashing U.S. healthcare costs. It also offers a small business loan programme. In Europe, Amazon has had a partnership with The Warranty Group since 2016 to offer the warranty extensions. It also offers co-branded credit cards in the United Kingdom and Germany although it does not lend money of its own.

In a sign of potential expansion plans, Amazon began to place job ads last year for staff for a new insurance business in Europe, without giving details. While Chinese tech giants Alibaba and Tencent have large finance arms, leading Western tech firms have taken a more cautious approach to heavily regulated financial services, which often have hefty capital requirements. A comparison site, however, would let Amazon give its customers access to insurance from a variety of providers while avoiding that level of regulatory burden, industry sources said.

The use of comparison websites to buy motor and home insurance is more prevalent in the United Kingdom than Europe or the United States. Some insurers rely heavily on comparison websites for sales. UK insurer Hastings, for example, told Reuters it sells 90 percent of its motor policies through such sites.

Rival car insurer Admiral also relies on websites for sales and would be open to joining any Amazon site, its chief financial officer, Geraint Jones, said. "If it establishes a comparison site then I suspect Admiral will be interested in being a member, potentially. Price comparison is the main source of distribution of our products and we'll await with interest what they do," Jones told Reuters.

Source

Back

Australia: Insurance giant posts higher insurance margin in FY2018 – Asia Insurance Review

Australia's biggest insurer, Insurance Australia Group (IAG), yesterday announced that the underlying margin in its insurance business increased to 14.1% for the year ended 30 June 2018 (FY2018) compared to 12.4% in FY2017. While this lifted insurance profits by 10.8% to A$1,407m for FY2018, profits after tax dipped by 0.6% to A923m ($669m) as the higher insurance margin was offset by a fall in investment income and a higher tax bill.

Commenting on the financial performance, IAG managing director Mr Peter Harmer said in a statement, "This is a solid result for IAG with an encouraging improved underlying performance, in line with our expectations. "We've met the guidance we provided last year, slightly exceeding the reported margin component thanks to favourable natural perils and higher reserve releases than anticipated."

Mr Harmer said, "GWP growth of 1.8% met our forecast of low single digit growth, with like-for-like growth exceeding 4% after allowance for discontinued activities, NSW CTP reform impacts and foreign exchange translation effects."

The company's Australian Consumer division, home and motor insurance, had a strong year, Mr Harmer said, due to IAG lifting rates to compensate for an increase in claims. "There was a modest improvement from Australia Business and a continued strong performance from New Zealand," he said.

IAG has progressed its strategic review to assess options for its Asian businesses, with the company announcing in June sale agreements for its operations in Thailand, Indonesia and Vietnam. An after-tax profit of at least A$200m is expected to be identified in IAG's FY2019 results from the combined transactions, after allowance for related costs and foreign currency translation reserve effects. GWP rose by 1.8% to A$11.65bn in FY2018 while total revenue increased by 2.6% to A$16.41bn. IAG forecasts that GWP will grow by 2-4% and insurance margins of 16-18% in FY2019.

Source

Back

China: Almost all insurers meet solvency requirements in 2Q2018 – Asia Insurance Review

China's insurance companies generally met solvency requirements in the second quarter of this year even though over three fifths of them saw a lower ratio quarter over quarter, the latest industry data show.

As at 13 August, a total of 155 insurers have disclosed their solvency reports for the second quarter on the website of the Insurance Association of China.

For life insurers, the average comprehensive solvency ratio stood at 240.9%, while the ratio was 393.75% for property and casualty insurance companies, both well above the required 100%, reports Shine citing the association's data.

Sino-French Life Insurance, Shin Kong-HNA Life Insurance and Jixiang Life Insurance failed to meet regulatory requirements in the April to June quarter. None of the property and casualty insurance players went insolvent during the reporting period.

Source

More than 60% of the 155 insurance companies saw a quarter-on-quarter drop in their comprehensive solvency adequacy ratio. Industry watchers attribute the decline to business transformation driven by stringent supervision.

Back

Philippines: Insurers see room for growth across range of micro products – Asia Insurance Review

The Philippine Insurers and Reinsurers Association (PIRA) is optimistic about opportunities to expand microinsurance, which could improve insurance penetration in the country.

In a press briefing, PIRA executive director Michael F. Rellosa said, "We see a lot of opportunities to grow the microinsurance segment. First of all, Senator [Cynthia A.] Villar is drafting a Bill to come up with new products for agri insurance — not only for crops but also for livestock."

"The government is now opening up agricultural insurance to the private sector," he said. "We're creating new products for our farmers."

He noted that the state-owned Philippine Crop Insurance Corp is currently the sole firm offering crop insurance, according to a report in Business World.

Mr Rellosa added that micro agri insurance is a first step to diversifying microinsurance products. He also floated the idea of micro health and micro burial insurance products.

PIRA is optimistic that more non-life insurers will start offering microinsurance products in the future.

Source

There are only four firms which are currently offering these products such as Malayan Insurance and Pioneer Insurance & Surety Corp.

Back

Singapore: Life records 20% growth in new business for 1H2018 – Asia Insurance Review

Singapore's life industry recorded a 20% increase in total weighted new business premiums in the first half of this year (1H2018) to S$2.02bn ($1.47bn).

The robust results prompted President of LIA Singapore Patrick Teow to express cautious optimism for the industry to surpass last year's performance when it crossed the S$4bn mark in total weighted new business premiums.

Strong industry performance across all product types
Contributing to this growth is the increase in uptake across both single and annual premium products.

S$1.34bn in weighted annual premiums were collected during the first half of the year, an encouraging 18% increase from the corresponding period in 2017.

For single premium products, the industry recorded a 24% increase from 1H2017, amounting to S$677.7m in weighted single premiums.

Total sum assured for new business increased by 19% on a year-on-year basis, amounting to S$66.3bn in 1H2018.

Job creation
Singapore's life industry saw a 12% increase in the number of employees in the sector to 7,671, compared to the previous corresponding period.

This was largely driven by the fact that new jobs have been created to support digitalisation and data analytics as well as business growth and expansion.

The LIA recently formed a working group to collaborate on digitisation efforts for mutual benefits in areas such as claims management.

As automation becomes more embedded within the industry in the years to come, employment numbers would invariably reduce. In that regard, the industry is supporting re-training and upskilling efforts with the launch of the Institute of Banking and Finance (IBF) new career centre, IBF Careers Connect.

Outlook

Factors that may affect the sector's outlook in the second half of this year are largely tied to the general health of the economy, as potential trade wars in the global economy remain a risk.

Source

Back

Indonesia: Lombok quake causes economic losses of at least US$340m – Asia Insurance Review

The death toll from the magnitude 6.9 earthquake that rocked the Indonesian island of Lombok on 5 August has passed 400 and the government is estimating economic losses of at least several hundred million dollars.

The National Agency for Disaster Management (BNPB) said that the quake killed at least 436 people, most of whom died in building collapses. Damage to homes, infrastructure and other property is at least IDR5trn ($342m), said the agency, calling that a temporary figure that will rise as more assessments are made.

In a statement last week, president director of Maipark Indonesia Reinsurance, Mr Ahmad Fauzie Darwis, said that the areas most affected by the earthquake included East Lombok Regency, North Lombok Regency, Central Lombok Regency, and Mataram City. Loss exposure in the four affected areas amounted to more than IDR4trn with an estimated insurance loss through Maipark Catastrophe Modeling for the earthquake of around IDR10bn to IDR100bn.

The company's research development and innovation team will survey the earthquake location to calculate and record how much damage has occurred, the source of the earthquake, and the suitability of modeling, as well as classifying the intensity level according to the Modified Mercalli Intensity Scale (MMI), a unit to measure earthquake strength.

"We have sent a notification letter some time after the earthquake to all the ceding companies and asked whether there were claims from the insured who suffered losses on the policies they issued. So basically we are ready to pay the claim by first verifying the process in accordance with the existing provisions," said Mr Fauzie.

Crossed by two tectonic plates, Indonesia is one of the countries that is quite prone to earthquakes. However, awareness of asset protection through insurance is still low.

Mr MM Samosir, a director of Sinar Mas Dumasi Insurance, said insurance penetration was still relatively low in Indonesia, especially for rider products such as earthquake protection.

Source

Back

Pakistan: Regulator proposes legislative changes to promote MTPL insurance – Asia Insurance Review

The Securities and Exchange Commission of Pakistan (SECP) is proposing to amend the Motor Vehicles Act 1939 (MVA) to facilitate mandatory motor third party liability (MTPL) insurance.Among the new provisions, the proposed amendments aim to raise the compensation amount in case of deaths due to road accidents to PKR500,000 ($4,034) from PKR20,000 currently. The proposed law also contains a list of payments in case of injuries that lead to permanent disability, according to local media reports.

A SECP official, explaining the proposed amendment, says that existing laws are not being implemented by provincial transport authorities. Additionally, the current level of compensation offered in the event of road accidents is not attractive for average motorists.

Thus, MTPL insurance is either not purchased, or is purchased from bogus insurance entities offering fake third party insurance certificates at cheaper rates on roadsides. Consequently, victims in motor accidents or their legal heirs are either not compensated or get a very little compensation. To address the issue of bogus policies, the SECP has also proposed to impose heavy penalties.

Furthermore, the official added, “To address the many issues with the old law, the proposed amendment aims to introduce a no-fault option, where a claim for death or bodily injury will be payable to the victims of road accidents or their legal heirs without obtaining a court order and regardless of whether the accident is determined to be the fault of the insured individual.”

Existing procedures for the determination of the liability through courts is too lengthy, costly and cumbersome to be afforded by the claimants. The draft of the proposed amendment has been posted on the SECP’s website and comments can be made till 29 September. They will be shared with the Insurance Association of Pakistan, non-life insurers and insurance brokers before the proposed legislative amendment is finalised.

Source

Back

Japan: Major insurer incurs gross losses of US$595m from July floods – Asia Insurance Review

Japanese insurance giant MS&AD has posted incurred expected gross losses of JPY66bn ($595m) from the destructive floods that struck the southwestern part of the country last month.

The breakdown of the incurred losses on a direct basis is as follows:

	Paid and OS claims amount announced by GIAJ on 27 July JPY bn	Incurred losses on a direct basis (preliminary estimate as of 31 July) JPY bn
Voluntary automobile	6.1	13.0
Fire and others (incl. PA)	15.8	50.0
Marine	-	3.0
Total	22.0	66.0

MS&AD said in a news release that the incurred losses on a direct basis caused by The Heavy Rain of July 2018, will affect its financial results in or after the six months ended 30 September 2018. However, it added that the total loss estimate had not yet factored in the amount recoverable from reinsurance, and said that it expected the loss to have limited impact on financial results.

Source

Back

China: Govt introduces farm insurance for grain seeds – Asia Insurance Review

China has included the production of rice, corn and wheat seeds into a fiscal subsidy programme for agricultural insurance. Farmers, rural cooperatives and companies engaging in the production of the seeds will be subsidised by the central government on their agricultural insurance premiums, according to a document released by the Ministry of Finance, Ministry of Agriculture and Rural Affairs, and CBIRC.

The move aims to "promote long-term, sustainable development of the seed industry, ensure stable seed supply for major grain crops and safeguard national grain security", reports the Xinhua news agency. The insurance should cover possible losses in yield or quality due to natural disasters, plant diseases and pests, and other risks, according to the document. China is the world's second largest agricultural insurance market after the US. In 2017, agricultural insurance premiums reached CNY47.9bn ($7bn), up 14.7% year on year.

Source

Back

Australia: Four insurers command 70% of market --Productivity Commission – Asia Insurance Review

General insurance markets in Australia are concentrated, according to the findings of an inquiry conducted by the Productivity Commission. In the home insurance, domestic motor insurance, travel insurance, lenders mortgage insurance and reinsurance markets, the largest four firms (which are not always the same four) hold market shares in excess of 70%, says the inquiry report which is titled Competition in the Australian Financial System.

This concentration has increased slightly in recent years, mostly as a result of consolidation activity.

The domestic motor insurance, travel insurance, lenders mortgage insurance and reinsurance markets are particularly concentrated, and while the domestic home insurance market is less concentrated, the two largest firms still account for more than half the market. But because many insurers supply their products under multiple brands, consumers may see more an illusion of robust competition than a reality.

The inquiry focusses on competition in Australia's financial system as a means to improve consumer outcomes, enhance the productivity and international competitiveness of the financial system and the broader economy, and support ongoing innovation — without undermining financial stability objectives. The Commission finds that households and businesses may be paying, through unnecessary fees and low-value products, for a system that is exposed to use of entrenched market power.

The report makes several recommendations for the general insurance sector, including:

1 Comparative pricing information on insurance renewal notices
Renewal notices for general insurance products should transparently include the previous year's premium and the percentage change to the new premium. This policy should commence by the end of 2019 and be enforced by ASIC.

2 Transparency on insurance underwriting
In addition to specifying which insurer underwrites their products, each insurance brand should specify on their website any other brands that are underwritten by the same insurer, for that particular form of insurance. Insurers should provide an up-to-date list of the brands they underwrite to ASIC. ASIC should transparently publish this information as a list on its website.

3 Phase out distortionary insurance taxes
Consistent with the Productivity Commission's 2014 Natural Disaster Funding Inquiry, state and territory taxes and levies on general insurance should be phased out.

4 Deferred sales model for add-on insurance
ASIC should proceed as soon as possible with its proposal to mandate a deferred sales model for all sales of add-on insurance by car dealerships. The deferral period should be a minimum of seven days from when the consumer applies for or purchases the primary product. Following implementation, the Australian government should establish a Treasury-led working group with the objective of comprehensively extending the deferred sales model to all other add-on insurance products, with the model set in legislation and ASIC empowered to offer exceptions on a case-by-case basis.

Source

Back