भारतीय बीमा संस्थान
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QUOTE OF THE WEEK

Each one has to find his peace from within. And peace to be real must be unaffected by outside circumstances.
– Mahatma Gandhi

INSIDE THE ISSUE

INSURANCE REGULATIONS

Irdai for 100% FDI in entire insurance intermediary sector - Financial Chronicle – 11th October 2018

The insurance regulatory and development authority of India (Irdai) is in the favour of allowing 100 percent foreign direct investment in insurance intermediaries in addition to insurance brokers, according to sources.

The regulator is of the view that if insurance brokers can be allowed then the other insurance intermediaries like aggregator and third party administrators (TPA) may be considered for the same relaxation, the sources said.

In its response to the finance ministry with respect to increase in FDI limit in the insurance brokerage firm from the current level of 49 per cent, the IRDAI said all major international insurance brokers such as Marsh, JLT, Willis and Howden are already present in the country as the capital required for undertaking such activity is very less.

The increase in foreign direct investment (FDI) limit to 100 per cent will not result in significant inflow of foreign capital. According to estimates, the total capital infusion by three brokers after increasing the FDI limit is a mere Rs 4.78 crore.

The government is considering proposal to allow 100 per cent FDI in insurance broking and has set up a committee comprising secretaries of department of economic affairs, department of financial services and department of industrial policy and promotion (DIPP).

The Irdai has also argued that there is no dearth of capital and Indian investors are also looking at avenues to invest.

Industry experts are of the opinion that the insurance sector is being impacted due to weak distribution networks.

Source

TOP

Focus on customer satisfaction, loyalty: IRDAI chief to insurers - The Hindu Business Line – 11th October 2018

The insurance regulator, on Thursday, urged insurers to focus on customer satisfaction and value addition to products to ensure sustainable growth of the industry.

"Insurance entities must provide more value to customers. As new technology keeps coming up, people's needs will be quite different," said Subhash Chandra Khuntia, Chairman, Insurance Regulatory and Development Authority of India, at the Insurance Summit 2018, which was organised by the National Insurance Academy.

Insurers must ensure ethical behavior and redesign products based on the requirements of customers, stressed Khuntia. "The same old products will no longer do," he said, noting that such measures will also increase customer loyalty and ensure they keep paying regular premium.

He pointed out that 13th month persistency in India for the insurance industry is about 65 per cent, compared to 90 per cent in the rest of the world.
In particular, the IRDAI Chairman singled out the health insurance industry. "From the customer's point of view, there is a lot of discontent in health insurance products. The claim ratio varies widely," he said.
He urged health insurers to ensure that proper analysis takes place, and that the policy is explained in detail to the policy holder.

"There has to be sustainable growth of the insurance industry. Then, shareholders will also find value," he said.

The IRDAI chief also spoke about differential premium pricing for products such as health insurance and motor cover based on the behavior of the customer, which would also help in developing healthy practices among people.

Risk-based capital

Khuntia also said the IRDAI is working on a risk-based capital framework for insurers, for which it has also circulated a paper.

"Under the framework, the companies which manage their risk well will have a lower capital requirement," he said, adding that IRDAI is also working on risk-based supervision guidelines.

"This is another area we would like to introduce for the proper conduct of insurance companies. Insurers should come out with their own codes of self-regulation so that the regulator should not have to go into this," he said.

Self-regulation should focus on customer protection, efficiency and sustainable industry growth, he added.

Source

TOP

Insurers can't deny cover for HIV+ patients: IRDAI - The Economic Times – 11th October 2018

The Insurance Regulatory and Development Authority of India (IRDAI) have said that HIV-positive individuals cannot be denied insurance cover, unless supported by actuarial studies. The regulator has asked insurers to stop discriminating against persons with HIV/AIDS.

IRDAI has made this mandatory after 'The Human Immunodeficiency Virus (HIV) and Acquired Immunodeficiency Syndrome (AIDS) (Prevention and control) Act, 2017' came into force from September 10. The Act bars insurance companies from discriminating against HIV-positive individuals.

However, most insurance companies have stayed away from launching products for HIV/AIDS patients due to pricing-related issues.

"If the immunity is low due to a person being HIV-positive, treatment expenses go up several times. The cost of tests and duration of stay in the hospital for HIV-positive patients would be much more compared to regular patients. That is why insurance companies are wary about offering cover for persons with compromised immunity," a senior industry official said.

New India Assurance Company EX. CMD G Srinivasan said, "The problem is that insurers do not have enough data to design a cover for HIV-positive patients. We can offer coverage for early-stage HIV-positive patients with certain caveats and conditions." Star Health Insurance was the first company in the country to come out with an exclusive policy for such patients on a group basis. The 'Star Netplus Insurance Plan' is a special policy catering to HIV positive patients.

Source

TOP

Policyholders, your insurance company will be better regulated, here's what IRDAI has planned – 8th October - Financial Express

The insurance regulator will soon adopt risk-based supervisory framework (RBSF) for supervision of the insurance industry. It will review all the current regulatory and supervisory process and prepare an appropriate framework for holistic supervision.

At present, Insurance Regulatory and Development Authority of India (Irdai) focuses on compliance-based approach for supervision. As the number of companies has increased, to supervise on compliance approach would need the same yardstick to be applied to all companies, regardless of their size and business model.

The regulator has said that RBS process will be rolled out in a phased manner starting with insurers and then intermediaries, after running a pilot project on select entities to test the efficacy of the implementation.

Risk-based supervision

The benefits of adopting an RBS framework will be structured approach to help assess various risks, both internal and external. There will be due focus on the responsibility of the board and senior management of the entities to ensure financial soundness. This will help identify various risks related to market conduct and prudential aspects so that an early-stage intervention is possible.

Risk-based capital

The regulator is also likely to move to risk-based capital regime to improve protection for policyholders. At present, it follows solvency based rules which do not help in assessing whether the capital held is adequate enough for the risks inherent in the insurance business. A shift to risk-based capital will help companies as the additional capital need not remain idle and will help those companies who manage their risk well.

Also, the insurance industry has made a request for upping the limit on raising capital through tier-II bonds. However, this will be possible only when the industry moves to risk-based capital regime.

At present, they are allowed to raise up to 5% of their net worth from tier-II bonds.

Experts say the volatile stock markets has made it pertinent for deeper evaluation of market risks. There is increasing concern for protection of policyholders' benefits, promoting efficient risk management practices and greater analysis of capital invested. The risk-based capital process will help the financially sophisticated shareholders as globally the industry has moved to RBC.

So adoption of risk-based capital process will raise the overall prudential standards in the industry, link the level of required capital with the inherent risks, facilitate early and effective intervention by the regulator and maintain policyholders' confidence in the system. The regulator had constituted two committees—on roadmap for risk-based capital approach in insurance sector; and on risk-based capital approach and market consistent valuation of liabilities. Both committees had submitted their reports.

Changes in companies

In the process of moving towards RBS, there will be changes in the way companies function. Irdai has underlined that they will need to have well-defined standards of governance and well-documented policies, procedures and practices in place to outline the responsibilities and accountability. "The companies will have to revisit the organisational structure to align with the requirement of RBS," the Irdai's note says. Companies will have to augment their IT and MIS to capture and report various elements required for risk assessment. They will have to review skill-sets of employees, impart extensive training, redeploy staff and retain talent needed to move towards risk assessments in place of mere compliance.

Source

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LIFE INSURANCE

Life insurers' new premium income down 16 per cent at Rs 17,491 crore in September – The Economic Times – 11th October 2018

Life insurers' premium income from new business fell by 16.28 per cent to Rs 17,490.68 crore in September, data from Insurance Regulatory and Development Authority of India (Irdai) showed Thursday. The insurance companies had earned Rs 20,892.07 as premium from new policies in the same month a year ago.

Of the all 24 life insurance companies, state-owned LIC witnessed a decline of nearly 30 per cent as premium income from new policies to Rs 10,778.81 crore in September as against Rs 15,302.99 crore in the same month previous year.

However, the 23 private sector players recorded an increase of 20 per cent in their new business premium or the first year premium at Rs 6,711.86 crore during the month under review from Rs 5,589.08 crore in year-ago period.

Among the private sector life insurers, SBI Life witnessed a jump of 36.35 per cent in new premium at Rs 1,115.11 crore as against Rs 817.81 crore year ago. HDFC Standard Life 30.45 per cent (Rs 1,459.80 crore); ICICI Prudential Life 11.47 per cent (Rs 831.24 crore); Aditya Birla Sun Life 50.58 per cent (Rs 541.27 crore); Max Life 25.39 per cent (Rs 463.49 crore); Tata AIA Life 57.81 per cent (Rs 182.32 crore) and Edelweiss Tokio Life 67.11 per cent (Rs 40.68 crore).

India First Life recorded a jump of 279.43 per cent in new premium collection to Rs 345.36 crore during the month as against Rs 91.02 crore in September 2017.

Those who registered a fall in new business premium included Bajaj Allianz Life down 40.54 per cent at Rs 500.21 crore and DHFL Pramerica Life down 6.53 per cent at Rs 110.64 crore.

Cumulatively, the overall premium collection by all the 24 players grew by 1.1 per cent to Rs 93,079.03 crore during April-September period of 2018-19, up from Rs 92,065.36 crore in same period of 2017-18.

For LIC, the April-September new business premium has come down by 6.95 per cent to Rs 63,480.68 crore from Rs 68,224.29 crore a year ago.

For the rest of private players the cumulative new premium income till September this fiscal registered a growth of 24.15 per cent at Rs 29,598.35 crore from Rs 23,841.06 crore.

Source

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GENERAL INSURANCE

As healthcare costs soar, demand rises for higher cover - The Hindu Business Line – 10th October 2018

The steep rise in the cost of treatment and growing awareness have led to an increase in the average sum insured under retail health insurance policies. The average sum insured, which was typically between Rs. 2-3 lakh till two to three years back, has increased to Rs. 5-10 lakh. There has also been an increase in the number of consumers buying retail health cover over and above the group policy offered by employers.

According to a recent study by Policybazaar.com Product & Innovation Centre, nearly 40 per cent of Indians purchasing health insurance online prefer a minimum cover of Rs. 5 lakh. The study took into account the buying behavior of over 10,000 consumers across 20 States.

"Healthcare costs are rising at an astronomical rate. Today, any lifestyle disease treatment costs anywhere between Rs. 3-10 lakh in a decent private hospital in urban areas. As such, a Rs. 2-lakh average health cover bought two to three years back, has become a Rs. 5-lakh cover today," Vaidyanathan Ramani, Head, Product and Innovation, Policy bazaar, told *Business Line*.

According to him, growing awareness, rise in treatment costs, and higher disposable income will push consumers to opt for higher coverage, moving forward.

Policy bazaar, for instance, has witnessed a steady rise in the share of consumers going in for higher sum insured of Rs. 5 lakh and above in the last three years. In FY16, nearly 38 per cent of its consumers bought policies below Rs. 5 lakh, and only 24 per cent bought policies above Rs. 5 lakh; however, in FY18, more than 32 per cent bought policies above Rs. 5 lakh, while only about 28 per cent opted for less than Rs. 5 lakh sum insured.

"The situation is in stark contrast to the usual practice about five to seven years ago when people did not care to buy health insurance early on in their jobs," said Subramanyam Brahmajosyula, Head, Underwriting and Reinsurance, SBI General.

HDFC Ergo General Insurance has been receiving a lot of queries and subsequent conversions from group policy holders, either for retail top-up plans, or for individual cover for a higher sum insured. According to Sanjay Datta, Chief, Underwriting and Claims, ICICI Lombard, corporates have been refraining from taking higher sum insured. This has been pushing more employees to top up such covers. The average sum insured under group policy hovers around Rs. 1-2 lakh.

Source

TOP

Fin, min kicks off Insurance Manthan - The Economic Times – 5th October 2018

The finance ministry on Friday reviewed the progress of state run general insurance companies and also kick started, 'Insurance Manthan,' to optimise their performance.

Financial services secretary Rajiv Kumar in a tweet said, "Aim is to develop comprehensive reform agenda in six themes to modernise Public Sector GICs. Committed to work towards safety net of all citizens."

The six point agenda includes – Sustainable and Prudent Business, Talent Management and Customer Orientation.

A senior executive said that the focus is on bringing the uninsured under the various social sector schemes of the government.

"The government also wants us to make our operations efficient, low cost and robust governance structure," he added.

Finance Minister Arun Jaitley in the 2018-19 budget speech had proposed the merger of the three PSU general insurers.

"These will be merged into a single insurance entity and will be subsequently listed," he had said.
The government is expected to merge National Insurance, Oriental Insurance and United India Insurance by 2019.

"It is being worked out. The listing may also happen by end 2019," the above quoted executive said.
In 2017-18, government had listed New India Assurance Company and General Insurance Company divesting 11.65% and 12.5% of its stake, respectively, in the two companies.

Source

TOP

HEALTH INSURANCE

Insurers told to cover HIV/AIDS patients - Financial Chronicle – 11th October 2018

The regulator has warned insurance companies against discriminating HIV/AIDS patients while providing health cover. The companies have been asked to comply with the provisions of HIV and AIDS (Prevention and Control) Act 2017 with immediate effect.

Recently, the ministry of health and family welfare had issued a notification for bringing the Act that safeguards the rights of people living with HIV and affected by HIV from discrimination into force from September 10, 2018.

The Act seeks denial, termination, discontinuation or unfair treatment with regard to employment, educational establishments, health care services, residing or renting property, standing for public or private office, and provision of insurance (unless based on actuarial studies). The requirement for HIV testing as a pre-requisite for obtaining employment or accessing health care or education is also prohibited.

"The denial of, or unfair treatment in, the provision of insurance unless supported by actuarial studies is also considered as discrimination," Irdai said.

India has the world's third largest number of HIV/AIDS affected individuals. According to Policy Bazaar, despite such a huge number of patients, general and health insurers, excluding Star Health, have not yet taken any initiative in fighting AIDS. Most of the insurers treat HIV/AIDS as an exclusion to the policy. Others deny them the cover altogether. Even those who give a coverage slap them with a high premium. Unlike other conditions, HIV/AIDS as a pre-existing condition is not covered even after enduring the waiting period and remains an exclusion, the aggregator said.

"With a frequent string of illnesses and infections, living with HIV/AIDS can be quite wearisome. On that, most of the insurers give these people a hard time getting a decent health insurance cover. More often than not, their application for a health insurance cover is turned down," it added.

The Irdai's direction will force insurers to provide cover to HIV/AIDs patients hereafter.

Source

TOP

Cover for mental ailments still 6 months away - The Hindu Business Line – 10th October 2018

Insurers are working on health policies that will cover mental ailments, but these could take at least six months to hit the market.

Currently, there are no policies that cover hospitalisation or in-patient treatment for those suffering from mental ailments, although there are some policies that give benefits for outpatient department (OPD) treatments.

Most insurance companies are still designing policies to cover mental illnesses, and are working out the pricing for such policies.

"We are working on various formats, and we have to make changes to the current product design. This will then have to be approved by the regulator before it can be rolled out for customers," said Nikhil Apte, Chief Product Officer, Product Factory (Health), Royal Sundaram General Insurance.

Ashish Mehrotra, Managing Director and CEO, Max Bupa Health Insurance, said the company has introduced a behavioural counselling feature in its Go Active plan, which offers telephonic counselling to customers dealing with any form of stress or mental anxiety.

"It is yet to be seen how insurance companies will integrate features or design new products to meet the requirements of people dealing with mental health-related conditions. It is definitely a step in the right direction," he said.

Nearly two months ago, the Insurance Regulatory and Development Authority of India (IRDAI) had directed that insurers should make provision to cover mental ailments on the same basis as is available for the treatment of physical diseases. The move follows the enactment of the Mental Healthcare Act, 2017, which provides for mental healthcare and services for persons with mental ailments.

According to industry sources, possible models for such covers could include an add-on to the existing policy, a four-year or even a six-year criteria before the benefits kick in, a sub-limit or a co-pay design, or even a health and wellness tie-up. Insurers underlined the lack of proper statistics on mental diseases as one of the key challenges in designing policies and determining prices.

"Given the stigma around mental illness, hardly anyone suffering from it openly declares it. So, there is no data on this to help in pricing policies."

However, since only a small proportion of the people suffering from mental ailments require hospitalisation, one health insurer said the premium is likely to rise by about 5 per cent.

Another issue that many insurers are understood to be looking at is whether self-inflicted injuries, due to mental illness, would be covered under the policy.

Source

TOP

House panel to look into implementation of Ayushman Bharat - The Hindu Business Line – 8th October 2018

A parliamentary panel will examine the implementation of the Narendra Modi-led government's flagship healthcare scheme Ayushman Bharat and may call top Health Ministry officials to brief its members on the programme.

The Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) has two broader objectives -- creating a network of health and wellness infrastructure across the country and providing insurance cover of Rs 5 lakh per family annually benefiting more than 10.74 crore families.

The Parliamentary Standing Committee on Health, headed by Samajwadi Party leader Ram Gopal Yadav, has decided to examine the implementation of the scheme.

Besides it, the panel will also look into the functioning of AIIMS and other such institutions, and affordability of cancer and Duchene muscular dystrophy (DMD) treatment.

Ayushman Bharat was launched by Prime Minister Narendra Modi from Jharkhand on September 23. Since its roll-out, over 50,000 poor people have availed benefits of the scheme, touted as the world's largest health insurance programme, Union Health Minister J P Nadda had said.

The PMJAY will provide cashless and paperless access to services for the beneficiary at the point of service.

The scheme will target poor, deprived rural families and has identified occupational category of urban workers' families -- 8.03 crore in rural and 2.33 crore in urban areas -- as per the latest Socio-Economic Caste Census (SECC) data.

Over 14,000 hospitals, both public and private, have been empanelled for the scheme, and as many as 32 states and union territories have signed MoUs with the Centre and will implement the programme.

Telangana, Odisha, Delhi and Kerala are among states which have not opted for the scheme.

Source

TOP

Ayushman Bharat can be a model to develop low cost healthcare systems in other parts of the world: GE Healthcare - The Economic Times – 8th October 2018

GE Healthcare, one of world's largest medical device company is closely watching the developments of the Ayushman Bharat, as it thinks if this scheme succeeds it can be a model to develop low cost healthcare systems across the developing world. Kieran Murphy, CEO and President of GE Healthcare who is in India for the first time after taking charge of the company last year, said that as governments across the world look at getting the most out of their systems, the company is working towards developing products that drives healthcare productivity at lower cost.

The flagship insurance scheme of the current NDA government that promises to cover 40 million Indians with a insurance cover of Rs 5 lakh, has attracted the likes of all healthcare providers who are hoping to cash on with their solutions to the massive healthcare scheme. GE is no different.

"As we look at Ayushman Bharat, I think this starts to work, we can really develop systems around healthcare that can drive down cost, it is going to be extremely powerful for healthcare around the world", Murphy said. The one year old CEO of the $20billion medical device company is in the middle

of a spin off as it fights off competition from its rivals like Siemens and Phillips among others in its imaging business.

As part of its growth strategy in India, which is one of the top five markets for the company GE is looking at bringing in low cost devices in partnership with the government research bodies. GE is catching up with the political developments across the world regarding healthcare, where governments are looking at different ways to drive down health care costs.

Localisation is an important part of GE's business, Murphy explained as it looks to bring variable cost in India to drive cost and improve productivity.

Part of this strategy is an collaboration that the company has entered with SAMEER, an R&D unit under Department of Electronics and Information Technology on research, design and development of a 1.5T MRI platform. The clinical trial is expected to start by end of 2019. SAMEER has received a funding of $6 million from the government to build the first prototype. This is first of its kind industry collaboration for the research body that is based out of IIT Bombay.

"We create capacity in an industry that is growing through huge amount of change in developing world where you are going to see 1 or 2 billion people in the next 10 years entering, effectively a brand new market for healthcare". Every single government around the world is looking at bringing down cost of healthcare. That is why scale of GE is helpful for us, because we can talk to governments across the world about how we can use initiatives of GE to improve productivity", Murphy told ET.

One of the key aspects of India healthcare market according to GE is how healthcare providers are looking at ways to squeeze cost out of every procedure- right from a complex heart surgery or through diagnosis. Some of our customers that we met, Murphy said are masters in trying to drive productivity. "This is interesting for us because, as you think about GE, I want you to think about highly productive capacity of healthcare system which is under huge pressure to reduce cost". With $120 million investment in product development in a decade in India, the next growth the company is betting on besides devices is from India's life sciences industry. As large Indian drug makers embark on their drive to manufacture biosimilar and complex vaccines, GE is hoping to ride on this next wave.

Source

TOP

Ayushman: With ceiling price not clear, insurers still unsure of claims burden - The Hindu Business Line – 8th October 2018

The uncertainty around the national ceiling price, which is yet to be disclosed by the Centre, can make it difficult for insurance companies to price their risk correctly under Ayushman Bharat —National Health Protection Mission (ABNHPM) scheme. The extent to which they may have to bear the excess claims burden remains unclear.

While the premium-sharing ratio between the Centre and the States has been set (60:40 in States other than the seven North Eastern and three Himalayan States), the burden sharing of excess claims amount remains uncertain.

Under the existing guidelines on 'Sharing of Excess Claim Settlement Amount', if the claim settlement ratio (ratio of claims incurred to net earned premium) exceeds 120 per cent in case of category A States and 115 per cent in case of Category B States, the excess amount over and above this threshold will be shared equally between the insurance company and the government (between the Centre and State in the premium-sharing ratio).

But the extent to which the Centre shares the excess claims will be limited by the national ceiling price when it is determined. If the ceiling price is set low, the insurance company may have to bear a higher burden.

Few insurance players

For Ayushman Bharat, only eight States have opted for the pure insurance model so far. Under this, the premiums are paid to the insurance company that administers and pays the claim. Insurance players participate in the tender process for each State and the lowest bidder is awarded the contract. Of the 25 insurance companies (which participated in multiple meetings with the Centre), only 10 have come on board so far.

Given that this is the first time a health scheme of this size and scale is being launched in the country, insurance companies may be selective in underwriting the risk, as loss experience is yet to be seen. Both underpricing and over-pricing can hurt insurance players.

Insurance players explain that while underwriting a product, the most critical component remains the historical data of that segment for which underwriting has to be done. In the case of Ayushman Bharat, due to lack of clarity on the national ceiling price, sustainable pricing becomes more challenging for underwriters.
"We are yet to determine and disclose the national ceiling price which will vary from State to State. At this point, it is important that premiums are market determined and not swayed by the ceiling the Centre fixes," says Dinesh Arora, Deputy CEO, National Health Agency (NHA).

Only 8 States have adopted the insurance model under Ayushman

Insurance Mode (8 States)	**Trust Mode** (17 States)	**Hybrid Mode** (7 States)* – Insurance co
Meghalaya	Andhra Pradesh	Chhattisgarh -
	Tripura	Religare Health
Mizoram	Arunachal Pradesh	Gujarat -
	Uttar Pradesh	Oriental Insurance
Nagaland	Assam	West Bengal -
	Uttarakhand	Religare Heath and
		IFFCO Tokio
Dadra & Nagar Haveli	Bihar	Rajasthan
	Lakshadweep	
Daman & Diu	Goa	Jharkhand -
	Andaman & Nicobar	National Insurance
Jammu & Kashmir	Madhya Pradesh	Maharashtra -
	Chandigarh	National Insurance
Puducherry	Manipur	Tamil Nadu -
	Karnataka	United India Insurance
Punjab (likely)	Sikkim, Haryana	
	Himachal Pradesh	

*₹50,000- ₹1lakh claims under insurance model and the balance under trust mode

Trust model

Under Ayushman, 17 States have chosen a trust-based model so far. In a trust based model, each State will form its own trust to manage the scheme, and claims will be disbursed from a corpus created from Central and State government contributions.

"A trust model offers flexibility and has low probability of rejection rate, which is critical at this stage for Ayushman," says Arora.

However, he adds that while the health scheme should move to the trust model over the long run, it will take time for States to build capacity and gain experience. Until then, adopting an insurance model, where the risk is ring-fenced and to some extent fraud prevention is taken care of, will be important.

"States need to build in anti-fraud cells. The NHA has issued guidelines in this context," adds Arora. Market players also opine that risks need to be realistically priced, which will happen under the insurance model and will be critical to set benchmarks for the future.

Source

TOP

Centre tells States to protect patient data under Ayushman Bharat scheme -The Hindu Business Line – 8th October 2018

Cases of patient privacy violations have cropped up in India's most-ambitious public health insurance scheme, Pradhan Mantri Jan Arogya Yojana, also known as Ayushman Bharat. In at least two cases, patient records were posted on Twitter by an Assam-based minister and a senior bureaucrat of the National Health Agency (NHA), which is implementing the scheme, creating an uproar among social-media users.

After the faux-pas, the CEO of Ayushman Bharat, InduBhushan, sent out a circular to the Chief Secretaries of all States, asking them to follow strict protocols regarding patient data safety. "We cannot control how politicians act; however, we have sent out a communication to all Chief Secretaries to ensure that patient data and records are not compromised," Bhushan told *Business Line*.

On September 24, a day after the scheme was officially launched, the minister and bureaucrat under question posted patient records, including their names and golden card numbers on Twitter. After being trolled with statements such as, 'Much violation of patient privacy?' and 'Please stop posting patient data which has sensitive information of the card number possibly linked to #Aadhar in public', the tweets were taken off from public view.

"We have made sure that those tweets are deleted," said Bhushan.

Aadhar linking

After the SC judgement on Aadhar, Bhushan said that the stand on sharing Aadhar-related patient information under Ayushman Bharat has been cleared. "Earlier, we were not sure if linking Aadhar data would be allowed, but SC has cleared the air. We will certainly not deny any patient emergency health

services for lack of Aadhar as it is the matter of his/her life and death. But for elective cases which can wait, we will ask the patient to get Aadhar card made to seek Ayushman Bharat services," he said.

Bhushan also reiterated that patient's Aadhar data is confidential, and will not be shared to a third party. This was with regard to the concerns raised about India Stack services, which are E-KYC mechanisms used by private service providers based on Aadhar data, and a proposal of NitiAayog to base National Health Stack on India Stack and Aadhar. "We will not share Ayushman Bharat data with health stack," said Bhushan.

Until September 15, up to Rs2,000 crore has been disbursed from the Centre's coffers to various States. "Another Rs4,500 crore will be disbursed by December later this year from the Central funds," said Dinesh Arora, Deputy CEO of Ayushman Bharat.

Source

TOP

Buying insurance isn't enough. You need to build separate healthcare corpus - Business Standard – 7th October 2018

While health consciousness is at an all-time high, the incidence of critical medical ailments has also surged. The rising cost of healthcare, too, has become a major cause for concern. To keep diseases at bay, people nowadays take all possible preventive measures, such as eating right, exercising and practising Yoga and meditation. However, one crucial aspect that still does not receive due attention is effective financial planning to meet healthcare exigencies.

Need for a health financial plan

Healthcare costs have been rising exponentially across the globe. These costs alone have pushed around 55 million Indians below the poverty line. To make healthcare affordable, the government has announced the Ayushman Bharat scheme to provide cover of Rs500,000 per family per year to 100 million vulnerable families. Discussions around this scheme have brought the spotlight back on the spiralling cost of healthcare in India.

The National Health Accounts released in October 2017 stated that Total Health Expenditure (THE) in India was around Rs 4,832.59 billion in 2014-15. Of this, 62.6 per cent or Rs 3,024.25 billion was out-of-pocket expenses borne by households. With insurance providers covering just about 1.5-2 per cent of total healthcare expenditure, Indian households have to dig into their savings to cover the rest. Cases, where families resort to borrowing, after exhausting all their savings to foot medical bills, are quite common. It is, therefore, wiser to be prepared for unforeseen medical contingencies by setting up a separate health corpus.

Apart from providing you with the ability to withstand escalating medical expenses, a dedicated financial plan for health will also ensure financial independence in old age. Post-retirement, 90 per cent of Indians rely on their savings to meet their expenses. Even if you take all possible measures to stay fit and healthy, a few medical conditions are common with advancing age. If your savings are not sufficient to meet these costs, you may have to rely on your children for financial support. Planning your finances

well will ensure that you live with dignity and independence even after retirement. Below are a few steps you can take to ensure that you never have to compromise on your healthcare needs.

Create a fund

A World Bank report points out that 800 million people in India spend at least 10 per cent of their household budget on health expenses. While you have an active source of income, you have the means to meet these expenses. But how will you take care of them post-retirement? Any unpredictable medical exigencies could prove to be a drain on your current resources. Hence, you should build a separate fund that can be used to meet health emergencies and to take care of post-retirement health expenses.

First, calculate your annual healthcare expenses. You can arrive at this figure by adding your expenses for visits to doctors, preventive check-ups, consultations and medicines. Aim to create a corpus equal to at least five times this amount. You should also factor in your lifestyle to add additional expenses like childbirth, gym memberships, physiotherapy sessions and the cost of treating any hereditary disease. The resultant sum is the minimum figure that you must accumulate in your health fund. Understandably, building this fund will require time and dedicated effort.

Health fund is not a retirement fund

A retirement fund is created to maintain a certain quality of life once your income dries up. Medical and health expenses can result in a serious drain on your retirement funds. If you build a separate health fund, it will serve as a cushion post-retirement and ensure that you do not have to adjust your lifestyle due to medical expenses. Make sure that you do not compromise on the size of one fund to build another. If you have decided to invest 'X' sum for retirement and 'Y' sum for health, stick to it.

Invest to build the health fund

To build a corpus for health-related needs, adopt a systematic investment approach. Set aside a certain sum of money every month that can be invested in a mix of equity and debt instruments. Mutual funds are a good option that can diversify risk while offering sound returns. Use liquid funds to ensure liquidity along with capital protection. It would also be smart to opt for some long-term investments that discourage withdrawals in the short-term. This will ensure that you accumulate enough resources for the later years of your life without getting thrown off the track by short-term expenses. Options like Public Provident Fund (PPF) and National Pension Scheme (NPS) are good choices for locking in funds for a longer period at higher returns. PPF allows partial withdrawal after five years, while NPS funds are also meant to be accessed after retirement. The payoffs from these investments can be allocated to your retirement and health funds based on your discretion.

Health insurance is a must

There is a mistaken belief among many people that health insurance is only for old people. However, medical or health emergencies are not age bound. Every earning person should buy health insurance. In the absence of an insurance policy, a single medical emergency can exhaust all your savings, and in

some cases even your emergency fund, which in turn would have a cascading effect on the quality of your life.

A few points must be kept in mind regarding health insurance. Do not rely solely on insurance cover from your employer as the amount may be inadequate. Moreover, this cover ceases once you move out or retire. Buy health insurance early as the premium tends to get higher with age. Decide on the health policy based on your requirements and that of your family. Opt for floater policies if you have dependants. Read the fine print thoroughly to gain clarity on illnesses covered, hospital network included, and so on. Compare policies before selecting the one that is right for you. You can increase the cover on your existing policy or buy another one without discontinuing the earlier one.
Pay attention to wellness

Finally, pay attention to maintaining good health. Not only will this prolong your lifespan, it will also contribute to your personal happiness. A number of smart apps have now made it easy to track one's diet and exercise regimen. Staying healthy not only reduces the risk of major ailments but can also result in lower insurance premiums. Many health insurers are now linking their policies to the insured's fitness level to encourage the adoption of a healthy lifestyle. Also, learn to manage stress by practising Yoga and meditation.

By taking a few conscious steps now, you can ensure both health and wealth for yourself at the later stages of your life.

Essential constituents of a healthcare plan
Use SIPs of a mix of equity and debt funds to build a healthcare corpus
NPS and PPF are other products you can use to create a long-term corpus
Make sure that you do not compromise on the size of your retirement fund to build a health fund
Also buy a personal health insurance policy instead of depending only on your employer's cover
Maintaining good health can help you lower your insurance premium

Source

TOP

CROP INSURANCE

Insurance cover for crop damage by animals too - The Tribune – 8th October 2018

The Union government has decided to cover damages to crops in wild animal attacks under the Pradhan Mantri Fasal Bima Yojna in select districts on an experimental basis, Agricultural Minister Radha Mohan Singh has said.

"The damage to agricultural crops in attacks by wild animals will be covered under the Pradhan Mantri Fasal Bima Yojna (PMFBY) in one or two districts under a pilot project," Union Agricultural Minister Singh said.

Several parliamentarians have been raising this issue and demanding insurance cover for damages to the crops in animal attacks under the Centre's scheme.

Singh said damages to individual or limited number of cultivators in localised events like water logging, land slide, hailstorms etc did not fall under the ambit of the Centre's crop insurance scheme earlier, but they too are being covered now under new provisions. — PTI

Source

TOP

MOTOR INSURANCE

Will higher premium dampen demand for two-wheelers this festival season? - The Hindu Business Line – 11th October 2018

It is not just spiralling fuel prices and rising lending rates that could play a dampener on the sales of two-wheelers and cars this festival season.

Higher insurance costs could also play spoilsport, though a recent clarification by the insurance regulator – limiting the period of compulsory personal accident cover – could help cool prices.
A recent report by rating agency ICRA revealed that insurance costs have increased by 10 per cent to 19 per cent while buying a two-wheeler after the recent change in motor insurance policies.

The Insurance Regulatory and Development Authority of India recently increased motor third-party cover period from one year to five years for two-wheelers, and to three years for cars.

It has also increased the personal accident cover from Rs. 1 lakh to Rs. 15 lakh. "The changes in insurance guidelines have led to an increase in the on-road price of a two-wheeler across segments. The escalation in acquisition cost of the vehicle varies from 15 per cent to 19.5 per cent for a 100cc motorcycle to up to 10 per cent to 13 per cent for a 500cc motorcycle," said Anupama Arora, Vice-President and Sector Head, ICRA, adding that higher fuel prices and increased interest rates have resulted in ownership costs rising by 12 per cent since January this year.

Typically, many people wait for the festival season – Navratri or Diwali – to make big purchases such as white goods and automobiles.

However, insurers believe that the amendments to motor insurance introduced by the IRDAI were much needed, and insurance costs *per se* do not play a role in deciding when to purchase a vehicle.
"It is not only insurance costs, but other factors such as fuel prices and lending rates have also increased. Enhancement of the long-term motor third-party insurance and compulsory personal accident cover are unlikely to play a significant role when people got to buy two-wheelers or cars," said Gurneesh Khurana, President and Country Head- Motor Business, Bajaj Allianz General Insurance.

An executive with another general insurer pointed out that the long-term motor third-party policy means that they are insulated from annual increases in premium of third party and own damage motor insurance policies.

IRDAI clarification
The IRDAI also recently clarified that it is the choice of the owner-driver to opt for a one-year compulsory personal accident cover (CPA) or long-term CPA cover, and that insurers should not compel owner-drivers to go in for long-term package policy or long-term CPA cover.

"All insurers are hereby directed to ensure that they necessarily offer the choice of one-year CPA cover to an owner-driver," it has said.

Analysts said this will also help lower costs for motor insurance.

"A steep hike in the insurance cost had started hitting the sales of new two-wheelers. Hence, it is a big relief for two wheelers OEMs," said Awanish Chandra and Vikas Rajpal of Centrum Broking.

Source

TOP

Premium up, upfront cost of car cover has doubled from September – The Times of India – 11th October 2018

Two-wheeler buyers have to pay nearly 10% of the vehicle's price upfront towards insurance premium, while car-buyers are seeing the cost of motor cover double from last month. The premiums have jumped up significantly thanks to two court orders: The first makes purchase of a long-term, third-party insurance cover mandatory, while the second forces vehicle owners to buy a Rs 15 lakh personal accident cover, which is priced exorbitantly by insurers.

Anyone buying a two-wheeler must purchase a five-year, third-party cover, and an annual personal accident cover. This is in addition to a comprehensive cover that is sold at the time of purchase of the vehicle. As a result, for a 150cc bike costing Rs 75,000, the insurance premium would be Rs 7,600. In the case of cars, the owner must pay premium for three years of third-party insurance and an additional Rs 750 towards a personal accident cover.

'Some terms of insurance are not properly worded'

For cars, a three-year, third party insurance and additional personal accident cover is in addition to the comprehensive cover sold by the dealer. For the buyer of a car with engine capacity of over 1,000 cc, the payout towards insurance has doubled to nearly Rs 20,000 from Rs 10,000 earlier.

Last week, IRDAI clarified that the personal accident cover can be paid in instalments. However, insurance industry sources say that the rates are very high. Under the Pradhan Mantri Suraksha Bima Yojana, many non-life companies provide a personal accident cover of Rs 2 lakh for a premium of Rs 12. As against this, the prescribed Rs 750 premium for a Rs 15-lakh personal accident cover works out to Rs 50 per lakh.

According to Segar Sampath Kumar, former general manager at New India Assurance, there is also a need to change the term of the cover. The policy as it stands says that compensation will be paid for bodily injury or death sustained by the owner-driver of the vehicle in direct connection with the vehicle insured or while mounting into/dismounting from or travelling in the insured vehicle as a co-driver.

"The phrase 'in direct connection with the vehicle' is not properly worded. Whether the owner would get covered if he rides pillion on his two-wheeler or as a passenger in his car is not clear," he said. Also, the term co-driver is neither defined in the policy nor in the Motor Vehicles Act.

Source

TOP

Important watch outs while filling motor insurance claim form - The Economic Times – 11th October 2018

Meeting with an accident involves a lot of mental agony, but much of the ordeal begins after that. The damaged vehicle has to be towed to the garage for repairs and the communication between the owner and the insurance company begins.
Make sure you start the claim settlement process as soon as possible. Although a delay will not result in a refusal of claims, it will take that much longer to get the claim settled. "With the new IRDAI (Insurance Regulatory and Development Authority of India) circular, insurers cannot reject the claim because of delay of submission of documents. Though for smooth experience, try to submit the documents within 7-10 days," informs Animesh Das, Head of Product Strategy, ACKO General Insurance.

It is important to consider few things when it comes to filling the claim form, filing it, and settling the final claim with the insurance company.

Visit to the garage

It is advisable to call your insurer first and then take your car to the nearest network garage for settlement. The form is available with the authorised dealer or garage or one can download it from the insurance company's website. "Also, obtain a document proof from the garage that you have sent the car for repair along with the fair estimate of the expenses to gauge that the amount will be covered in your insurance policy," explains Tarun Mathur, Chief Business Officer, General Insurance, Policybazaar.com.

Filing up the claim form

Mention all details related to your car damage. Also, mention the details of the bills incurred for the repair of the car. There could be medical bills also. "If your claim includes medical expenses from injuries from the accident, you may be asked to sign a waiver to grant permission to your car insurance company to access your medical records," says Mathur.

Watch-outs before signing final settlement

The actual claim amount that you are expecting may be different from what the insurer agrees to pay up. "Make sure that the final amount is as per the policy benefits which you have paid for. Few insurers deduct salvage cost, you should avoid such deductions. Also, insurers apply their standard rates of repair, and not the actual garage cost, thus increasing your share of loss, this should be avoided. Make sure to ask the insurance company's representative to explain every line item of the claim sheet. Keep a record of it with you for future reference," cautions Das.

Regulator's take

IRDAI, as the regulator of the insurance industry, often hauls up insurance companies by sending them show cause notices for not adhering to the laws and provisions and then follow up with its own Order. This can be accessed on IRDAI's website.

In such instances, this is what the insurer's typical response in writing to the regulator is- "Many claims were negotiated, discussed with the claimants. The discharge voucher signifies the consent of the claimant. Negotiation of the claim was due to the errors and omissions of the customers. Instead of rejecting the entire claim for violation of terms and conditions of the policy, the claim was negotiated with the claimant and consent was obtained for the reduction in the claim amount. This was done with an intention to help the customer."

And this is how the regulator's observation to the above charge has been (there have instances where IRDAI has had to penalise the insurer) - "I do not agree that merely obtaining a consent letter from the claimants would indicate that the IDV (insured declared value) was mutually negotiated and discussed, leaving aside the legality of such negotiation and discussion to reduce the IDV on grounds not on record. The recording in the claim note is that by negotiation, certain amount has been saved. This only goes to show the intent of the company to save money rather than settling the claim on merits."

IRDAI has been strict in such cases and goes on to add, "Also, there is no transparency about what can constitute a non-standard claim and the amounts deducted from the IDV in various cases seem to have been made arbitrarily. Further, relevant guidelines have been violated to the extent of having been non-transparent regarding deductions made from the claims."

Getting a legal notice

At times, when the accident involves a third-party and you have received a legal notice for settling claims, you need to be careful. "Go through it properly and send it to your insurer and discuss in detail

before signing the document. If you have an attorney, then consult him or her before signing the documents related to your claim settlement," suggests Mathur.

What you should do

The insurer's objective will be to make you sign on the dotted line without any objections to the amount of claim. Here is a word of caution: "While insurance companies must treat you fairly, keep in mind that they profit by collecting premiums and minimizing claim payments. A quick and inexpensive settlement is ideal for the insurance company, so be wary of accepting the initial offer," says Rakesh Goyal, Director of Probus Insurance.

Source

TOP

New motor rules hike insurance cost of a new car substantially - The Economic Times – 10th October 2018

Owning a car or bike has become costlier than before. This is thanks to the increase in insurance cost over the past year.

The Insurance Regulatory and Development Authority of India (Irdai) has introduced two new sets of rules where the total outflow towards insurance has gone up. Sample this: The first year insurance cost for a car of capacity of over 1500 cc, say a Hyundai Creta, has gone up from about Rs 23,897 to nearly Rs 45,804 or even higher - an increase of Rs 21,907.

"The cost will definitely be impacted as customers will now have to buy the (third-party) policy for a longer term, i.e., 3 years in case of a car and 5 years in case of a two-wheeler. Along with this they will also have to get a mandatory PA (personal accident) cover for the owner-driver worth Rs 750. This will give a push to the overall cost of premiums," says Tarun Mathur, Chief Business Officer- General Insurance, and Policybazaar.com.

Rule 1: Pay motor third-party insurance upfront

The first reason is because Irdai has asked the insurers to offer only 3-year Motor Third Party insurance cover for cars and 5-year covers for two-wheelers. The premium has to be collected for the entire term (three years or five years as the case may be) at the time of getting insurance. This means instead of paying annual third-party premium, it has to be paid as a lump sum in the initial year and again only in the beginning of the fourth year. Noticeably, it's only the third party premium that needs to be paid as a lump sum, while the own-damage premium may be paid either annually or as a lump sum.

To whom it applies: The upfront payment rule will apply only for cars and two-wheelers if it is purchased after September 1, 2018. On older vehicles, the option to pay annual premium continues.

Impact: As can be seen in the table below, for car models such as ALTO 800 (Not exceeding 1000 cc), the buyer now has to pay Rs 17,132 (own damage 1 year) or Rs 30,142 (own damage 3 years), instead of Rs 10,541 annually earlier. It may also be noticed that instead of paying Rs 31,623 (Rs 10541

for 3 years) the upfront payment is now Rs 30,142, a savings of almost Rs 1,400. However, this advantage is not available for higher capacity car models.

Impact of new motor insurance rules: How insurance cost has gone up

Impact of new motor insurance rules : How insurance cost has gone up			
Not exceeding 1000 cc - Models such as ALTO 800			
	Purchased before Sept 1,2018*	Purchased after Sept 1,2018	
	1 year OD + 1 year TP	1 year OD + 3 year TP	3 year OD + 3 year TP**
Insured decalred value (IDV)	279123	279123	279123
Third Party (TP) Premium	1850	5286	5286
Own Damage (OD)	6983	6983	18008
PA Cover For Owner Driver^	100	2250	2250
GST	1608	2613	4598
Total premium outgo (Incl of GST)	10541	17132	30142
Exceeding 1000 cc but not exceeding 1500 cc - Models such as Honda Amaze			
	Purchased before Sept 1,2018*	Purchased after Sept 1,2018	
	1+1	1+3	3+3**
Insured decalred value (IDV)	428602	428602	428602
Third Party (TP) Premium	2863	9534	9534
Own Damage (OD)	5628	5628	14515
PA Cover For Owner Driver^	100	2250	2250
GST	1546	3134	4734
Total premium outgo (Incl of GST)	10137	20546	31033
Exceeding 1500 cc - Models such as Hyundai Creta			
	Purchased before Sept 1,2018*	Purchased after Sept 1,2018	
	1+1	1+3	3+3**
Insured decalred value (IDV)	891102	891102	891102
Third Party (TP) Premium	7890	24305	24305
Own Damage (OD)	12262	12262	31622
PA Cover For Owner Driver^	100	2250	2250
GST	3645	6987	10472
Total premium outgo (Incl of GST)	23897	45804	68649
** 3 year TP & OD premium to be paid upfront as lumpsum for 3 years for vehicles purchases after Sept 1,2018			
All figures in Rs. ^ Rs 750 may be paid annualy instead of Rs 2250 as lumpsum Source: Policybazaar			

Remember, based on the capacity of the car or two-wheeler, the third-party premium rate is fixed and notified by Irdai at the start of a financial year. Post the new rule introduced mid-year, the tariff has been revised (till March 31, 2019) for purchases made after September 1, 2018.

Rule 2: Premium, coverage hiked for compulsory personal accident cover for owner driver

The second hit was the decision announced by Irdai it increased the compulsory personal accident cover for owner driver under motor insurance policies from Rs 2 lakh to Rs 15 lakh. Earlier, personal accident cover (PAC) was capped at Rs 1 lakh for two-wheelers and Rs 2 lakh for private or commercial cars. The premium charged for two-wheelers and cars was Rs 50 and Rs 100 excluding the taxes, respectively.

Now, Irdai has asked insurers to provide a minimum cover of Rs 15 lakh under PAC for owner-drivers for both two-wheelers and cars each at the premium rate of Rs 750 per annum for annual policy.

To whom it applies: This rule applies even on the existing policyholders.

Impact: It is the choice of the owner-driver to opt for a one-year PAC or long-term PAC and insurers cannot compel owner-drivers to go in for long-term package policy or long-term PAC policy. IRDAI has directed insurers to ensure that they necessarily offer the choice of one-year PAC to an owner-driver.

The variants

Among the two types of car insurance in India, the third-party (TP) car insurance, which is a mandatory a cover, serves to protect the insured from claims arising from a third party, when the insured's vehicle is at fault. This cover will pay for any fiscal liability and will also take care of any legal repercussions

that arise out of the accident. Elsewhere, a Package Policy or a Comprehensive Policy covers loss or own damage (OD) to the vehicle insured in addition to all the covers provided by a third-party policy.

What you should do

On new purchases, there's no escape but to pay the TP premium as a lump sum, but you do have the the option to pay the OD premium either as a lump sum for three years or annually. Competition among players may keep the OD rates at bay, hence choosing to pay annually may help. However, consider the discounts offered to evaluate the buying decision.

The discount on the PAC may also work in your favour if the long term policy is chosen. So, unlike in the past, buying car insurance has become more evolved and you will have to get the quotes from various insures and portals to compare them before taking a decision.

Source

TOP

Amended insurance regulations to impact two-wheeler industry: ICRA – The Pioneer – 8th October 2018

The recent changes in motor insurance policy for the victims as well as the vehicle owner in case of a mishap is a positive but it has led to significant increase (10-19%) in the cost of acquisition of two-wheelers. The policy changes are brought on by un-safe road conditions in India over the years, which culminated in judicial directions by the Hon'ble SC and HC of Madras respectively to a) increase in third party cover (TPC) from one year to five years and; b) increase in personal accident cover (PAC) from Rs 1 lakh to Rs 15 lakhs.

In the past OEMs used to offer various promotional offers giving free insurance to buyers on select models-select region basis, which were discontinued from September 2018. However, with select OEMs introducing innovative offers recently – covering part of the insurance cost- other OEMs may follow suit.

Source

TOP

OPINION

Travel insurance for senior citizens with pre-existing diseases – Financial Express – 9th October 2018

International travel is gaining quick popularity among senior citizens in India. As per a recent media report, the number of senior travellers in the travel and tourism industry has grown by 15% in the last one decade. Moreover, by the end of year 2030, there will be over 7.3 million outbound senior travellers from India alone.

But, there is a dark reality – old age is a rather conflicting phase of life. Though one may have enough time than ever to do anything and everything in life, the body may not allow enjoying all the adventures. Adding to it is a recent report that claims only one in five people get the required travel insurance

because of their pre-existing health problems. However, even if you have a disability or suffer from a pre-existing disease, it should be no bar to enjoying a trip abroad.

Thankfully, with numerous travel insurance plans available in the market, you can certainly ensure your parents' well-being while they are travelling abroad. Moreover, having a pre-existing medical condition doesn't mean that your travel insurance has to be expensive. Rather, it simply means that you need to dig a little deeper when doing your research.

So, what you need to learn is, if you or any of your family members suffer from a disability or pre-existing medical condition, there are a few things to be aware of when zeroing on travel insurance.

Pre-existing Disease Cover – All You Need to Know

Most of the travel insurance plans have an exclusion component for pre-existing medical conditions, which means you are not covered for a pre-existing disease when travelling outside the country. Usually, a pre-existing medical condition includes critical illness, injury, disease or any other medical condition that occurs prior to the travel dates.

However, in order to make sure that a pre-existing disease does not bars you from enjoy a trip abroad, many insurers have introduced dedicated plans that cover costs relative to pre-existing medical conditions. Under this cover, the insured is offered a waiver to the exclusion. In simpler words, having a pre-existing coverage in effect means that the medical coverage provided to you by your insurer remains completely active as the pre-existing exclusion is waived.

Know Your Medical History

The most important thing to learn before zeroing on a travel insurance that covers pre-existing diseases is that each insurer has different terms for covering pre-existing conditions. While some insurers may ask for last 10 years medical history, others may just ask for the past six months history. It is advised to read the terms and conditions of the insurer to check how much medical history one needs to disclose. Also, the conditions covered and additional costs that apply vary between different insurers and policies.

Tell Your Insurer

We all know that medical costs outside India can be very expensive and especially if you are on a holiday. To avoid getting trapped in a situation where you have to pay hefty hospital bills, you must let your travel insurer know of any pre-existing medical condition that you have. In case you fail to provide this information to your insurer before buying the policy, you may be left facing a massive medical bill when you make a claim. Most of the travel insurance providers have a long list of pre-existing medical conditions that they cover for free. However, if in case you have a pre-existing medical condition not listed with the insurer, you may be still able to get cover for an additional premium.

Typical Conditions That Need To Be Assessed

Some of the typical conditions that need to be assessed by the insurer before buying travel insurance include heart problems, related problems such as coronary angiography for checking if you have a

pacemaker or if you have suffered from a stroke, epilepsy, deep vein thrombosis or related condition in the last two years. However, there are some conditions that insurers may not cover including terminal illness, awaiting surgery, chronic lung disease, cardiovascular disease, certain types of cancer and congestive heart failure.

Know the Facts

First, not all travel insurances are created equally as each comes with a different set of benefits and terms. While some will have more generous wording around the medical part of the policy, others may mostly talk about the lost baggage or cancellation policy. Second, it is important for you to be completely honest about your medical history and disabilities, when filling your travel insurance medical declaration form. It may seem alluring to leave such information in order to secure a lower premium. Doing so gives insurers the prerogative of rejecting your claims or capping the pay outs. People above the age of 60 must learn that the cost of their travel insurance will be higher than people in their 30s.

Getting the Right Travel Insurance

People with some critical illness, such as cancer or heart disease, will find that their insurer charges extra premium for the cover or else they need to struggle to find the required travel insurance. It is always advised to contact the insurer for a special screening process and purchase a well-tailored insurance matching specific needs and requirements. With a medical screening, the insurers can easily understand the stability of a particular condition and whether there has been any deterioration or change in the recent past.

(The author, TarunMathur is Chief Business Officer-General Insurance, Policybazaar.com)

Source

TOP

Japan: Corporate health insurance premiums for elderly need to double

Corporate health insurance unions are facing "quite serious" financial conditions amid the country's graying population, Mr Masahiro Sano, vice chairman of the National Federation of Health Insurance Societies, or Kenporen, has said.

He warned that Japan's universal health care system could collapse unless premiums payable by elderly patients aged 75 or older is at least doubled, according to a report by Jiji Press.

"There have been unions that couldn't hike premiums and had no choice but to dissolve," he said. Currently, people in the so-called late-elderly group pay 10% of their medical bills, with the rest covered by health insurance.

To prevent the universal health care system from collapsing, Sano said that the elderly self-coverage rate should be raised to 20%.

He also said there are two other options: covering elderly medical costs with taxpayer money or further increasing insurance premiums for working generations.

"The root of the problem is the (rising) cost of elderly medical expenses, but there's no prospect for its resolution," he said.

Kenporen, for its part, will promote efforts to help elderly people stay healthy and raise awareness among young people about medical system issues, he said.

Source

TOP

PENSION

PFRDA to review investment norms - The Hindu Business Line – 5th October 2018

Pension regulator PFRDA will review its current risk management guidelines for the pension sector in the wake of the ongoing IL&FS crisis and debt repayment defaults, a top official said.

Although the current concern is only with respect to corporate bonds, the PFRDA plans to review its risk management framework across the investment spectrum.
"In the wake of IL&FS, we will issue fresh guidelines toning up risk management framework. We have to sharpen up a few areas," Hemant Contractor, Chairman, PFRDA, told *BusinessLine*.

Contractor said about Rs20 crore worth investments in IL&FS bonds have fallen due and not honored till date. "This investment amount of Rs20 crore is across several pension fund managers. The amount is yet to become an NPA," he said. The PFRDA will closely look to ascertain if pension fund managers are to be guided only by the credit ratings before going in for investments in pension funds, he added.

Rating factor

"We will take a close look on whether to rely only on credit rating agencies or introduce more parameters for monitoring the investments," he said.

In all, the total exposure of pension monies to IL&FS group is quite minuscule at less than 0.5 per cent of the pension industry's assets of about Rs2.7 lakh crore. "The overall exposure of pension funds to IL&FS is about Rs1,200 crore. Most of the investments are long-term in nature," Contractor said.

He said pension fund managers have been advised to try and exit from IL&FS at the first available opportunity. "Right now they cannot exit as they will have to take a hit since prices have come down. Now that the government has replaced the existing board, we hope IL&FS will recover and we may not be required to take a hit on the rest of the investments," he said.

Other parameters

"Since they (IL&FS bonds) were AAA rated, they were considered to be good risk. Like everybody else we were also surprised how credit rating agencies were not able to catch on to what is happening,"

he said. "Today, market reliance is mainly on credit ratings. We will now take a close look on whether we should rely only on ratings or bring in other parameters."

Contractor highlighted that pension fund managers themselves are required to do their own due diligence before making investments in bonds.

Source

TOP

IRDAI CIRCULAR

Constitution of Working Group to examine the concept of Settlement of Personal Accident and Benefit Based Health Insurance Claims in Installments.

Source

Constitution of Committee for Review of Draft IRDAI (Minimum Information for Inspection or Investigation) Regulations, 2018.

Source

IRDAI circular on HIV and AIDS (Prevention and Control) Act 2017

Source

Compulsory PA Insurance for Owner-Driver under Motor insurance

Source

TOP

GLOBAL

Singapore: Insurance sector receives tripartite guide on human capital practices

The Tripartite Advisory on Human Capital Practices for Insurance was released last week, setting out good human resource practices for the insurance industry in the areas of building a talent pipeline, skills-based hiring, and managing retrenchment responsibly, according to a statement issued by the MAS.

The advisory also encourages insurance firms to support their employees in acquiring relevant skills and transitioning to new job roles, as jobs are being transformed by technology.

The advisory will guide firms to better develop their talent pool and equip their employees with skills to cope with the new demands. It calls on insurance firms to:

- build a strong pipeline of local talent across entry, mid-career and leadership levels;

- adopt inclusive hiring practices which focus on the skills required to perform the job rather than
- setting a strict minimum number of years of experience; and
- assess the impact of technological changes on their workforce, and work with the MAS, Institute of Banking and Finance (IBF), and Workforce Singapore (WSG) to reskill and redeploy their employees into areas of job growth through professional conversion programmes.

Within the financial services sector, the insurance industry forms the next largest employer group after banks. The tripartite advisory is one of the initiatives under the jobs and skills pillar of the Financial Services Industry Transformation Map (ITM).

The advisory is the result of an extensive collaboration involving 10 tripartite partners from the labour movement, employers, and the government. The scope comprehensively covers different segments of insurance firms across the value chain and various business lines.

Ms Jacqueline Loh, deputy managing director, MAS, and co-chairperson of the Financial Sector Tripartite Committee (FSTC), said, "Business and workforce transformation must go hand-in-hand. As the industry embraces technology to deliver better services to customers, employers need to equip their staff with the right skills to enable them to continue to contribute meaningfully and stay engaged in rewarding jobs. The advisory will guide insurance firms on the desired outcomes for our workforce and facilitate the sharing of best practices."

The tripartite partners came from: the MAS, Ministry of Manpower, General Insurance Association of Singapore, Life Insurance Association Singapore, National Trades Union Congress, Reinsurance Brokers Association of Singapore, Singapore Insurance Brokers' Association, Singapore Insurance Employees' Union, Singapore National Employers Federation and Singapore Reinsurers' Association.

Source

TOP

Asia: Region's huge health protection gap driven by China and India

The biggest health protection gaps in Asia are in China ($805bn) and India ($369bn) due to their large populations and lower level of affordability, according to a study by global reinsurer Swiss Re.

A report issued by the reinsurer, titled, "*Asia's Health Protection Gap: Insights for building greater resilience*", shows that both countries have a high share of out-of-pocket expenses—30% in China and 65% in India—which are much higher than that of mature markets globally at 10-14%. In addition, China and India represent more than 75% of total non-treatment cases in Asia, affecting around 32m households.

The health protection gap in Asia reached $1.8trn in 2017, according to the study which compares the health protection gap across 12 Asian markets, namely China, Hong Kong, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Thailand, Taiwan and Vietnam. The gap represents 40m households across Asia foregoing medical treatment to avoid financial stress.

The gap is defined as the amount of insurance coverage needed to avoid the financial stress arising from unforeseen direct medical expenses. The gap could be medical expenses not covered by other

payers such as insurance, social security or government, forcing people to cut back from other household spending (e.g. school fees, bills) or personal savings to fund such unforeseen expenses. Or it could be non-treatment due to lack of financial resources, potentially exposing the households to greater health risks and worsening health conditions.

Across all of Asia, affordability of treatment is cited as the top challenge, over the emotional burden or time required for treatment. The challenge of affordability will only grow, as medical costs are outpacing inflation in all the markets surveyed.

Millennials are among the most vulnerable

Surprisingly, younger people in emerging markets face a higher amount of financial stress than other age groups, with more than half of the gap (53%) attributable to 18 to 40-year olds. This is likely due to a lower level of understanding of the need for insurance, resulting in lower rates of purchase in this age group. Lower income levels and overconfidence about own health conditions also play a role.

Affluent lifestyles lead to increasing chronic conditions

Households managing chronic conditions are another major driver of the gap, accounting for 46%. This share is the highest in the Philippines (77%), followed by China (55%) and Hong Kong (53%) where lifestyle diseases, particularly diabetes, hypertension, and high cholesterol, have been on the rise. The prevalence of chronic conditions is expected to worsen as urbanisation, ageing and income growth continue.

Overconfidence about health and ability to withstand medical expenses

60% of respondents describe themselves as being healthy, but around one third of them said they did not exercise more than once a month. Meanwhile, 61% of daily smokers consider themselves healthy. Self-reported healthy respondents are more inclined to allow medical insurance products to lapse. This trend is especially prominent in emerging markets with 53% of self-reported healthy respondents having allowed their insurance to lapse in the past, compared to 41% of self-reported unhealthy respondents. One possible explanation is that current medical insurance offerings fail to add value to self-reported healthy customers.

"Although Asia has been growing rapidly and people are becoming richer, access to quality and affordable healthcare continues to be a challenge in our society today. This is unacceptable in this day and age," said Mr Robert Burr, managing director and head of Life & Health Client Markets Asia, Swiss Re. "This study identifies the various factors driving the health protection gap across Asia. It's time that all the stakeholders—governments, healthcare providers, insurers/reinsurers and non-profit organizations—work together to find solutions."

Source

TOP

Asia: Region sees billions of dollars of insured losses from Nat CATs in Sep

September saw several natural disasters in Asia, causing billions of dollars of losses for insurers and fatalities numbering into several thousands, according to Aon's Impact Forecasting team in its monthly report titled, "Global Catastrophe Recap: September 2018".

Among the major disasters, Typhoon Jebi made landfall in Japan and prompted widespread wind and flood damage across numerous prefectures. According to the Japan Meteorological Agency, Jebi became the strongest typhoon to strike the Japanese mainland since 1993. Total economic losses were expected to reach well into the billions of dollars. The General Insurance Association of Japan (GIAJ) said that nearly 486,000 insurance claims had been filed. A multi-billion-dollar payout is expected.

Super Typhoon Mangkhut caused widespread impact in the Philippines, Hong Kong, and China. The Category 5 storm left at least 102 people dead. More than 210,000 homes were damaged in the Philippines alone, and further storm surge, wind, and inland flood damage was noted across parts of China, Hong Kong, and Macau. Total combined economic damage and net loss business interruption was expected to reach into the billions of dollars. The local insurance industry in China and Hong Kong cited the likelihood of payouts approaching or exceeding $1bn. Total insured losses, including payouts from physical damage and business interruption to casinos in Macau, were expected to approach or exceed $1bn.

A major magnitude-7.5 earthquake and tsunami caused catastrophic damage across Indonesia's Sulawesi Island on 28 September, leaving an estimated 2,000 people dead and many more missing. Excessive damage resulting from ground shaking and liquefaction additionally caused widespread structural impact. Total economic damage was expected to approach $1bn. Insured losses were likely to be negligible due to very low insurance penetration.

Another strong earthquake struck the Japanese island of Hokkaido on 6 September. Authorities confirmed 41 fatalities and 680 injuries. The GIAJ cited that 12,279 insurance claims had been filed. Total economic losses were anticipated to exceed $1bn. Direct losses to the farming, forestry, fishing, and tourism industries alone were expected to reach JPY68.9bn ($605m).

Between August 29-September 5, heavy rainfall triggered landslides and flash floods across northern Vietnam and various parts of China. The inclement weather left at least 20 people dead or missing in Vietnam and damaged more than 1,200 homes in several northern provinces. In China, no fewer than 3,800 houses were damaged, and 18 people were killed. Total economic losses in China were estimated to minimally reach CNY5.4bn ($790m).

In India, at least 86 administrative divisions across 23 districts in the state of Karnataka were declared to be in a drought after receiving minimal rainfall in the current monsoon season. Nearly 1.2m hectares of crops were lost due to the drought, which resulted in a financial cost of INR80bn ($1.1bn).
Globally, economic losses from Nat CATs in September are estimated in the tens of billions.

Mr. Steve Bowen, Impact Forecasting Director and Meteorologist, said: "September will be recorded as the costliest month so far of 2018, as global economic losses from natural catastrophes are expected to reach into the tens of billions of dollars. A series of significant catastrophes – including Hurricane

Florence, Typhoon Jebi, Typhoon Mangkhut, and the Indonesian earthquake – were poised to cause tens of billions in economic damage. Each of these events were also noteworthy since the majority of losses are likely to be uninsured. This once again highlights that whether a country is considered mature or emerging, there continue to be gaps in insurance coverage on either a market-wide or individual peril basis."

Source

TOP

India: Adequacy of nuclear liability insurance discussed

Global nuclear industry players and Indian insurance companies met at the two-day India Nuclear Business Platform earlier this week, at which the adequacy of nuclear liability insurance was discussed, particularly with the Indian government planning on expanding nuclear power plants.

The issue is important as India plans to increase nuclear power capacity to 22GW by 2032. At end-March 2018, India had a total installed nuclear capacity of 6,780MW.

At present, nine nuclear power reactors with a capacity of 6.7GW are at various stages of construction, which would take the total installed nuclear power capacity to 13.48GW by 2024-25. In addition, government has already granted approval for another 12 nuclear power reactors with an aggregate capacity of 9GW, reports *Business Standard*.

The Indian government set up the INR15bn ($202m) India Nuclear Insurance Pool in June 2015, to provide cover corporate liability against any accident at nuclear plants. The cover comes under India's Civil Liability for Nuclear Damage Act of 2010 (CLND Act). The pool was created as to promote the development of nuclear power in India.

Increasing the pool size leads to higher capital required from GIC Re and the four state-run general insurance companies. Though there are seven other Indian insurance companies with stakes in the pool, such as ICICI Lombard and Tata AIG, their stakes are small. However, the government-run New India Assurance, National Insurance, United India and Oriental Insurance, each contributes INR3bn to the pool.

The Indian side argues that the pool amount is adequate for now, and that the risks are quite unlikely. It is essentially a matter of perception, said a senior IRDAI official. "India has never reneged on an international commitment, which too the companies should factor in," said a government official. IRDAI though does not have a direct role in the discussions which are a commercial issue between the GIC-Re-led consortium and foreign nuclear project developers.

Source

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Australia: Govt announces major reforms to make private health insurance simpler & cheaper

New rules announced by the government yesterday will make private health insurance easier to understand and help Australians choose the cover that best suits them and their families from 1 April 2019.

The rules establish easy to understand clinical categories and a Gold, Silver, Bronze and Basic classification system. This categorises existing policies into easy to understand tiers. Importantly consumers will not be forced to change their policy cover if they are happy with it.

This is a "no surprises" approach that will, for the first time, provide clearer information to consumers and allow them to compare different health insurance policies and choose the cover that best suits their needs, according to a statement issued by the Department of Health.

These reforms will have an overall neutral to -0.3% impact on premiums compared with current policy settings.

Now that the rules are in place, insurers can start implementing the new product tiers, says the Department.

New insurance policies will be categorised under this system from 1 April 2019, and by April 2020 all products must fully comply with the new arrangements.

Gold, Silver, Bronze and Basic

The Basic and Bronze cover levels are affordable options supporting choice for millions of Australians accessing key health services. Basic policies are especially valued by regional and rural patients.

Silver and Gold polices provide more comprehensive cover – providing peace of mind for services that are needed at different stages of life. For Silver, Bronze and Basic, insurers can also offer additional cover to those listed as the minimum requirements, in which case the products may be named [Silver, Bronze, Basic] Plus (+). Importantly, women will benefit from improved coverage including guaranteed cover for gynecological services, ovarian and breast cancer treatment and breast reconstruction in Bronze tiers and above.

Insurers must also improve the information they provide to consumers. A new Private Health Information Statement will include mandatory information about what each policy covers.
The landmark change builds on reforms already announced by the Australian Government that include:

Young Australians aged 18 to 29 will benefit from premium discounts of up to 10% – which they will be able to keep until they turn 40 – which could translate to saving A$200 ($141) each year on a A$2,000 policy.

There will be greater access to mental health services by allowing people to upgrade their coverage and avoid a waiting period. Health insurers have reported that hundreds of customers have already taken up this option.

Australians living in rural and remote areas will get more support, with insurers now able to offer travel and accommodation benefits as part of hospital treatment cover. This will help those who can't access treatment locally.

Source

TOP

India: IRDAI seeks feedback on allowing pharmacies to sell health insurance

The IRDAI is set to launch a consultation on allowing medical diagnostic centres and pharmacies to sell health insurance, as they are the first touch points for all wellness and health related matters across the country.

A senior IRDAI official said, "To allow insurance products at diagnostic centres and medical stores, a consultation paper will be issued soon. Only a few basic health insurance products would be allowed to be offered in order to avoid mis-selling of insurance and rules would be on the lines of MISP (motor insurance service providers) regulations of auto dealers."

Insurance companies will sign partnerships with diagnostic centres and medical stores, which would need to register as health insurance service providers. Their personnel would be mandated to go through basic insurance product training, according to a report in the *Daily News & Analysis* newspaper.

"Sale of insurance products will go up and more opportunities will come. But concern over mis-selling is there as the person selling the products should have basic insurance knowledge. But surely, it will help in Tier Three and Four cities," Mr. Puneet Sahni, head-product development of SBI General Insurance, said.

Mr. A. Velumani, chairman and MD of Thyrocare Technologies, said, "There are 100,000 laboratories in the country. When people are unwell, they listen to us carefully; that will give them the opportunity to understand and buy a medical policy."

Source

TOP

New Zealand: Insurance policy wordings need to be simplified

Insurance policy wordings are difficult for most lay people to understand the terms they are signing up to when they take out a personal risk policy, say Associate Professor Aaron Gilbert and lecturer Ayesha Scott, of the finance department of the Auckland University of Technology.

Policy wordings have been in the news since New Zealand tourist Abby Hartley, aged 41, fell ill in Bali in August and battled her illness for more than a month before she passed away, according to a report in *goodreturns.co.nz*. Her travel insurer would not pay out because she had not disclosed a pre-existing condition.

Insurance and Financial Services Ombudsman Karen Stevens' office said the case was a reminder to clients to make sure they understood the terms of their insurance policy. “The comments by the Financial Services Ombudsman in relation to insurance that travellers should read the policies ignore the fact that the policies are not designed to be read," Ms Scott said.

She said she and Mr. Gilbert had taken the insurance policy for one of the leading travel insurers in New Zealand and looked at the level required to understand the policy document using readability metrics. "First, the policy contains just over 18,000 words. People read on average of 300 words per minute, which means to read the policy cover to cover would take nearly 60 minutes.

"Second, based on widely applied readability metrics, this insurance policy was very close to unreadable. Based on the fog index, where 18 indicates a document that is unreadable, the policy had fog of 17.36. Put differently, this would require nearly 14 years of education, a completed undergraduate degree, to understand.

One word in five was considered complex, containing three syllables or more. If the ombudsman believes that people need to read insurance policies to know what is and is not covered, and if as she says there is considerable variation between policies from different insurers, then surely there should be an onus on the insurers to produce documents that a layperson can read.”

Mr Gilbert said insurers needed to stop letting lawyers write their documents. The Financial Markets Authority said improving the readability of insurance policies is a matter for the Ministry of Business, Innovation and Employment (MBIE). Ms Sharon Corbett, MBIE's manager of financial markets agreed insurance policies tended to be long, complex and written in terms that consumers might not understand.

"The ability to understand policies was identified as a problem during the first stage of a review of Insurance Contract Law and is an issue MBIE consulted on earlier this year. We are looking at the impact of the problem and considering whether action is appropriate. It is too early to say what policy options MBIE will put forward in the next stage of the review."

Claims declined over pre-existing conditions are the most common travel insurance complaint to the ombudsman.

Source

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Hong Kong: Govt to promote marine and specialty insurance

The Hong Kong government will adopt various measures, including tax reliefs to promote the development of marine insurance and the underwriting of specialty risks in the territory so as to strengthen Hong Kong's status as an international insurance hub. This was announced by Hong Kong chief executive Carrie Lam in the annual policy address delivered yesterday.

She also said: “In addition, the government will make relevant legislative amendments to allow for the formation of special purpose vehicles in Hong Kong specifically for issuing insurance-linked securities

with a view to enriching the risk management tools available in the Hong Kong market. I expect the Insurance Authority to make further proposals to promote the competitiveness of Hong Kong's insurance industry."

Sounding out the potential for growth of the insurance sector, she pointed out that China's Belt & Road Initiative facilitates the development of infrastructure and trade in countries along its route. The initiative generates demand for insurance and risk management services for large-scale infrastructure and investment projects.
With a mature insurance market and a robust regulatory regime, Hong Kong is well positioned to provide quality services for these projects. Meanwhile, the development of the Greater Bay Area in the Pearl River Delta, of which Hong Kong is a part, spurs the flow of production factors, consolidates Hong Kong's advantages in the financial market and supports the growth of the real economy in the region, giving a fresh impetus to the insurance sector, she said.

Marine

She also said that the B&R Initiative and the Greater Bay Area development would contribute to the development of high value-added maritime services in Hong Kong.

Apart from promoting marine and specialty insurance, she announced measures to be taken by the government to support and enhance the development of high value-added maritime services that would in turn boost insurance business: using tax measures to foster ship leasing business in Hong Kong and commissioning the Hong Kong Maritime and Port Board to set up a task force to devise the details, with a view to enhancing Hong Kong's position as a ship leasing centre in the Asia-Pacific region; streamlining regulations with a view to facilitating the operation of protection and indemnity club for ship owners in Hong Kong; offering the necessary facilitation and measures in support of Hong Kong's provision of reliable and quality dispute resolution services for the global maritime industry; setting up Regional Desks of the Hong Kong Ship Register (HKSR) in selected economic and trade offices, mainland offices and liaison units to render more direct and prompt support to ship owners at the ports concerned and to promote the HKSR; injecting HK$200m ($25.5m) into the Maritime and Aviation Training Fund to enhance the training and nurturing of talent for the sectors;
further expanding the territory's Comprehensive Double Taxation Agreement network to attract more international marine and maritime service providers to set up offices in Hong Kong; and

Working with the trades to jointly promote maritime and port services to overseas and local stakeholders and encourage more companies and individuals to seize the business and job opportunities of the relevant industries.

She said that the maritime sector had suggested that the government consider implementing additional measures to encourage more commercial principals of the maritime industry (such as ship-owners, ship operators and ship managers) to base their operations in Hong Kong.

She said, "Given that the commercial principals are involved in a wide range of businesses, we need to further examine the proposal."

Source

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Indonesia: Finance Minister outlines likely natural disaster financing measures

Indonesian Finance Minister Sri MulyaniIndrawati yesterday said that a natural disaster financing strategy and disaster risk insurance scheme would be introduced in 2019 to deal with the impact of Nat CATs in the country.

"We need to identify all the natural disaster risks and think of the best fiscal mechanisms and financial instruments to support the most effective and fastest rehabilitation," said Sri Mulyani at the "High-Level Dialogue on Disaster Risk Financing and Insurance in Indonesia", held on the sidelines of the annual meetings of the World Bank and the IMF in Bali that are held this week.

She explained that one of the reasons for the formation of a disaster insurance scheme is because the government only relies on the state budget (APBN) and fiscal re-allocations for natural disaster relief and reconstruction. This dependency has a risk if the impact of natural disasters that occur exceeds the ceiling of the disaster fund allocation. Regional governments rely on funds transferred to the regions.

The insurance scheme would cover state-owned property. "If we have insurance for government property, at least we would be able to plan redevelopment quickly, because it is not constrained by our budget," she said. The scheme could also help affected households and restore the social life of the community affected by a natural disaster.

First step

As a first step, the government will begin to set aside funds in the 2019 State Budget for the formation of this risk insurance scheme and discuss this plan further in Parliament. Another step is to prepare a "pool" as a relevant fund management instrument to complement the state budget.

This policy is a breakthrough because it provides funds for the period before, during and after a disaster for the medium to long term and minimises bureaucracy in funding.

"We rarely discuss risk transfer, including financing. Disaster management is not synergised nor integrated," Sri Mulyani added.

The choice of the fund management model for disaster risk includes opening a special account at Bank Indonesia, assigning government work units and establishing a Public Service Agency specifically managing disaster risk financing.

In addition, Sri Mulyani will hold a dialogue with insurance companies that are to be involved in the disaster risk financing model.

"We will talk to the insurance industry, because usually if there is a total loss, our insurance industry is not strong enough to handle it," she said.

She said that the government would determine which risks would be financed by itself, which risks would be transferred and how to choose appropriate and efficient disaster protection instruments.

Currently, insurance companies are not keen on covering Nat CATs that are almost certain to occur, such as floods, if the insurance is not accompanied by improvements to flood management and upstream reforestation.
Records show that losses caused by disasters during the period 2004-2013, reached IDR126.7trn ($8.3bn). Over the past 12 years, the government provided an average reserve fund for natural disasters of IDR3.1trn.

World Bank data show that Indonesia is among 35 countries in the world with a high risk of casualties due to disasters.

World Bank Group president Jim Yong Kim, who also took part in the event, said Indonesia could consider alternatives for its disaster financing needs such as the South-east Asia Disaster Risk Insurance Facility which was launched earlier this year in collaboration with Japan.

Source

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