Insurance Institute of India
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INSUNEWS
- Weekly e-Newsletter

14th -20th April 2018

• Quote for the Week •

"Each work has to pass through these stages—ridicule, opposition, and then acceptance. Those who think ahead of their time are sure to be misunderstood."
Swami Vivekananda

INSIDE THE ISSUE

Life Insurance

Life Insurance: Protection growth to drive future profitability - Financial Express – 20th April 2018

The life insurance industry in India stood at Rs 4.2 trillion ($64.6 billion) as of FY17, with insurance penetration at 2.72% and insurance density of $46.5. Total premium recorded CAGR of 10.4% in FY07-17 with private players growing at two times of Life Insurance Corporation of India (LIC) in the same period, gaining market share. We expect a similar trend to continue in future with private players set to register CAGR of 18.4% over FY17-20 vis-à-vis industry growth of 13.5%.

Rise in financial savings and gradual increase in the share of insurance funds in net financial savings would be the key catalysts for the growth of life insurance sector. We expect household savings to clock CAGR of 14% over FY17-20, while net financial savings are expected to grow at a faster rate of 15.5%, forming 39% of household savings by 2020 from average of 36.4% over FY12-FY16.

We believe that buoyancy in the Indian capital markets will keep the ball rolling for investment-linked insurance products while product innovation in protection is expected to pull demand in the high-margin segment, eventually improving insurance penetration in the country and future profitability of the insurance companies. As per our estimates, growth in new business premium (NBP) will be in the range of 20-30% on an average over the next three years while at a lower cost multiplier effect.

Protection growth to drive margin

India's sum assured-to-GDP, a key measure of insurance protection in an economy, is significantly lower than that of other countries. This indicates that India is still underinsured and there is significant scope for growth. Gradual pick-up in the economy, structural growth story in place (amid increasing share of working population), growing urbanisation, rising life expectancy, improving healthcare spending and pension needs will drive strong growth in life insurance products over the next decade.

According to Swiss Re, protection gap in India stood at $8.6 trillion in 2014, having mortality gap margin of 92%, highest among countries in Asia-Pacific. This in itself represents a huge untapped opportunity. Profit margins are also significantly higher in the protection business.

Improvement in persistency key

Post regulatory overhaul, persistency went for a toss, but with strong product makeover, we are witnessing a gradual improvement in persistency ratios (13M persistency at 60-80%) while still having headroom for improvement, to be at par with Asian peers (13M persistency at > 90%). We have done sensitivity check and have observed that players with higher linked portfolio are more sensitive to cyclical shocks vis-à-vis traditional/balanced mix portfolio.

Insurance companies with optimal scale of operations, efficient use of distribution channels (bank-led insurers, higher agent productivity and higher business/ branch), better operating efficiency (lower expense ratios), healthy persistency ratios and higher new business mix from protection business can drive future growth and will lead the improvement in new business margins. Agency-driven model is likely to pick up pace again with focus on sale of traditional products. We believe that bank-promoted insurance companies have an advantage on the back of access to their parent's strong distribution network.

Source

A ULIP that returns mortality costs on survival – Mint – 18th April 2018

Unit-linked insurance plans (ULIPs) have become popular recently and some of the new offerings are boasting of zero premium allocation and policy administration costs. One of them is Bajaj Allianz Life Insurance Co. Ltd, whose new ULIP Goal Assure has a zero premium allocation charge and it also reimburses mortality cost on maturity.

A premium allocation charge is a straight deduction from the premium; the remainder is invested in the fund of your choice. It's from this corpus that other costs like policy administration charge, mortality charge and fund management charge are deducted.

What do I get?

From an insurance point of view, this is a type-1 ULIP: on death of the policyholder during the policy term, the insurer pays the higher of the fund value or the insurance cover, subject to a minimum of 105% of the premiums paid.

The sum assured under this plan is a minimum of 10 times the annual premium and can go up to 20 times the annual premium for younger age groups and higher premiums and policy term.

In terms of investment, there are eight funds to choose from—four equity funds, one hybrid fund, one index fund, one debt fund and one liquid fund. You can either choose on your own or choose among three investment strategies that pre-allocate funds as per your goal.

If you choose a higher premium of at least Rs5 lakh and a policy term of 10 years and above, the policy pays a loyalty addition starting from the sixth policy year. For instance, for a term of 15 years, the policy will allocate 1% of the premium to the fund every year.

The policy also adds extra allocation on maturity. A 15-year term will get an extra allocation of 40% of the annualised premium. This maturity addition is applicable if you choose a policy term of at least 10 years. So if the annual premium is Rs50,000, then on maturity another Rs20,000 is added to your fund value.

This is not the only addition to your fund value. You also get a refund of mortality costs on maturity. "Mortality costs are deducted by cancelling the units at the prevailing NAV (net asset value) throughout the policy term. On maturity, the total mortality cost deducted gets added back," said Saisrinivas Dhulipala, appointed actuary, Bajaj Allianz Life Insurance.

"Our experience with unit linked business has been good, and so we want to return the mortality cost, which will add to the fund value and encourage people to stay with the policy till maturity. So this insurance policy works more as an investment product on maturity," he added.

You can also choose to get maturity benefit at one go or in five instalments where each instalment is hiked by 0.5%. If you choose to surrender or stop paying premiums, you will not get this mortality addition, or other boosters.

Charges and returns

While there is no premium allocation charge, the fund management charge ranges from 1.35% for pure equity funds to 0.95% for debt funds. The policy administration charge is Rs400 in the first year and will increase by 5% every year, subject to a cap of Rs6,000.

The mortality cost will depend on factors such as your age, sum assured, policy term and premium paying term, and it will reduce as the fund value of the policy gets closer to the sum assured mark.

Suppose a 35-year-old man buys a policy with a term of 20 years for an annual premium of Rs1 lakh and a sum assured of Rs10 lakh, the maturity fund value (assuming the policy gives an 8% return) will be Rs40.57 lakh, which is a net return of 6.34%.

Mint Money take

This ULIP allows you a higher sum assured. In terms of costs, the policy is competitive and may work out to be the cheapest in some cases. But unlike other low-cost plans that don't have a policy administration charge, this plan does, and that mitigates the benefit of roll back of mortality costs to some extent.

"Return of mortality costs makes this policy less expensive. However, lock-in in a ULIP means you can't exit an underperforming policy. I recommend that customers shouldn't mix insurance and investments but those who want to buy a ULIP can consider this plan," said Pankaj Mathpal, managing director, Optima Money Managers Pvt. Ltd.

Source

Return of mortality costs is a good feature but be mindful of the lock-in and the fact that ULIPs are not portable.

Back

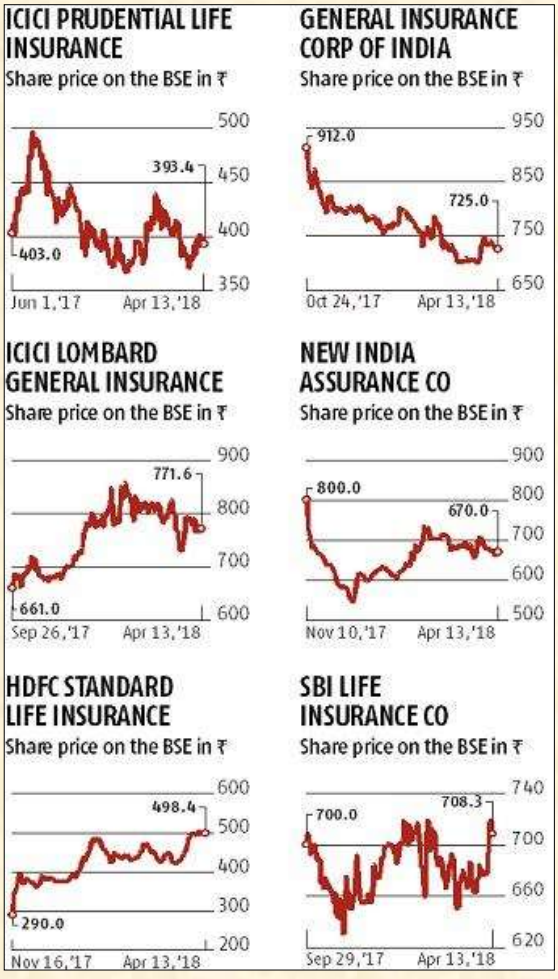
Private insurance companies offer better gains than state-led ones - Business Standard – 15th April 2018

Four of the six listed core insurance companies have performed in line with market expectations, with each of their scrips making significant gains, while the state-led ones continue to trade in and around their listing price.

ICICI Prudential Life Insurance Company was one of the first core insurance companies to be listed, back in September 2016, and has risen 17 per cent to 394.5 on the BSE from its listing price of Rs 324.

Share price of HDFC Standard Life Insurance Company closed at Rs 498.95 on the BSE on Friday, gaining over 41 per cent against its listing price of Rs 290 in November of 2017. SBI Life's share price has gained a little over 1 per cent to Rs 712.35 from its listing price of Rs 700. "The 'new business' margins of HDFC Life are good and are the highest in the industry.

Their product mix is well diversified, and the distribution channel is good. From our talks with the management of other firms, we have realised that HDFC Life tends to lead the rest of the companies in these aspects as well as in technology,"· an analyst at a major brokerage told *Business Standard*.



ICICI Lombard has gained 14 per cent to Rs 776.4 from its listing price of Rs 661 in September 2017.

New India Assurance listed its shares at Rs 800. As of date its price has fallen 21.5 per cent to Rs 658.6.

An analyst with an international investment bank said one reason why these stocks weren't trading at higher prices or at larger volumes was because, "compared to global peers, some of them happen to be the most expensive stocks in all of Asia. This limits the level of attraction".

Share price of General Insurance Corporation of India has declined to Rs 724, a 26 per cent fall from its listing price of Rs 912 (October 2017).

"Profitability for these companies is not announced so soon, it takes five-10 years for the figures to be reported in the profit and loss accounts," said the analyst quoted above.

Insurance stocks worldwide do not attract the same level of excitement and participation from retail investors as listed companies in other sectors, primarily because their business is long-term in nature and is mainly preferred by institutional investors.

Although some stocks underperform and others outperform, it depends on business-to-business as some companies like public insurers in the past have had to incur large expenses or claims on account of unforeseen events, like natural disasters.

Source

India: Major life insurers work to develop industry-wide blockchain solution – Asia Insurance Review

US-headquartered professional services company Cognizant and a consortium of leading Indian life insurers have developed a blockchain solution to facilitate cross-company datasharing. This will enable the insurers to reduce the risk of data breaches, fraud and moneylaundering, while delivering superior experience to customers through improved process efficiency, better record keeping, and accelerated turnaround time.

The insurers include SBI Life Insurance, Max Life Insurance, Canara HSBC OBC Life Insurance, Edelweiss Tokio Life, IDBI Federal Life Insurance, Birla Sun Life Insurance, HDFC Life, Kotak Life, Tata AIA Life, PNB MetLife, IndiaFirst Life Insurance, ICICI Prudential Life Insurance, Bharti AXA, Aegon Life, and Star Union Dai-ichi Life Insurance.

Developed late last year as part of a collaborative blockchain program, the solution is among the consortium's first distributed ledger initiatives.

The solution will help these insurers reduce their reliance on data intermediaries and aggregators in obtaining customer and policy details for a wide range of critical purposes, such as know-your-customer due diligence, nancial and medical underwriting, risk assessment, fraud detection, and regulatory compliance. In addition to ensuring real-time availability, transparency and consistency of records that can be audited at any time with easy traceability, storing data on blockchain will enable participating insurers to reduce operating costs, avoid duplication of procedures, and streamline approvals.

Mr Anand Pejawar, President — Operations, IT & International Business, SBI Life, said, "With its model of immutable and decentralised data, and its ability to prevent tampered documents and false billings from falling through the cracks, blockchain can enable insurance providers to introduce new models, reinvent processes, and increase capacity."

Mr V Viswanand, COO of Max Life Insurance, said, "The shared infrastructure provided by the distributed ledger, smart contracts and non-repudiation capabilities of blockchain can dramatically enhance the insurance value chain, and pave the way to greater automation in requesting, exchanging and entering data. The partnership between our consortium and Cognizant is a signicant step forward in leveraging the long-term strategic benefits of the technology and turning better customer experience into a competitive advantage."

Source

Back

Health Insurance

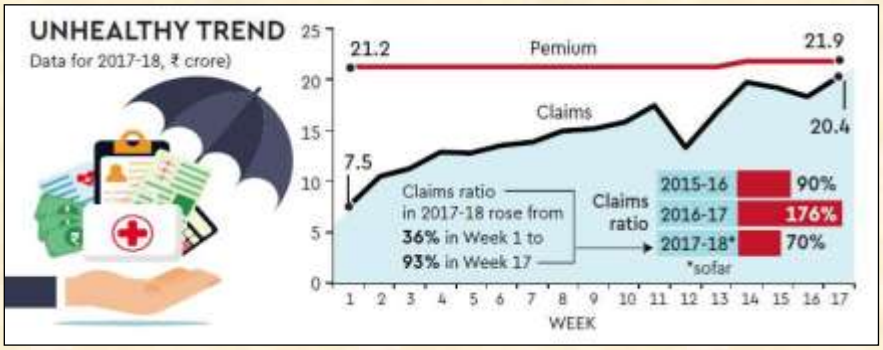
Rajasthan Health Insurance: Frauds get easy as mandatory Aadhaar cheks eased, insurers complain - Financial Express – 20th April 2018

Health insurance claims in Rajasthan under the government's Bhamashah Swashthya Bima Yojana have shot up dramatically, from Rs 7.5 crore in the first week — the current scheme began on December 13, 2017 — to Rs 20.3 crore in the 17th week, taking the current claims ratio to around 70% already (see graphic). Based on current trends, the ratio for the full year could be as high as 120% despite the fact that the premium charged rose 3.4 times since last year. In 2015-16, the first year of the scheme, the claims ratio was 90% — claims of Rs 320.7 crore were made against the premium of Rs 357.4 crore — and this went up to 176% in 2016-17.

The high claims ensured the premium charged per family rose almost 3.5 times, from Rs 370 in the first two years to Rs 1,263 at the moment. The central government's National Health Protection Scheme (NHPS), likely to be rolled out soon, is based on the Bhamashah model. Neither officials of the Rajasthan government or of the insurance company — New India Assurance — responded to email queries on the scheme and its problems.

What is probably at the heart of the problem is the rising incidence of fraudulent claims that New India has discovered. While over 90% of people in Rajasthan are covered by Aadhaar, for some reason, hospitals are being allowed to admit patients just on the basis of their IDs — that is, without insisting on live authentication using biometric devices — as long as the medical officer of the hospital okays it. Clause 1.13.4 of the request for proposal (RfP) is clear that "identification of the patient as far as possible will be done using Aadhaar-linked biometrics".

There is no live photograph capture of the patient at both the admission and discharge stage taking place either — Clause 1.14.1.1 of the RfP says this is mandatory. On several occasions in February, for instance, New India wrote to the Rajasthan government to complain about the software still not having a provision for live photo-capture of beneficiaries though this was part of the RfP and also the fact that biometric authentication was not being done.



Indeed, while a two-hour window is allowed for the insurance company to approve a claim after the hospital responds to its queries, New India complained that the pre-authorisation was happening in less than two hours — in less than one minute, at times — leaving the company little time to examine whether the hospital's replies made sense.

New India's investigators have discovered two types of fraud. One, where the hospital has charged for a more expensive procedure while actually conducting a cheaper one; or where no treatment was done, but a claim was raised. The second type of fraud involved hospitals being empanelled despite not having the requisite facilities or billing for more patients than they could possibly admit.

One hospital, for instance, had 23 operational beds but showed between 25 and 32 occupied beds based on the claims received. In another case, there were 17 beds but between 21 and 25 patients claimed. A third hospital had 31 beds but 36-55 patients supposedly admitted on most days.

New India has testimonials of patients — in writing and on video — detailing these false claims. In some cases, individuals were paid a fixed amount and claims made in their names despite no procedures being carried out. In one case, laparoscopic adhesiolysis (Rs 13,000), fissurectomy (Rs 7,000) and laparoscopic appendectomy (Rs 10,000) was claimed though the patient has said no operations were conducted.

In one of show-cause notices to hospitals for fraud, New India said a laser surgery costing Rs 50,000 was billed for while a knife-surgery costing Rs 24,000 was performed, and, as evidence, it cited the fact that the patient had a surgery mark that wouldn't be there in a laser surgery.

The hospital replied that while laser surgery had been done, the patient had accumulated fluid and so a tube was inserted — which is where the surgery mark came from — to drain the fluid. New India wrote back to say that this seemed a cover-up since the claim documents never spoke of any accumulation of fluid or the need to do any procedure to drain this out — "this seems an afterthought to cover up the case".

On April 12, to ensure fake claims are at a minimum in NHPS, NITI Aayog called a meeting with various health secretaries of state governments, insurance companies as well as third-party administrators of insurance schemes.

New India's presentation had many case studies from Rajasthan and said the fact that 'biometric verification of beneficiary at the time of admission is bypassed' makes it easy to make fake claims. It also pointed out that, despite the agreement, the tender conditions favour hospitals and "hospitals get free way to perform frauds without strong actions against such acts".

It pointed out that "in Rajasthan Bhamashah Scheme, tender conditions do not allow debarring a hospital for fraud". It also talked of how, though hospitals were forbidden from charging patients, this was happening and while insurance firms could report this to the authorities, they were forbidden from taking any direct action against the hospital.

On its part, United India Insurance gave examples from the Rashtriya Swasthya Bima Yojana (RSBY) which included fake bills where no treatments were done, charging patients while the law forbids this, unnecessary surgeries — it also stressed the need for the insurer to have the power to de-empanel hospitals, biometric authentication and live photographs of the beneficiaries.

Source

Pilot project for ESI cover to construction workers in Haryana: Gangwar – The Times of India – 18th April 2018

The government plans to launch a pilot project in Haryana to examine the feasibility of providing health cover to building and other construction workers through Employees' State Insurance Corporation (ESIC), Labour Minister Santosh Gangwar said today.

"We are planning to start a pilot project in Haryana. This will enable us to know about the practical problems while implementing this programme," Gangwar said while addressing a conference on building and other construction workers here.

"In order to provide health services, we should bring building and other construction workers in the fold of Employees' State Insurance (ESIC) scheme," the minister said.

"The employers contribution to ESI should be paid by states and they file ESI returns instead of employers for these workers. States can give employers as well as employees' contributions towards ESI out of building and other construction workers cess collected by them," the minister suggested.

Noting that there are around five crore building and construction workers, the minister said that this move will ultimately benefit 20 crore people as family members of these workers would also be covered under the ESI scheme.

The Building and Other Construction Workers Welfare Cess Act, 1996, provides for levy and collection of cess. The cess has been levied and is being collected at 1 per cent of the cost of construction.

The cess is collected by states and Union territories and utilised for the welfare of building and other construction workers by the State Building and Other Construction Workers Welfare Boards constituted under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.

According to Labour Ministry data, the states collected Rs 42,256.92 crore as building and other construction workers cess while they spent Rs 12,030.14 crore. There are 3.04 crore registered workers with states.

"In Uttar Pradesh, total population is 21 crore but 36 lakh building and other construction workers are registered. We need to increase registration," the minister said.

The minister also expressed concerns over huge amount of building and construction workers cess collected by states lying idle and said that this amount would be insufficient if states start spending on welfare of these workers.

"We need to ensure that cess collection machinery should work properly so that full amount can be realised through this exercise. It should also be ensured that the fund collected through cess should be utilised properly for welfare of workers," he added.

Source

He urged the states to issue identity cards to these workers and properly run machinery to collect full amount of building and other construction workers cess.

Back

Local, global experts likely to be roped in for National Health Scheme - The Economic Times – 17th April 2018

The government is planning to rope in domain experts from within and outside the country to ensure a smooth rollout and monitoring of 'Ayushman Bharat', its ambitious health insurance scheme for the poor.

Niti Aayog, the government's premier think tank, will come out with guidelines for setting up the project monitoring unit (PMU) for Ayushman Bharat, also known as National Health Protection Scheme (NHPS), an official told ET on condition of anonymity as the draft RFP (request for proposal) is still being worked out. The health ministry will then invite applications for the setting up of PMU, the official said.

According to the official, the government does not have the wherewithal to recruit the right talent for a programme of such scale. "Hence, the need for a PMU, which could hire both national and international experts to oversee the programme's rollout," the official said.

Ayushman Bharat, popularly known as 'Modicare', is billed as the world's largest government-funded healthcare scheme. Under it, the government aims to cover over 100 million poor and vulnerable families (about 500 million beneficiaries) with up to Rs 5 lakh per family per year for secondary and tertiary care hospitalisation.

The government will also set up 150,000 health and wellness centres across the country by 2022 to provide primary health care.

The PMU is likely to be responsible for programme management, IEC and media, information technology and monitoring and evaluation of the programme.

General elections are due in the country next year, and the BJP-led NDA government is hoping to woo voters with welfare initiatives such as Ayushman Bharat.

NHPS will be an entitlement based scheme with the entitlement decided on the basis of deprivation criteria in the SECC (socio-economic and caste census) database.

The beneficiaries can avail of the benefits in both public and empanelled private facilities.

As per an initial estimate, the programme will cost about Rs 10,000 crore, with the share of the central government being about Rs 4,000-5,000 crore and the rest being borne by the states at an estimated premium of Rs 1,000-1,200.

The benefits under the scheme are portable across the country and a beneficiary will be allowed to take cashless treatment from all public/private empanelled hospitals across the country. The scheme has already been approved by the Cabinet and the government wants to roll it out as early as possible.

Source

In a first step, it launched a health and wellness centre under Ayushman Bharat in Bijapur, Chattisgarh last week.

Back

You can use multiple health insurance covers for single claim – Mint – 16th April 2018

It's always advisable to have a separate health insurance policy apart from the cover provided by your employer. First you may change your job and the new employer may not provide you with the same benefits, or the health insurance cover provided by the employer may be very little. An individual plan ensures you are sufficiently insured even when you are in and out of jobs, and in case your office policy is not enough.

The good thing is the rules allow you to use the second policy if you exhaust the cover in the previous one.

Suppose you have two health policies—basic indemnity plans that pay for hospitalization—one with a sum insured of Rs1 lakh and the other with a sum insured of Rs2 lakh. In case your bill comes to Rs2.5 lakh, you can exhaust the policy with a sum insured of Rs2 lakh and use the other one to pay the difference of Rs50,000. You can choose the policy you want to make a claim.

Also keep in mind that the condition of contribution does not apply to health insurance. Condition of contribution is a practice where if you have two policies insuring the same risk then the claim needs to be paid by both the policies. But in the case of health insurance, if you have two policies, the insurers can't insist that you use both to pay for the claim. You can choose the policy you want to use and if it's not enough, move on to the next to pay the difference.

How to use two policies for the same claim?

When you use two policies to pay for a single claim, usually only one policy can be used in the cashless form. Suppose you need to pay Rs2 lakh for knee replacement, and you have an employer cover of Rs1 lakh and your own individual cover for another Rs1 lakh. Here, you would need to use both to pay the hospital.

When you approach a hospital, it will send your documents to one insurer for cashless approval. Once the insurer approves the amount, the hospital will ask you to pay the balance Rs1 lakh, which you will have to pay from your pocket at the time. On discharge, the insurer will send a settlement letter to the hospital mentioning the amount paid. You will need this settlement letter—ask the hospital or the insurer—to approach the second

insurer. The settlement letter will have all the details such as the treatment undertaken, amount paid, policy details and date of admission.

Usually, the settlement letter is enough to approach the second insurer for reimbursing the balance money you paid from your own pocket. You can also get additional documents from the cashless insurer, who will stamp the documents with the amount it has paid so far, so that there is no double payment.

Source

However, if you have two policies from the same insurer, then a cashless payment on both is relatively easier to process.

Back

Modicare faces challenges in reaching out to urban poor – Mint – 16th April 2018

The government is expecting a challenge in rolling out the National Health Protection Mission (NHPM) to the urban poor after completing the first round of data cleansing earlier this month.

Billed as the world's largest health assurance scheme, NHPM, dubbed Modicare, aims to provide free health insurance of Rs5 lakh per family to nearly 40% of the population—more than 100 million poor and vulnerable families based on Socio Economic Caste Census (SECC).

The health ministry is currently detecting, correcting and deleting inaccurate records from its database for targeted beneficiaries. While contacting rural beneficiaries to inform them about their entitlement for NHPS has been strategically planned, the major task for the government now is finding the actual whereabouts of urban beneficiaries.

"The NHPM is an entitlement-based scheme and the biggest challenge is to reach out to poor and tell them that they are entitled for this scheme," said Dinesh Arora, director, Ayushman Bharat-NHPM.

In rural areas, the government has drafted in the rural development ministry and gram panchayats. The gram panchayats will hold Ayushman Diwas on 30 April and read out the list of beneficiaries. In urban areas, however, the government has involved civic authorities.

The uneven geographic distribution of poor families may make it difficult for government to find out the real targeted beneficiaries of Modicare.

"The NHPM has included people on the criteria of profession. The urban space is geographically diffused and the poor population in urban areas is fluid. The population keeps on coming in, going out and migrating within as well as outside the urban space," said Vinod Kumar Paul, member (health and nutrition), NITI Aayog. Paul is involved in charting out the plans for Modicare.

"There may come some inherent difficulties in communicating with this chunk of urban population. As this is a national scheme and has to be implemented in partnership with the states, they will have to find out ways to reach out to the lowest quintile of their areas," he said.

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

Also, automatically included are families in rural areas having any one of the following attributes—households without shelter; destitute; living on alms; manual scavenger families; primitive tribal groups; and legally released bonded labour. For urban areas, 11 defined occupational categories, including ragpickers, beggars, domestic workers, cobblers, hawkers, construction workers, plumbers, painters and security guards, are entitled under the scheme.

"In rural areas, most of the panchayats have updated data but in urban areas, family numbers keep on changing as urban India has mobile and migratory population. We are verifying the data, which is quite challenging in urban areas as there are unauthorized colonies, jhuggi jhopdi clusters that have potential beneficiaries of NHPM," said Alok Saxena, joint secretary, Union health ministry.

Source

"We are trying to loop in nodal agencies and NGOs so that we can reach targeted beneficiaries. We will send letters to these people. They can also collect their entitlement letters from the post offices," he said.

General Insurance

Motor insurance: How fuel type impacts car insurance premium – Financial Express – 18th April 2018

While there is always a debate on which fuel type is best for a vehicle in the long run as per personal needs and driving requirements; what you may not be aware of is that the kind of fuel used in a vehicle does have an impact on the premium of your vehicle along with the Insured Declared Value, cubic capacity and other factors.

If you dig a little deeper, you will realise that the insurance premium for a petrol car is less than that for a diesel car or a CNG/LPG fitted car. The reason is that diesel cars are expensive and are driven for longer distances and CNG fitted vehicles need higher maintenance along with a high installation cost.

If you are planning to get a CNG kit installed, you ought to be conscious of the regulations that are required to be followed in order to upgrade your motor insurance policy. Here are two probable scenarios in which you may wish to opt for CNG coverage:

CNG kit installation in old car
In such a case, your car must already be covered by a motor insurance policy, be it a comprehensive car insurance or just third party insurance. If you are planning to get a CNG kit installed in your old car, you must inform your insurance company to insure the CNG kit separately. Upgradation of the same on the Registration Certificate (RC) is necessary. Secondly, you must make sure that the kit you are getting installed is through an authorised workshop. Your insurer may call for an inspection before upgrading your insurance policy.

If you fail to follow the procedure, you may have to suffer the consequences. Your insurance company will not entertain any claim in future because risk adhered to a CNG vehicle is higher than cars running on petrol or diesel.

Buying new pre-fitted CNG vehicle
Insuring your new pre-fitted CNG vehicle is similar to insuring a car with petrol/diesel vehicle because the CNG kit is installed by the manufacturer himself. You just need to make sure that CNG fuel type is mentioned in your RC book.

Impact on insurance premium
Motor insurance premium is derived majorly from factors such as Insured Declared Value (IDV), cubic capacity of vehicle's engine, fuel type and various other add-ons that you may opt for while buying insurance for your car.

Here, talking particularly about the difference in fuel type, insurance premium for a new pre-fitted CNG vehicle is maximum as compared to the insurance premium of the same car running on either petrol or diesel. However, if you have got a CNG kit installed in your old car, the premium difference will be substantial. You will have to pay an additional Rs 60 to insure third-party liabilities as per Indian Motor Tariff, whereas the increase in own damage premium varies from insurer to insurer and this could be 4% of the value of your CNG kit.

For example, a good quality CNG kit can cost around Rs 50,000. Now, assuming your insurer asks for a 4% of the kit value as premium increase,you will have to shell out an additional Rs 2,000. Buying a CNG vehicle or getting a CNG kit installed at a later stage is a wise thought, as it will not only be easy on your pocket in the long run but is environment friendly too.

Source

Back

No mandating of cover for goods in transit; it's insurers' business: Gadkari - The Hindu Business Line – 17th April 2018

The Minister of Road Transport and Highways, Nitin Gadkari, has said that details of insurance will have to be decided between the consumer and the transporter.

It is the job of insurer to convince the transporter, he said.

While launching a report of the Transport Corporation of India and Insurance Institute of India, here on Tuesday, he said that the report recommends that logistics service providers may appeal to the Ministry to make insurance mandatory for all transported goods — at least those moved by through third party logistics service providers.

As logistics has become integrated with supply chain, services have become more complex and setting limits on liability has become difficult, the study said citing UNESCAP.

Freight charges

Freight charged by logistics service providers is not sufficient to meet the risk exposure of transportation and warehousing losses even though the losses are infrequent, the study found.

Big logistics players can think of creating protection and indemnity clubs to take care of those risks and claims that are not covered under insurance policies, recommended the study.

Carriers legal policies need to be rejigged by insurers after understanding the present day realities of the logistics and warehousing industry, it added.

Source

There are several insurance requirements of the logistics industry which are not designed by the insurers, said the study.

Back

Insurers set fresh terms for liability insurance for bank boards' directors - Business Standard – 16th April 2018

Insurance companies that sell liability insurance have begun to reprice the costs of cover they offer to directors on bank boards.

Market leaders in this line of business — New India Assurance and Tata AIG — have begun to reassess the premium on risk exposure of their portfolio in the director's and officer's (D&O) liability business. "The rules are simple. If there is a claim, our policies are locked in for payout for years, so it is better to renegotiate now," said a top source in the non-life insurance sector.

Insurers are in a hurry because as in the health and fire businesses, premiums have been reduced to a minimum. Most of the listed banks buy insurance policies to cover the action of their directors on the boards against any claims, whether of shareholders or customers or even other stakeholders.

"ICICI Bank and HDFC Bank, which are listed abroad, have D&O policies that would be valued at $100 million," said a senior executive of a company that sells liability insurance. But other banks too have signed on to these policies. Insurance companies do not divulge the client-wise premium they have booked, but sources say the combined exposure of these banks could be close to Rs 1 billion.

The risks for non-life insurance companies have risen sharply because of the non-performing asset crisis. Insurance companies, through D&O policies, offer cover to firms against claims made by shareholders, customers or any other stakeholders for supposed losses suffered by them because of the actions of the boards of companies. This includes the money to pay for legal action to defend board members against class action suits that may be filed by investors.

ICICI Bank Chief Executive Officer (CEO) Chanda Kochhar is in the middle of a controversy over her role in sanctioning a Rs 32.5-billion loan to Videocon. The company, in turn, had allegedly invested in NuPower, run by her husband, Deepak Kochhar, in 2010. He has come under the scanner of the Central Bureau of Investigation, which is investigating allegations of a quid pro quo.

In unrelated developments, Axis Bank CEO Shikha Sharma, who had been given an extension of her term by the bank's board, has been asked by the Reserve Bank of India (RBI) to step down. And, public sector Punjab National Bank has been buffeted by controversies on whether its board should have been more vigilant in monitoring its human resource as mandated by the RBI.

K K Mishra, former CEO of Tata AIG and now an independent director on the boards of several companies, said: "The portents of higher risks in the D&O are going southwards." He said it made sense for financial companies to apprise insurers about the risks before any "insurable action" starts. "I believe the news flow has started," he said.

Insurance firms are rushing in because April is the month when they place their reinsurance business. At least one leader of the reinsurance business in a state-run insurance company said the rates for taking out cover against liability insurance had risen this year. "It had begun to rise last year because of the claims against Indian

IT companies in US courts." The risks for professional liability insurance have suddenly risen because of the boardroom battles coming to surface in Indian banks.

Farzan Khansaheb, chief underwriting officer at Raheja QBE, said, "No one in this space runs a benign book.

While the quantum of claims is rising, pricing the risks is still taking time to adjust".

The industry data shows there has been a spike in claims from D&O and E&O (errors and omissions insurance) in India from 2014-15. The claims have reached about $1 billion for the latter. D&O numbers are rising in tandem.

"No one expects those to match E&O, but things get complicated because the costs keep rising through successive court hearings," said Swapnil Jain, senior associate at Tuli & Co, one of the major legal firms specialising in liability insurance. As the cases wind through courts, insured companies incur legal costs and keep billing insurers till the financial limit runs out.

Even though the cover is for a year, once a claim is triggered it runs through the course of the case. The Insurance Regulatory and Development Authority of India data shows industry-wide gross premium for liability insurance had clocked Rs 18.9 billion in 2016-17, rising at a compound annual growth rate of 14.7 per cent for the past four years.

That the stakes are rising is evident from the action of industry bodies too. Last month, the General Insurance Council had sent feelers to independent directors of several non-life insurance companies about the risks they run in the case of the motor insurance business.

Several of these companies had made aggressive deals with motor car dealers to secure preferential access to consumers to buy insurance cover. The deals have come under question from the indirect tax department, while the insurance regulator has warned the companies to institute checks and balances in the business. The directors have been advised by the Council to make their position clear for any eventualities.

Source

Jain concurs "tougher regulations and demands to implement those in full have made life for the directors tough in boardrooms. With faster resolution of cases, there is a higher chance for them to wind up in courts".

Back

Ola cab users can now insure their rides for as low as Re1 – Mint – 16th April 2018

The next time you are hiring an Ola cab, you may be able to insure your ride for as low as Re1. Cab aggregator Ola (ANI Technologies Pvt. Ltd) recently announced a tie-up with Acko General Insurance Ltd and ICICI Lombard General Insurance Co. Ltd to provide in-trip insurance to its customers.

The Acko offering is live in all the 110 cities in which Ola provides services, an Ola spokesperson said. Ola's partnership with ICICI Lombard will also go live in the coming months, said the company. Here's what the present Acko travel cover is offering to Ola riders.

What's the cost?

The premiums are different for the three categories of rides that Ola lets you book.

For intra-city cabs—Ola share, mini, prime and auto—the premium is Re1 per ride. For rental cabs, which can be booked for fixed distances and durations, the premium is Rs10 per ride. For outstation cabs, it is Rs 15 per ride.

A round-trip booking on an outstation cab will be considered one ride, said Varun Dua, chief executive officer, Acko General Insurance.

You will find a ride insurance option in the 'My Profile' section of your Ola app, and can enable or disable the insurance option through the app interface.

What's covered?

All three types of rides have the accidental medical expense (with a cover of Rs1 lakh) that pays for hospitalization due to an accident while you were in the cab, hospital daily allowance (Rs500 per day for up to 7 days), ambulance transportation (Rs10,000), accidental death benefit (Rs5 lakh) and permanent total or partial disability covers (Rs5 lakh).

In case of accidental medical expense, the claims can be made cashless if the insurance company is intimated before hospitalization. "However, most accidents result in emergency hospitalization and hence the claims have to be made at a later stage. Claims can be made through our app by submitting the required documents," Dua said.

Other covers under the policy include insurance against a missed domestic flight (Rs5,000), loss of baggage or laptop (Rs20,000), emergency hotel requirement (Rs10,000) and home insurance (Rs1 lakh). However, all these four covers are not applicable to all rides. The missed flight insurance is not available to rental cabs and the other three covers are only applicable to outstation cabs.

You can make a missed flight claim only if your cab's estimated time of arrival at the airport is 90 minutes before the scheduled departure. For Ola share and outstation rides, this limit is 120 minutes. This claim can be made only if the destination is specified as airport at the time of booking. If the destination is changed during the ride, the claim won't be admissible.

What isn't?

The cover will be available only if a cab is booked through the Ola app. Under the electronic equipment cover as part of the loss of baggage cover, only laptops are included, but not mobile phones. Similarly, it does not cover loss of valuables like cash or jewellery under both loss of baggage as well as home insurance (including for theft, fire and allied perils).

The claims can be made only after an FIR is lodged and it confirms the specific loss of baggage. Similarly, in case of a home insurance claim, an FIR confirming that the loss happened when you were on an outstation trip will be needed.

Claims under this category (this is true for all claims under the policy) won't be entertained if the number of passengers (including driver) is more than the vehicle's seating capacity.

Should you buy?

"It is a good concept, but the customer should get the policy certificate, and the claim process and time-frame should be well-defined," said Prakash Praharaj, founder, Max Secure Financial Planners.

Source

While the premiums are really low, especially for intra-city rides, you will have to decide if you need it depending upon the covers you already have.

Back

Four reasons why Indians buy such little general insurance – Mint – 16th April 2018

Insurance penetration in India is low, particularly for general insurance, which includes motor, health, property and liability covers. We buy about Rs750 of general insurance per person per year compared to over Rs6,500 in Russia, China or Brazil, according to a report by the International Monetary Fund (IMF). If we measure premiums as a proportion of GDP, India is at 0.7% as compared to a world average of 2.8%. General insurance is colloquially referred to as non-life, a reflection of its poor-cousin status compared to the larger life insurance sector.

It is important, however, that more people buy general insurance. A well-developed general insurance industry mitigates the risk of ill-health, accidents, catastrophes and litigation. In its technical note on insurance sector regulation and supervision in April 2018, IMF identified poor insurance penetration as a major industry priority.

Why do we buy such little insurance? A common notion is that buyers are not confident that claims will be paid. However, that's a myth because many claims are paid, and settlement ratios are reasonably high. The issue is different. People buy less general insurance because they don't know where to buy from, products are not adequately tailored to their needs, and regulation does not require them to buy these insurance covers compulsorily.

Poor distribution

Distribution outside large cities is poor. General insurers have about 10,000 branches, of which 57% are in tier I cities with a population of over 100,000. For the private sector, 96% are in these larger cities. Brokers, typically a large distribution channel for general insurance, have 85% of their 385 corporate offices in just seven states, most in the large capitals of Mumbai and Delhi.

This means that there are large parts of the country where access to general insurance is limited. The reason insurers and distributors do not build a presence in small towns is that it is unviable. A salesperson in a tier 2 town will have to sell over 10 covers a month to just recover her salary. That's extremely difficult. In the much better distributed life insurance sector, agents sell just 3-4 insurance covers each month. The solution to this is to allow distributors to earn more when they step outside large cities.

Fewer product innovations

While many essential products to mitigate risk are available, there are gaps in the insurance product portfolio that leaves large risks uninsured.

For example, out-patient medical expenses, which are a major expenditure, are not covered under health insurance. Expensive dental treatments are uninsured. Title insurance to protect against forged land ownership is not available. Farmers find it hard to cover several cash crops that are not in the government's notified list. We will see considerable product innovation over the next few years as several new insurers enter the market and address these unmet needs.

Pricing issues

A problem that has worsened over the years is that insurers have been focusing on growing sales even if that creates a distortion in pricing for individuals.

Health insurance illustrates this flaw. This is a large segment that accounts for over 20% of the industry and is broadly split into group insurance (sold to relatively large companies) and individual policies. The loss ratio, which is claims as a proportion of premium, is over 120% for group health sold to companies and less than 80% for individual policies.

Yet, insurers are increasing premiums on individual covers, and lowering prices for group health because that drives sales growth. This is counter-productive as companies will buy group cover even if prices are raised. It is individuals who are price sensitive.

The reason this anomaly takes place is poor underwriting control and focus on sales growth rather than writing sustainable business. As more insurers get listed, these issues will be highlighted and addressed.

Lack of mandate

We leave the decision of buying insurance on buyers. This is democratic but not always good. Most people are not able to assess the impact of a catastrophe—something that causes huge damage but is unlikely to happen. We don't expect to be diagnosed with cancer.

We don't think an earthquake can destroy our home. We don't believe anybody will sue us. As a result, penetration of these covers is low. Even in case of third-party motor insurance, which is mandatory, there are about 40% uninsured vehicles on the road.

Internationally, mandating purchase of insurance covers is common, particularly in areas where an employer needs to be nudged to provide a cover to employees. In China, motor insurance, professional indemnity, health insurance, public liability insurance, work-related injury insurance and environment liability covers are mandatory for segments most exposed to these risks.

The UK requires most services to buy professional indemnity and comprehensive general liability, apart from standard motor insurance.

The government in India should consider mandating property, catastrophe and certain liability insurances. Making these compulsory will result in prices falling to an extent that these become marginal incremental costs.

A recent study by the Journal of the American Medical Association tracked 8,714 middle-aged individuals for over 20 years and found that individuals who suffered a serious financial loss were twice as likely to die in the following 20 years than peers with more financial stability. There are many causes for financial loss but insurance, both life and general, can go a long way in managing that risk. Ultimately, if people buy high-quality insurance, they will live longer and with more financial security. That's an objective worth aiming for.

Source

Back

India: Call for non-life sales incentives outside big cities – Asia Insurance Review

The distribution of general insurance outside large cities in India is poor, resulting in non-life penetration in the country standing at a low 0.7%. The solution to this is to allow distributors to earn more when they operate outside large cities, says Mr Kapil Mehta, a co-founder of Securenow. in.

General insurers in the country have about 10,000 branches, of which 57% are in Tier I cities with a population of over 100,000. In particular, in the private sector, 96% are in these larger cities, says Mr Mehta in an article in *Livemint*. In addition, insurance brokers, typically a large distribution channel for general insurance, have 85% of their 385 corporate offices in just seven states, and mostly in the large capitals of Mumbai and Delhi.

Mr Mehta says that the reason insurers and distributors do not build a presence in small towns is that it is unviable. A salesperson in a Tier 2 town will have to sell over 10 covers a month to just recover his or her salary. In contrast, in the much better distributed life insurance sector, agents sell just 3-4 insurance covers each month.

People buy less general insurance compared to life cover because they don't know where to buy non-life cover, products are not adequately tailored to their needs, and non-life covers are mostly not mandatory, says Mr Mehta.

Pricing

Furthermore, a problem that has worsened over the years is that insurers have been focusing on growing sales even if that creates a distortion in pricing for individuals.

Health insurance illustrates this flaw. This is a large segment that accounts for over 20% of the industry and is broadly split into group insurance (sold to relatively large companies) and individual policies. The loss ratio is over 120% for group health sold to companies and less than 80% for individual policies.

Yet, insurers are increasing premiums on individual covers, and lowering prices for group health because that drives sales growth. This is counter-productive as companies will buy group cover even if prices are raised. It is individuals who are price sensitive.

Lack of mandate

Mr Mehta also says that the government should consider making property, catastrophe and certain liability insurance covers mandatory. Making such insurance compulsory will result in prices falling to an extent that they become marginal incremental costs.

Source

Back

Crop Insurance

25 lakh farmers to get Rs 10 lakh insurance cover: Ajay Singh Kilak – The Times of India – 19th April 2018

Twenty five lakh farmers in Rajasthan will get accidental insurance cover of Rs10 lakh in the current financial year. This is the highest-ever accidental insurance coverage to farmers in any state, claimed cooperative minister Ajay Singh Kilak. Chief minister Vasundhara Raje had announced a hike in the accidental insurance coverage to farmers from Rs 6 lakh to Rs 10 lakh at a function coinciding with the four year celebration of the BJP government in the state in December last year.

As per announcement of the chief minister, the cooperative department had launched the 'Cooperative Individual Accident Insurance Scheme' in the state.

Those farmers who take short term loan from the cooperative banks would be given preference under the insurance scheme, said the minister. He said in the current fiscal Rs 16,000 crore has been earmarked for short term loan disbursal to farmers and those farmers avail loan would be covered under the insurance scheme.

The minister said the farmers work under very difficult conditions and they could avail Rs 10 lakh personal insurance cover for a premium of just Rs 188.80 a year.

Principal secretary, cooperatives, Abhay Kumar said that the insured farmers are covered under all kinds of accidents, including road, rail, fire, drowning, death due to the effects of fertilizers, lightning, electrocution and snake bite etc.

He said in case of disability and permanent damage to eye, hands or legs, the farmers would get insurance cover of Rs 5 lakh and if more than one of the organs suffered permanent disability due to any of the above mentioned reasons then also the farmers would be eligible for Rs 10 lakh insurance cover.

Source

He said from 2014-2018, under the scheme Rs 34.43 crore claims were settled of the farmers with a premium of Rs 17.14 crore.

Back

How technology can get insurance money into the hands of farmers in 24 hours - The Economic Times – 14th April 2018

A loan of Rs 7,402. That's all it took to drive farmer Ramnath Kewart to suicide on July 23 last year. Crushed by two consecutive droughts, Kewart had sold all his land and had no money left to repay the moneylender in his village in Bilaspur, Chhattisgarh. Kewart killed himself – one of 15,000 farmers committing suicide every year in India.

Some who are younger soldier on in the hope that they may be able to turn the corner some day. Like Hanumant, whose lush crops in Maharashtra's Pachewad Vasti were destroyed in one night of cyclonic rain and angry winds. It broke the family's back. Hanumant and the women in the family now travel 25 km away in search of daily wage jobs like loading vegetables on trucks because farming has become unviable and dangerous. On a good day they make Rs 150 or sometimes only Rs 60. It is never enough. Their stomachs are rarely full.

All this in Maharashtra state which is among the top growers of perishables, milk, grains and cotton in India. Imagine what it is like elsewhere in the country. Farming is largely completely dependent on the vagaries of nature, and the number of extreme weather events are only rising.

In early March this year, in sheer desperation, 30,000 farmers trudged 180 kms over 6 days on foot from Nashik to Mumbai, braving unrelenting 40°C heat, calloused feet, fatigue and total uncertainty of outcomes just to let the world know their lot and convey their grievances to the not so responsive government.

It doesn't have to be this way. That is not to say we have snake oil to fix all their troubles in one go. Yet innovation is most often a product of market inefficiencies. For instance, can we cut farmers' losses by crossing agriculture with a smartphone's computing power and the ability to geotag agricultural fields all over India? Yes, absolutely. It's doable. All this technology is readily available.

Harnessing the right technology available within India and globally can offer fast and dependable solutions to multiple issues of governance in agriculture sector providing most needed relief to the distressed farmers, cutting delays, inefficiencies, corruption and costs. Government of India's flagship Pradhan Mantri Fasal Bima Yojna (PMFBY) is one glaring example crying for such a solution. Another targeted application can be creating geotagged databank of all waterbodies villagewise with actual volumes, etc.

One telecom company, for instance, has already developed a platform for India's 120 million farmers which offers access to real time market prices irrespective of distance. The same smartphone can click pictures of Hanumant's crops which can be geotagged. That means zero ambiguity on location. All this brings legitimacy and a digital trail to what has always been defined in the most vague terms until now.

Let's drill this down to the specifics: The farmer uses a 4G feature phone linked to his Aadhaar number and bank account to take geotagged pictures of crop damage and uploads it. The backend software checks his land holding and last 10 years' yield in that village, taluka and district. Digitised historical data of hyper-localised crop yields looped into artificial intelligence (AI) enabled software estimates damage and sanctions a benchmark payout

which reflects in the insurance company's computers. This, in turn, triggers a payment into the farmer's bank account. This means no middlemen, no human error and no overhead costs. Digitised land records will have to be baked into this cake for all the other ingredients to make sense.

Currently, crop insurance schemes cover farmers who typically see huge delays in getting the payout when their crops are destroyed. By embracing the right combination of technology and human intelligence, farmers can be paid at least 75-80% within 24 hours in best case scenario and a week at the latest compared with months or even years of delay today.

It could also be used for severe local weather crop losses. For example, hailstorms destroyed crops; early rains destroyed fruits, heat spells over a week destroyed fruits and flowers. Use of smartphones, AI, and detailed local weather data that is already being collected can be used to provide immediate relief for farmers.

Variants of such schemes are already up and running in the West. A start-up in Silicon Valley began by offering Total Weather Insurance based entirely on crop and location.

Customers buy policies online. Premiums cost $30 per acre per year. Payouts for weather related crop failures are made without farmers having to prove losses.

We, in India, can adapt these templates and can do better on many parameters, providing invaluable succour to distressed farmers. Farmers could take pictures of their farms from predetermined locations periodically (say weekly) and build a chronological data dump as a reference point in case of extreme weather related loss.

The same process continues till harvest. Straightaway, the manpower bottleneck is removed and farmers are in charge of their content. Thus, villagers and not middlemen become the hub of crop data.

Agreed, that farmers will not be quick to trust technology after many bitter harvests but making them partners in the process is a baby step towards winning them over. Insurance policies for India's farmers must become a rite of passage in our fields. With a smartphone and high quality connectivity, we are already halfway there.

Source

Back

Reinsurance

India: Insurers urged to cede business according to order of preference – Asia Insurance Review

The insurance regulator IRDAI has asked insurance companies to comply strictly with the order of preference when giving out reinsurance contracts.

The current order is first preference to be given to an Indian reinsurer having a prescribed credit rating, followed by local branches of foreign reinsurers.

"We are informed that some of the insurers are not complying with the above. Insurers are advised to strictly adhere to the said regulation in order to avoid any regulatory action," IRDAI said in a circular last week.

The order of preference has been a matter of contention between Indian reinsurers and the branches of global reinsurers.

While the current regulations give preference to GIC Re, foreign reinsurers are seeking to be treated on par with their Indian counterparts, reports *Moneycontrol*.

Although a discussion paper on this issue has been drawn up, a final decision on any changes in this order of preference is yet to be taken by the IRDAI.

In November 2017, the reinsurance expert committee constituted by IRDAI had recommended that the order of preference in reinsurance cessions should be GIC Re and then [simultaneously to other] Indian reinsurers, cross-border reinsurers (CBRs), foreign reinsurance branches (FRBs), Lloyd's India and Indian insurers.

Source

The size of the reinsurance market in India is estimated to be about INR300 billion (US$4.6 billion), of which life business contributes less than 5%. The rest is constituted by general insurance business.

Survey & Reports

UHC significantly improved access to primary healthcare, says study - The Hindu Business Line – 15th April 2018

A Universal Health Coverage (UHC) pilot project in three rural blocks of Tamil Nadu has significantly improved access to primary care at the sub-centre level, according to a study conducted by IIT-Madras.

It also revealed that the UHC pilot brought about a dramatic fall in the overall dependence on private providers, particularly those seeking care from private hospitals. It also brought about a substantial fall in the out-of-pocket expenditure among those seeking OP care from both public and private providers, according to a statement.

The study, titled Universal Health Coverage-Pilot in Tamil Nadu: Has it delivered what was expected?, was taken up by the Centre for Technology and Policy, Department of Humanities and Social Sciences, IIT-M, and the findings have been submitted to the Department of Health and Family Welfare, Government of Tamil Nadu.

The UHC pilot was launched in early 2017 in the blocks of Shoolagiri (Krishnagiri), Viralimalai (Pudukkottai) and Veppur (Perambalur).

Health sub-centres

Strengthening the primary health care service was the first step in the design and rolling out of UHC pilot. As a result, health sub-centres (HSCs), which are the closest delivery points to the community have logically become the building blocks of the UHC in Tamil Nadu.

After the implementation of the UHC pilot, HSCs now account for 17.8 per cent of all OP (out-patient) cases in Shoolagiri, 14.8 per cent in Viralimalai, and 23.1 per cent in Veppur. HSCs accounted for less than one per cent of all OP cases prior to the pilot.

The share of private hospitals for OP care has dropped significantly from during the pre-UHC pilot period (2015-16) — to 21 per cent from 51 per cent in Shoolagiri; to 24.2 per cent from 47.8 per cent in Viralimalai; and to 23.9 per cent from 40.9 per cent in Veppur.

"This is perhaps the first time that we have a robust survey on both household health-seeking behaviour and facility-based utilisation before and after intervention in public health," said VR Muraleedharan, Department of Humanities and Social Sciences, IIT-M.

"Evidently, it makes sense to scale up this UHC pilot, as it is cost-effective, and makes the public primary health care delivery system more efficient. The amount saved could well be spent on further strengthening public healthcare delivery system," pointed out the report.

Source

Back

Insurance Cases

Man loses insurance claim for 'carelessness' – The Times of India – 19th April 2018

Parking his scooter and forgetting the key not only cost a Bengaluru man his vehicle — which was stolen — but also his insurance claim for "careless behaviour". A city consumer court recently upheld the decision of the insurance firm by stating that "negligent behaviour does not deserve money."

The verdict was delivered by the Bangalore Urban second additional district consumer disputes redressal forum on April 5 after hearing the case of M Mahesh from Malleswaram for more than two years.

Mahesh purchased a Honda Dio scooter on November 13, 2012, and was using it for daily work. On July 23, 2013, he had parked the vehicle outside a coffee shop in JP Nagar Ist Stage. When he returned, the scooter was missing.

He lodged a complaint with JP Nagar police station and contacted ICICI Lombard General Insurance, the insurers of his scooter. A surveyor from ICICI who examined the case later issued a letter rejecting Mahesh's claim, citing the fact that he had left his key in the scooter.

Mahesh appealed against it, but ICICI stood its ground adding that leaving the key in the vehicle amounts to gross negligence, which, therefore, makes him ineligible for claims. Following this, he approached the city consumer court on October 9, 2015 with a complaint against ICICI Lombard.

The consumer court heard arguments from both sides and in a litigation that lasted 30 months, the judges spoke in favour of the insurance firm. They slammed Mahesh for his careless behaviour and lack of clarity in his complaint.

They pointed out that he had not mentioned to police or other authorities that he had forgotten the key in the ignition before his vehicle was stolen, but had admitted to the ICICI surveyor that there was a spare key in the locker of the vehicle which could have made the theft easy.

Source

Summing up the facts, the judges ruled that Mahesh can't benefit from his own mistake as his negligence had caused the loss, and that the insurance firm cannot be held responsible.

Back

Global News

South Korea: Motor business slows in 2017 – Asia Insurance Review

Growth in South Korea's auto insurance market slowed last year due to intensifying competition and lower premiums, , according to the data by the Financial Supervisory Service.

The car insurance market grew by 2.7% to KRW16.8 trillion (US$15.7 billion) in 2017, compared to 2016, reports Yonhap news agency. The figure contrasts with growth of 11.3% in 2016 and 8.8% in 2015.

Non-life insurers' loss rate for their auto insurance businesses fell by 2.1 percentage points to 80.9% last year, the data showed. Meanwhile, more drivers are turning to online marketing channels for insurance, which offer lower premiums and are more convenient.

According to the Korea Insurance Development Institute, 20.5% of the nation's 15.4 million car insurance policyholders filed their applications through cyber marketing channels, such as smartphones and computers, at the end of last June.

Source

The percentage was up from 15.5% a year earlier. Of the online subscribers, 69.4% purchased insurance via computers, with the remainder applying through smartphones.

Back

Global:21 major reinsurers see combined net income of US$4 bln in 2017 – Asia Insurance Review

The traditional reinsurance sector as a whole continued to make money last year. Net income across 21 major reinsurers comprising the Aon Benfield Aggregate (ABA) stood at US$4.0 billion, contributing toward a 2.5% increase in total equity to $204 billion at 31 December 2017.

According to Aon Benfield's Reinsurance Market Outlook report, the return on average equity stood at 2.0% for ABA reinsurers. Property and casualty (P&C) underwriting losses stood at $10.6 billion, on net premiums earned of $144 billion, representing a combined ratio of 107.4%. Natural catastrophe losses of $23.6 billion were partly offset by favourable prior year reserve development of $5.9 billion. These figures should be viewed in the context of a total investment return of $29.5 billion.

The ABA constituents are Alleghany, Arch, Argo, Aspen, AXIS, Beazley, Everest Re, Fairfax, Hannover Re, Hiscox, Lancashire, MAPFRE, Markel, Munich Re, Partner Re, QBE, RenRe, SCOR, Swiss Re, Validus and XL Catlin.

1 April treaty reinsurance renewals are dominated by Japan, India, and Korea. Traditional reinsurers continue to show strong appetite for this business and buyers in these markets found ample capacity to meet their risk transfer needs and to support geographic and product growth aspirations, says the report.

Alternative capital

Alternative capital showed significant growth over 2017. Losses in the third quarter tested the market and institutional investors responded by showing renewed commitment to an asset class that has delivered relatively attractive, non-correlating returns over time.

Aon Benfield estimates that global reinsurer capital stood at $605 billion at 31 December 2017, an increase of 2% relative to the end of 2016. This calculation is a broad measure of the capital available for insurers to trade risk with. Traditional capital rose by $2 billion to $516 billion, while alternative capital rose by $8 billion to $89 billion.

2018

Catastrophe bond activity has been at record levels for a first quarter of this year and Aon expects to see further growth in alternative capital during 2018. The first few months of 2018 have also been notable for two major M&A deals, pairing AIG with Validus and AXA with XL Catlin.

Aon Benfield said, "We believe there is scope for further consolidation in the sector, driven by the quest for growth, the need to optimise expense and capital efficiency and the external pressure now being applied to certain franchises by investors and rating agencies.

"Major losses have been below average so far in 2018 and capital market conditions have been relatively benign. We conclude that global reinsurer capital remains at peak levels ahead of the mid-year renewals in June and July, which will likely result in strong competition, even for loss-impacted business."

Source

Back

Philippines: Regulator builds health insurance database – Asia Insurance Review

The Insurance Commission (IC) is conducting a comprehensive study of the health insurance industry as part of preparations for the enactment of a law that will regulate the operations of health maintenance organisations (HMOs) in the country.

"We are now doing our own study on health insurance. It seems that the IC never collected any data on health insurance, so we have no ready data on health insurance. Our study is still ongoing," Insurance Commissioner Dennis B. Funa told the *Business Mirror.*

He said the comprehensive study on health insurance will enable the IC to fully comprehend how health insurance works in the country, as well as which sectors are still not covered by some form of healthcare service.The result would be a comprehensive database for the agency that will serve as basis for future reforms on health insurance.

Mr Funa said an HMO law will enable the IC to address issues, such as the level of capitalisation that will be required from HMOs, how to settle disputes between the company and its members if any, and how to eliminate overlapping policies governing HMOs.

The healthcare system in the Philippines consists of both private and public medical services, with public health insurance provided by PhilHealth, while life insurance companies offer private health insurance, among others. PhilHealth covers around 90% of the population or around 93.4 million Filipinos in its National Health Insurance Programme.

Source

Back

Hong Kong: Insurance body uses blockchain to set up online motor platform – Asia Insurance Review

The Hong Kong Federation of Insurers (HKFI) is in the process of creating an e-platform on blockchain that would record and track data related to motor insurance in the territory. In this connection, at the HKFI's annual reception last week, the Secretary of Financial Services and the Treasury Bureau, Mr James Lau, said that the use of blockchain technology will give a great boost to Hong Kong's motor insurance industry.

He said, "The use of blockchain technology can raise business efficiency and allow insurers to enjoy easy and secure access to timely and accurate data. In this regard, I am glad to note that HKFI is developing a blockchain e-platform for motor insurance. I encourage the insurance industry to continue to devote more resources to embrace Insurtech."

He also said, "Financial technology is revolutionising the financial services industry globally, and the insurance industry is no exception. The use of big data analytics can help insurers gain insights of customers' needs and market demand." The Insurance Authority (IA) has been proactive in promoting the application of FinTech in the insurance industry in Hong Kong. The IA launched an Insurtech Sandbox last September to facilitate a pilot run of innovative Insurtech applications by authorised insurers.

The IA also launched a pilot Fast Track scheme, which aims to expedite applications for new authorisation to carry on insurance business using solely digital distribution channels.

Source

Nepal: Minister calls for liability insurance to cover electrical incidents – Asia Insurance Review

Third pary liability insurance can be helpful in minimising financial losses resulting from electrical accidents, Minister for Energy, Water Resources and Irrigation (MoWERI), Barshaman Pun, has said.

His statement followed an increasing number of injuries and casualties from electrical accidents in recent years, reports *Republica*.

He, however, did not mention who would cover the cost of the insurance.

According to the Nepal Electricity Authority (NEA), there have been 752 electricity related accidents over the past 10 years. The NEA has been carrying the financial burden for these incidents. Official data show that the authority spent NPR122 million (US$1.17 million) in the last decade in compensation to victims of electrical accidents or their beneficiaries.

Source

Electrocution has been one of the major causes of death at construction sites, hotels and roads. The use of low-quality electrical equipment, unsafe working methods and the lack of awareness are among the causes of electrical accidents.