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# Weekly e-Newsletter

27th April – 03rd May, 2012

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## Health Insurance

### *Fourth Phase of insurance cover to below poverty line families from June 1 – The Times of India*

To offer health insurance cover to the families living under BPL (below poverty line) and labourers working in unorganized sectors in rural and urban areas, measures have been initiated for the enrollment of the fourth phase of the National Health Insurance Scheme (NHIS).

While 41 districts of the state have been selected for offering SMART CARD to the beneficiaries, the enrollment work for the beneficiaries will begin in the district from June 1. The fourth phase, according to authorities, have been implemented to cover the target beneficiaries and for that officers of three prime insurance companies and state health officers have discussed the issues concerned before its implementation.

Deputy CMO Dr. Vivek Srivastava told TOI that ground health workers, known as ASHAs, have been given list of BPL families (beneficiaries) areas wise and teams have been to identify the exact number of beneficiaries. He added that as there are a total of 20 primary and community health centers, officials are working overtime to compile the required inputs.

For the promotion of the scheme, ASHAs would be offered rewards if they achieve the target of making SMART CARD. Similarly, senior health officers would be maintaining a strict watch and also giving instructions if required.

Under the scheme, the beneficiaries (insured families) would get an insurance cover (Rs 30,000) annually and a smart card by the insurance company, having detailed information of as many as members of the family, their thump impression and photos.

Dr Srivastava said best hospitals having upgraded medical facilities would be selected for empanelment. He added that the insurance company may provide some relief to the hospitals according to their wants.

On the time of availing facility, a smart card holder can approach the enlisted hospital to get the benefit of the scheme. The person would first have to show his smart card and he would have to be admitted at the hospital. The hospital authorities would offer him all sorts of facilities including transportation.

The health authorities have also included normal deliveries and caesarean operation (for first two babies) under the scheme. With the beginning of policy, the insurance cover would be given to mother and her child for the year automatically.

Since families coming under BPL status usually get themselves treated at government hospitals, the smart card holders would get the similar benefits at the government hospitals. Here, the amount package would be transferred into the account of patient welfare committee and this would also improve the financial status of hospitals.

**Source:**
***http://articles.timesofindia.indiatimes.com/2012-04-27/allahabad/31421286_1_smart-card-health-insurance-scheme-hospital-authorities***

### *Allotment of fresh Rashtriya Swasthya Bima Yojana smart cards postponed - The Times of India*

The allotment of fresh smart cards for poor under Rashtriya Swasthya Bima Yojana (RSBY) had been postponed to June 1 from the first week of May. According to the health department officials, this has been done due to irregularities going on in this scheme which have to be sorted out before empanelling new hospitals for 2012-13.

Chief medical officer Ramayan Prasad Yadav said that according to the reports presented by the insurance firm, many hospitals and nursing homes claimed a large sum. When the hospital authorities asked for the detailed report of patients, they were unable to provide it. Also, many hospitals were blacklisted after getting empanelled in RSBY.

"Many private hospitals are not a part of RSBY. Our initiative will be to convince the authorities of such hospitals to get empanelled in RSBY so that poor patients can avail better medical facilities. The verification of hospitals and authentication is also a challenging task," Yadav added.

Private hospitals, Parihar nursing home and Vedant hospital were recently blacklisted. These hospitals were empanelled in RSBY. There are more than a dozen hospitals, which are either sealed or blacklisted by the heath departments due to complaints of mismanagement in treatment and unavailability of legal documents. Also, 72 hospitals and nursing homes were empanelled in RSBY scheme in the district last year.

"As per the recent list of poor, there are 1.87 lakh people living below poverty line. Last year, we made approximately 70,000 smart cards. The target this year is to cover more than 1.50 lakh people," district key manager authority (DKMA) and RSBY incharge GS Bajpai said.

He added that relisting of BPL candidates, empanelling new hospitals, including Ganesh Shanker Vidyarthi Memorial Medical College and de-empanelling of blacklisted hospitals will take time, after which the allotment of new smart cards will be done.

Rashtriya Swasthya Bima Yojana is an ambitious attempt of the Central government to provide health insurance to low income workers living below poverty line (BPL). A health cover of Rs 30,000 annually will be given to all BPL families. Using the RSBY smart card is simple. When a subscriber goes to an accredited hospital or health centre for treatment, his/her card is passed through a swipe machine and the details of the treatment and the expenses get transmitted to a central server and accessed by insurance companies and the government.

**Source:**
***http://articles.timesofindia.indiatimes.com/2012-04-29/kanpur/31475712_1_rsby-private-hospitals-smart-cards***

## *Health insurance forum to suggest sweeping changes – Business Standard*

In a radical change, the recently-constituted Health Insurance Forum is set to recommend that fees charged by hospitals from patients with mediclaim policies might be capped.

The forum, constituted by the insurance regulator to help evolve policies and processes for the health insurance sector, is set to bring sweeping changes. For instance, it is also thinking of capping the rate of increase in premiums during renewals of claims. Besides, life insurance companies should issue policies with a minimum tenure of five years. On portability, the industry is talking about standardising the wording, along with a data-exchange mechanism to control frauds.

"These are the basic points being discussed in the initial meetings. We would like to see that these recommendations are in place by the next financial year. However, these are broad points, and it would take some time before new forming new regulations," said a source privy to the discussion.

The fees hospitals can charge would be capped depending on the type of disease and the class of the hospital. This is aimed at reducing medical charges for the insured, as in India, a hospital tends to typically overcharge in case of cashless mediclaim polices.

"In India, for the same treatment, fees are higher for people with health insurance policies, while patients who don't have such policies are charged lower. This practice is more pronounced for cashless policies. In developed countries, the situation is the opposite—people without health insurance policies are charged much higher," the source said.

The members of the forum would include chief executives of health insurance companies, life insurers, third-party administrators (TPAs), officials from labour and health ministries and representatives of the health service providers.
The forum also favours capping the increase in premiums in case of a claim. The policy document should include the extent of the increase in premiums in case of claims.

"Right now, there are no such norms. Insurers increase the premiums based on their respective claim experiences, but there is a need for some standard norms for such rises. Policyholders should have some idea of the possible increase in premiums during renewals," said another source.

Other changes being considered are removing the entry age barrier in health insurance policies, which would benefit senior citizens, sources said. Typically, for most existing health insurance plans, the entry age is capped at 65 years.

From October 1, the Insurance Regulatory and Development Authority had approved portability of health insurance schemes, allowing customers to change insurers without losing policy benefits. However, the scheme is yet to pick up, as there is concern regarding data exchanges between insurers. Keeping this in mind, the forum favours a standardised policy wording.

**Source:**
***http://www.business-standard.com/india/news/health-insurance-forum-to-suggest-sweeping-changes/473272/***

# Insurance Regulation

## *Now, IRDA says single-premium policies can stay - The Economic Times*

The Insurance Regulatory and Development Authority has taken a U-turn in its stance on single premium life policies by deciding to allow companies to sell such policies after threatening to halt them, citing high risk.

Life insurers have been lobbying that these products are not as risky as the regulator assumed them to be and made business sense since the category constituted more than 45% of the total annual premium income.

"We will not withdraw single-premium products,'' said an executive at the regulator who did not want to be identified.

"There is certainly a market for single premium products. There are people who prefer investing at once which may be the bonus one gets and not bother about renewals every year."

The regulator and the industry have been debating about the merits of single-premium policies. The regulator believes that companies expose themselves to claims when such policies don't lead to recurrent incomes. But the industry maintains that these are not disproportionate to the overall business and there is a big market for them which is vital for the profitability of these companies.

Single-pay products are insurance policies where a policyholder needs to pay premium only once while he or she is covered for the term of the policy.

In 2011-12, the total single premium, including group and individual, dropped by over 10,000 crore, as companies started shifting their focus to regular premium products hoping for better valuations. The share of single premium in the overall income of the life insurance industry declined to 45%, or 51,625 crore, from 49% or 62,230 crore in 2010-11. Income from sale of new policies fell 9.21% to 1,14232 crore from 1,25,826 crore. Life Insurance Corporation of India has the highest share of single premium products constituting 45-50% of its new business income.

The product has caught the fancy of the industry over the past couple of years after the sale of unit-linked insurance plans plunged due to regulatory tightening.

"This is an option customers have. It is the employment market that has created this market," said an executive at the largest insurer, LIC. The regulator also believed that it was not good for the long-term health of the industry since single premium products do not inculcate disciplined savings habit. Also, insurers are unable to maintain customer persistency, an indicator of customer satisfaction.

"Single premium products are not a loss-making proposition,'' said MN Rao MD and CEO SBI Life.

"It is catering to specific segment of investors. But too heavy exposure may not be conducive for companies and may lead to lower valuation and profitability. Normally a company would have a balance between regular and single premiums, " Rao said. But the sales of such policies may take a hit due to the proposed increase in sum assured from five times to 10 times the premium for tax deduction.

**Source:**
***http://economictimes.indiatimes.com/news/economy/policy/now-irda-says-single-premium-policies-can-stay/articleshow/12957728.cms***

## *Regulator wants to link commission structure to term of life cover – Asia Insurance Review*

India's insurance regulator has proposed a change in the commission structure for short to medium term insurance products, in a recent meeting with industry heads. The change could be applicable to endowment policies, term plans and single premium payment policies and pegged to the length of the cover. Currently, commissions are product-based and unrelated to the policy term.

According to the Daily News & Analysis newspaper, the IRDA has suggested that the premium payable on such products, under which the policyholder pays premiums for five, seven or 10 years and get a life cover, be linked and made proportional to the commission being paid on longer tenure policies.

For instance, a 10-year policy is made the benchmark and the commission would be decided in decreasing amounts from a 10-year term. In other words, if, for a policy premium term of 10 years, an agent earns a commission of 40%, then for a similar policy with a premium payment term of five years, the commission he can pocket will be only 20%, IRDA says.

"The insurance regulator has sought the views of life insurers and they are positive about the move as long as commissions on Ulips (unit-linked insurance plans) are not affected," says an industry official.

The proposed change to the commission structure of the life insurance industry would be the second revamp in two years. In 2010, IRDA revised the commission structure for Ulips, which are investment-linked products, causing a major upheaval in the market. The sales of Ulips has been declining steadily since the revision. Among other things, the regulator had asked insurers to spread the commissions, which were as high as 40% in the first policy year, over the first five years for which the money is invested and locked in.

**Source:**
***http://www.asiainsurancereview.com/pages/e-weekly-archive.asp***

# Survey and Reports

## *Rs 6,500 cr more needed for 3rd party motor pool: Crisil – The Hindu Business Line*

Insurers in the third-party (TP) motor segment may have to provision Rs 6,500 crore more to comply with insurance regulator IRDA's directive, a CRISIL report on Wednesday said.

"We estimate the additional provisioning at Rs 65 billion this time, which is more than twice the provisioning increase that followed IRDA's rate hike of March 2011," said Rupali Shanker, Director of CRISIL Ratings.

Insurance Regulatory and Development Authority (IRDA) has increased the provisioning requirements in the third party motor pool recently.

The report said that the additional provisioning in the motor TP pool coupled with high claims in the motor TP (third party) and health insurance would impact the underwriting performance in the interim.

"We expect the industry's overall underwriting losses to exceed Rs 100 billion each in 2011—12 and 2012—13," Shanker said.

"CRISIL expects the annual hike in premium rates for the motor TP (third party) segment to benefit the industry over the long term. Consequently, the underwriting losses in motor TP segment, which has the most adverse claims performance likely to reduce over time," the report added.

Motor TP, which accounts for about one third of the industry's total claims, has been hiked by five to eight percent for private vehicles and 10-30 per cent for commercial vehicles from April, 2012. This was done by
the regulator in a bid to meet the rising claims in this segment.

"We believe the annual hike for the motor TP segment is a positive step, and will help check the industry's mounting underwriting losses in this segment. While the current level of premium rate hike is inadequate to completely offset the significant losses in motor TP, we believe that underwriting losses in this segment will reduce over the long term on the back of IRDA's annual premium rate hike," Senior Director, CRISIL Ratings, Mr Nagarajan Narasimhan said.

**Source:**
***http://www.thehindubusinessline.com/industry-and-economy/banking/article3376989.ece***

# IRDA Circulars

The IRDA vide its Circular Ref: 17/CAD/Consumer Website/2011-12 dated 30.04.2012 has launched a Website for Consumer Education for members of the public, prospects and policyholders with a view to educating them about matters relevant to them on various insurance services like buying insurance, making claims, consumer complaints, etc. This has been an attempt to make Insurance simplified for the common man. The website can be accessed at ***http://www.policyholder.gov.in***

**Source**
***http://www.irda.gov.in/ADMINCMS/cms/frmGeneral_Layout.aspx?page=PageNo1691***

***List of Non-life Insurers in India.***
**Source**
***http://www.irda.gov.in/ADMINCMS/cms/NormalData_Layout.aspx?page=PageNo264***

***List of Individual Licensed Surveyors in India vide its Circular Ref: Licensed Indl Surveyors dated 02.05.2012.***
**Source**
***http://www.irda.gov.in/ADMINCMS/cms/frmGeneral_Layout.aspx?page=PageNo1605***

# Global News

## Asia

### *China: Insurers told the elderly want care, not money – Asia Insurance Review*

Around 10,000 disabled people around Australia, with problems such as cerebral palsy, autism, down syndrome and brain injuries, will begin receiving support under a National Disability Insurance Scheme (NDIS) from July 2013, the country's Prime Minister Julia Gillard has announced.
Ms Gillard says that four trial locations, where people with disabilities would begin receiving personalised care and support, will be agreed with the states, and grow to covering 20,000 people by 2014.

"A hundred thousand Australians with disability are left behind altogether by government disability care, left to rely entirely on family, friends and other informal support. (And) the nearly 300,000 Australians with a disability who do get care, can't be sure that you get the care you need," the Australian media quote Ms Gillard as having said.

Under the scheme, severely disabled people will have all their care needs assessed by a government agency and it will decide the level of financial support they require for life and provide that money. The NDIS will provide day-to-day services and support for about 410,000 Australians with severe and permanent disabilities. The support includes basic equipment such as wheelchairs and home and car modifications for wheelchair-users, personal care services, respite services for carers, specialist accommodation, transport assistance, therapies and employment and transition-to-work programmes.

The government would not reveal how much it will spend on NDIS. However, a fully implemented scheme is estimated to cost A$8 billion (US$8.27 billion) a year.

**Source:**
***http://www.asiainsurancereview.com/pages/e-weekly-archive.asp***

### *Australia: National disability insurance scheme to begin trial run next year – Asia Insurance Review*

Buyers of long-term care (LTC) insurance want to have LTC services above monetary compensation when they make a claim on their policy, insurers were told. However, in China, LTC insurance and services are both at a nascent stage and unable to meet demand. Insurers currently mainly make monetary payments.

According to the China Insurance News, Mr Dang Junwu, Deputy Director of the China Research Centre on Aging, says that solving the problem of long-term care for the disabled would depend on establishing a strategy and a system for dealing with it. Insurers would need to design new products in this field while the government needs to provide support to promote the development of LTC insurance, such as providing tax incentives.

However, those who provide services to the elderly are looking to commercial insurers to resolve the problem. Yet, in 2010, LTC insurance premiums in China hit only CNY6.62 billion (US$1.05 billion) while total non-life premiums stood at CNY403 billion. There are several reasons that commercial LTC insurance has yet to pick up in China, including low incomes, low public awareness, backwardness of the LTC sector, restricted range of insurance products and the relatively high cost of LTC cover.

Insurers need to explore how they can offer actual LTC services with their products, in order to develop cover that would meet the needs of the burgeoning number of the elderly who become incapacitated, say ageing experts. At present, there are around 33 million people who fall in this category and their numbers are expected to hit 100 million by 2050.

**Source:**
***http://www.asiainsurancereview.com/pages/e-weekly-archive.asp***

## Europe

### *Europe: Mortgage lenders join call for clarity on flood insurance – Insurance Times, UK*

The Council of Mortgage Lenders (CML) has added its voice to the call for greater clarity on future availability of flood insurance in risky areas.

This week, the trade association has written to under-secretary of state for the environment Richard Benyon stressing that the future availability of flood insurance is a key factor to ensuring a stable housing market in areas with a high risk of flooding.

Flood cover for many homes in high-risk areas is currently assured by the Statement of Principles, an agreement between insurers and the UK government. However, this agreement is due to expire in June 2013, casting future availability of affordable flood cover for an estimated 200,000 homes into doubt.

Properties without insurance cannot be mortgaged, which the CML argues could put further pressure on a housing market that is already suffering from reduced transaction volumes. The association said that in each of the last four years,. the number of transactions has totalled around 900,000, compared with the longer-term average of 1.5 million.

The CML said in its most recent newsletter: "Without a clear lead from the government, it may be difficult to ensure that flooding insurance is widely available, at a reasonable cost. Uncertainty could begin to affect lenders and borrowers in the coming weeks .We are therefore keen to begin discussions with the minister and insurers to explore what can be achieved."

It added: "We hope that a dialogue can begin as soon as possible, so that lenders, insurers, consumers and the government can plan and act effectively, and ensure there is a smooth transition to new arrangements for providing adequate insurance to cover flooding."

**Source:**
***http://www.insurancetimes.co.uk/mortgage-lenders-join-call-for-clarity-on-flood-insurance/1396231.article***