Insurance Institute of India
C – 46, G Block, Bandra-Kurla Complex, Mumbai – 400051

INSUNEWS

- Weekly e-Newsletter

8th – 14th April 2016

• Quote for the Week •

"Successful people don't fear failure. But understand that it is necessary to learn and grow from."

Robert Kiyosaki

INSIDE THE ISSUE

News	Pg.
Industry	1
Life	3
Health	4
General	7
Survey	8
Global News	6

Insurance Industry

Insurers see rising demand for directors & officers cover - The Hindu Business Line – 12th April 2016

With the authorities tightening the screws on directors and senior corporate bosses after Láffaire Vijay Mallya and the Panama Papers revelations, there has been a scramble by companies to get large Directors and Officers Liability (D&O) insurance policies.

Corporates are opting for covers as large as Rs 500 crore, says Mahesh Chainani, Senior VP at Howden India Insurance brokers, which specialises in D&O policies. It helps that premiums in the segment have crashed almost 60 per cent in the last five years due to rising competition among insurers, Chainani adds.

D&O liability policies offer cover against personal liabilities arising out of the insured's corporate role. These include legal costs in defending allegations or suits and any damages awarded to claimants against the directors and officers, including out-of-court settlements.

Policy exclusions

However, a key exclusion in the D&O policy is loss arising from dishonesty, fraudulent conduct and self-admission (of wrongdoing), but the policy will cover all innocent employees, say insurers.

Sai Venkateshwaran, Partner and Head, Accounting Advisory Services at KPMG, says the new Companies Act brings a lot of focus on the role of directors and has codified duties of directors together with penalties for non-compliance. Consequently, most insurers have seen a rising demand for these covers.

For instance, Bajaj Allianz has seen most enquiries from corporates turning into sales. The company has seen 35 per cent year-on-year growth for D&O policies, said Sasikumar Adidamu, Chief Technical Officer (Non-motor).

Says KG Krishnamoorthy Rao, MD & CEO, Future Generali: "Initially, D&O policies were taken only by listed companies. However, in the last two years, there has been a demand for such policies by non-listed companies such as SMEs and start-ups as well." Insurers also say that with increasing litigation and widening corporate exposure, the coverage sought has widened beyond the basic policy.

Praveen Gupta, MD and CEO at Raheja QBE, says that corporates are now seeking covers that include civil fines and penalties, tax liabilities in the event of insolvency of the company, bail bond costs, official investigation and inquiry cost, and counselling fees.

Underwriting

Unlike other types of insurance, D&O liability is sold to a consortium of insurers in layers, with a primary insurer underwriting the first layer. So, in case of a claim, it is paid out by the consortium.

"There have been several instances of litigation. Some have resulted in payout or settlement; for some only legal costs have been incurred. Names in the public domain include Satyam, Bharti Airtel , Infosys and IGATE,"

Source

says Gupta. The Satyam scam triggered one of the biggest directors' and officers' claims in India, worth $75 million.

Buying insurance online needs homework - The Financial Express – 8th April 2016

Buying insurance online is an easy, convenient and cheaper as well. Online insurance is catching up fast among the net-savvy younger population. Insurance companies see a higher portion of motor insurance renewals and travel insurance coming through online channels. For someone who prefers to make purchases as per his convenience, there are health plans, life cover. Home insurance too is available online.

Convenience is the greatest advantage customers have while buying a product online. Mostly insurance companies have simple products for the online channel and these are easy to understand even without the help of a third party. But while doing away with agents one will have to examine all aspects of the product and the company, like insurance cover, term, exclusions, riders, credibility of the insurer and claim settlement record – all on his own.

The customer can go to aggregator sites and compare the products of different companies before taking a decision. The sites also provide reviews by customers who have already bought the product and made claims. Reviews are crucial to understand which company has hassle-free claim processing systems. However, one has to ensure that the information provided by the aggregator sites or the broker sites are genuine. Once the customer has decided on the product, he can also check the insurer's website for better pricing. The product should be bought only from an authentic site.

Pricing is another advantage the online channel provides. "Technically, online product should be cheaper than the one bought through a broker or an agent. The customer acquisition costs are low in the online channel. Further, the commission for the broker or the agent, which can even go up to 15 per cent, can be eliminated. There is also the benefit of monetisation of operational efficiencies by cutting cost of delivery of the policy in its physical form. This can go up to 10 per cent. So, there is total cost advantage of 20-25 per cent for online product," said Sanjay Pande, executive director, Finsall Networks. The insurance company may choose to pass on the advantage of lower cost either in the form of lower premium or higher sum insured.

Utilising online payment gateway and transacting through credit, debit or net banking also eliminates the uncertainty and delay around sending cheques or cash through the agent. The payment is done fast and the policy document also arrives in your mailbox faster.

However, buying an insurance product without a human interface can also lead to a wrong purchase. In the absence of a professional to judge the requirement and paying capacity, the customer may end up taking a bigger or a smaller cover. He may also opt for a longer term or a shorter term. An agent or a broker can help the customer make a better choice.

However, there is a flipside to it as well. If the agent withholds some information about the product, it may result in misselling. Agents may also try to push products, which provide them higher commission. Doing an online research on your own and making an informed choice can lower the chances of misselling. All individuals are not acquainted with the technical terms used by the insurance companies and much depends upon the comprehending capability of the buyer.

While theoretically, the online facility looks good, there are a few drawbacks of the e-distribution channel. The insurance plans available on the net are mostly pre-set. So, it won't be possible to customise a plan to suit your special requirements or negotiate your premium with the insurer.

Health insurance is comparatively more complex and buying it online would be a difficult thing to attempt for many. Many companies have come out with simpler health products for the online channel. These are vanilla products with not many riders. "These are pre-underwritten products and mostly all-encompassing. There are less chances of customisation," said Pande. One also has to find out details such as hospital network and exclusion clauses.

A person, who does not need a medical check and is in the low to normal risk category, may not find much problem with the online products. But for others, it may not work. "In such cases usually messages pop up saying that a customer executive will get in touch with the customer," said Pande.

In case of life cover, term plans are in great demand among online buyers. Arriving at the right sum insured and tenure is a difficulty most buyers face while buying a term plan online.

Finally, the taste of the pudding is in its eating. Claim processing is the most crucial aspect of any insurance policy. Many insurance companies allow online customers to make their insurance claims also online. Technically, this should help customers get their claim amount easily.

"But when it comes to processing of online claims, much needs to be done. Several gaps still exist in the way the claims are being handled," said Pande. A human interface is very important at the time of claims processing. If the claims do not get settled within the stipulated time, the customer can push his case through the agents.

Source

As the online channel gets larger for insurance companies with time, they will have to put the best systems in place for their customers to provide the same convenience in claims settlement as well.

Back

India: Govt promotes venture funding to insurers & pension funds – Asia Insurance Review

The Indian government is planning to make it easier for large institutional investors such as insurance and pension funds to invest in domestic venture capital and private equity funds, Minister of State for Finance Mr Jayant Sinha has said. The government and the insurance and pension fund regulators are holding talks on the subject.

Mr Sinha added that to channel long-term capital to venture funding, the government has first to resolve regulatory and taxation issues, reported Livemint.

"We want to enable these pools of long term capital to invest across a set of uncorrelated diversified asset classes. We need a pool of domestic limited partners who can invest, whether they are endowments, trusts or insurance companies. We are working on this from the regulatory and taxation perspectives to create a pool of domestic limited partners," he said.

"90-95% of the venture capital money pumped into Indian start-ups comes from outside India and that is a cause for volatility in the markets. Efforts are being made to build domestic LPs (limited partners)," he said.

Source

Last week, Life Insurance Corp and Small Industries Development Bank of India signed a pact under which LIC would invest INR2 billion (US$30 million) in venture capital funds which focus on small and medium-sized enterprises.

Back

Life Insurance

Jan Suraksha insurance schemes to see no premium hikes in FY17 - Business Standard – 12th April 2016

Insurance schemes under the Pradhan Mantri Jan Suraksha Yojana will not see any premium increase this financial year.

While pure-term insurance and personal accident policies under the scheme have seen claims being reported and paid, the price of the cover has not been revised upwards.

Insurers expecting some upward movement due to claims will now have to provide the cover at the same cost. Besides, a pension scheme (Atal Pension Yojana), the scheme provides term insurance and an accident insurance scheme — Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY). Eleven months since launch, the schemes have sold almost 124 million policies.

"Volumes have been big and, hence, the sector has faced claims as well. Some premium increase was expected but we are told there would not be any in this financial year," said a senior general insurance executive. There could, he said, be some revisions from FY18, based on data. The plans have a cover of Rs 2 lakh each, with a premium of only Rs 12 a year for accident insurance and Rs 330 for the life product. Not all segment entities in the private sector have become a part of this, as the cover cost is low and servicing costs are high. Of the Rs 12, the premium given to the insurer per annum is Rs 10. Apart from this, Rs 1 is paid per year as reimbursement of expenses to the intermediary (business correspondent, agent) and another Rs 1 goes for reimbursement of administrative expenses to the bank in question.

The accident insurance scheme, renewable yearly, offers protection against death or disability due to an accident. The premium is deducted from the policyholder's bank account. Among private general insurers, not all of them are a part of it; all government-owned ones are.

Even when the scheme was launched, to enable more penetration in the country, there was some apprehension among insurers about its viability.

They felt it would not cover basic administration and distribution costs. Those with bank partners and tie-ups were among the first to get in, as banks were at the centre of the scheme and given the responsibility of selling the products to their customers.

Regular insurance schemes undergo revision in premiums on an annual basis, based on the claims received, losses due to fraud and allied costs. Jan Suraksha schemes have auto-renewal mechanisms where every year the premium is automatically deducted from the account.

Rural areas have been able to gather more enrolments than urban centres, say data on the Jan Suraksha website. It shows 52 per cent of the rural market has been covered. The share of policies being taken by women continues to be lower than males.

The accident cover of the member shall terminate or be restricted on attaining the age of 70 years or closure of account with the bank or insufficiency of balance. If a member is covered through more than one account and premium is received by the insurance company inadvertently, the cover will be restricted to one account and the premium liable to be forfeited.

Fraudulent claims have also been reported. Insurers fear if these go up, they will incur heavy loss. The head of the actuarial team at a private life insurance company explained the scheme had been priced very aggressively and it would be difficult to sustain over a longer duration. The head of claims at a mid-size private general insurer said even if claims lead to a premium increase, the focus will be to keep the product affordable. Breaking even might be a problem.

Source

Back

Health Insurance

Health claims up, insurance portfolio bleeds – The Times of India – 14th April 2016

For 2015, the health insurance industry saw its incurred claims ratio (ICR) rise to 101% from 97% in 2014 and 94% in 2013 and 2012, indicating that insurance companies are settling more claims than their premium income, according to data with the insurance regulator.

Now on the face of it, a higher ICR of 101% would mean that a large majority of policyholders' claims are being met. But for general insurance companies the increase spells bad news, because it indicates that for every 100 it earns in premium, it is paying out 101 in claims - a difference that runs into crores, setting the health portfolio bleeding across the industry.

One of the main issues facing the insurance industry is the absence of a regulator to curb health costs. "Health care costs are rising 12%-18% year over year in India. There is no fixed tariff for any operation, treatment procedure or nursing care. So, a patient can choose to go to a corporate hospital for something like a hernia operation and get billed double or treble what a similar hospital a few kilometres away could charge. And the insurance company has to pay out all claims irrespective of the hospital chosen," says HDFC Ergo General Insurance Co's appointed actuary Anurag Rastogi.

For 2015, net incurred claims ratio (ICR) for government sponsored health insurance business has witnessed a significant rise to 108% breaching it's average level of 90% witnessed during the preceding three years, according to data with the Insurance Regulatory and Development Authority of India (IRDAI). But its not just government schemes, that's leading to the imbalance there is also the practise of intense, cut-throat competition among insurers when it comes to selling group health insurance policies to large corporate houses.

Source

Maternity claim values mount as c-section cases rise - Financial Chronicle – 13th April 2016

A rise in c-section has increased the maternity-related claims in terms of value in the recent years. The emergence of premium birth centres too has pushed up the claim value, find insurance companies.

Future Generali finds that the proportion of c-section has increased over normal delivery in the past five years. The share of c-section has increased from 55 per cent in 2012-13 to 67 per cent in 2015-16. In the case of ICICI Lombard, c-section accounts for 69 per cent of maternity claims and the numbers have been rising for the past five years.

This has evidently made the claim amounts rise. The average claim amount increased consistently over the past five years for both c-section and normal delivery categories. But as the share of c-section goes up the average claim amount rises even higher. In 2015, the average claimed amount was around Rs 50,000 for c-section whereas it was around Rs 27,000 for normal delivery, said Sanjay Datta, chief-underwriting, claims and reinsurance, ICICI Lombard GIC.

Shreeraj Deshpande, head of health insurance, Future Generali India, said the gap between the minimum and the maximum price has been widening due to new hospitals and more personalised/hyped delivery wards. While normal deliveries are done for Rs 10,000 in some cities, it goes up to Rs 2 lakh in others.

"Premium centres have positioned themselves as luxury institutions, which provide a comfortable journey starting from the pre-natal period to post-birth counselling. Couples are willing to pay higher to take care of the entire maternity period. This has pushed costs up to Rs 2 lakh in some cases, thus moving maternity as a hospitalisation event to a nine-month packaged, wellness and monitoring treatment," said Deshpande.

Both group and retail health products cover maternity these days. Most corporate group policies have maternity benefits with sub-limits. In the recent times, requests are received to increase the maternity sub-limits to even Rs 1 lakh. While most insurance policies have a maximum sub-limit for maternity benefit, some also have sub-limits differently for normal delivery and c-section. We have observed requests from corporates to increase the upper limits for maternity claims, said Deshpande.

The insurers also find that there is a slight increase in the number of c-sections in the above 30-age group. ICICI Lombard found that almost 36 per cent of the claims has come from the age group of 26-35 years.

Delayed conception due to career preference and late marriages also leads to less risk taking at the time of delivery and hence opting for c-section.

The top cities account for larger portion of c-section. Future Generali data show that the proportion of c-section in metros is significantly high at 70 per cent of total deliveries, while for semi metros it goes down to 55 per cent and 35–40 per cent in smaller towns.

Between 2011 and 2015, 52 per cent of health insurance claims from the top 10 cities were around c-section deliveries, with Mumbai topping the chart, followed closely by the National Capital Region. In fact, for the period 2015-2016, maternity claims alone made up for a major portion of total health insurance claims, followed by digestive, eye and common infection related claims. Higher portion of c-section is linked to availability of high-end hospitals in top cities to conduct c-sections and handle related complications.

Source

Health insurance to see standardised rates, niche products - Business Standard – 9th April 2016

Health insurance policies might soon not only have easier servicing and newer types of products but also standardisation. This would help check hospitals overcharging patients.

As the first step towards standardisation of hospitals and allied systems, the Insurance Information Bureau of India (IIB) last year launched the Registry of Hospitals in Network of Insurance (ROHINI) to ease inefficiencies in claim settlements. It has close to 35,000 hospitals which have been provided with a 13-digit identity number.

ROHINI also has a hospital self-service portal for fresh enrolment, addition/deletion or amendment of already registered details. Also, alerts would be sent to insurers and third-party administrators (TPAs) for any changes in the registry.

Motor and health insurance form the biggest chunks of business for non-life insurance companies and for standalone health insurers. In the absence of a health regulator, malpractices including over-charging by hospitals lead to trouble for customers.

Insurance companies are trying to make products more customer friendly by offering these across income segments and reducing the waiting period. "Pricing will be fixed in a way, which will bring down waiting period," said a senior official of this sector.

For easier access, insurance companies have already taken baby steps, including having own TPA teams to assist policyholders in processing claims for cashless policies and foreign medical insurance.

Earlier, the Insurance Regulatory and Development Authority of India (Irdai) had standardised health insurance rules to bring uniformity in coverage practices, including the exclusion of disease conditions and charges across policies. It proposed a standard nomenclature for critical illnesses for both hospitals and insurers to follow and put out a standard list of exclusions in hospitalisation indemnity-based policies.

While the problem of overcharging customers continues, insurers are trying to find a solution. In the past, consumer activists had sought pre-packaged rates for ailments but hospitals argued this wasn't viable.

R Raghavan, chief executive officer of IIB, has said the ROHINI platform will be further enhanced by putting details like number of beds, specialisation, details of doctors, classification/categorisation of hospitals and diagnostic centres, among others, based on feedback from the stakeholders, their evolving needs and experience in the initial phases.

Further, customers can choose hospitals based on location preferences, specialities and empanelment with insurance companies. Insurers said this would be beneficial for customers who travel to other cities for treatment. Insurers are also taking steps, ICICI Lombard has launched "Health Advisor", a search registry for hospitals, treatments available and costs. Launched with information about 10 cities, this is available for all customers.

The insurer has created a hospital and consumer feedback-based rating mechanism wherein consumers can get treatment-related details and gain from actual experience from patients for 1,000 hospitals across primary, secondary and tertiary segments. The company has made this possible by sourcing feedback and over 10,000 ratings from customers who had availed treatment at these hospitals.

Bhargav Dasgupta, managing director and chief executive officer, ICICI Lombard, said this would help customers in taking informed decisions. The company collated feedback from a large set of customers to build this platform, where more hospitals will be added in due course. This portal is an

open access platform that can be availed of by consumers through a website for this purpose.

Using this platform, a customer can compare cost of treatment for a particular ailment among hospitals and also compare quality of care for a particular ailment among hospitals.

It also gives an option to compare hospitals on the basis of infrastructure, room and procedure costs. Customer feedback and ratings on hospitals with authentication is also available on the portal. Over and above, obtaining appointments at the hospital of their choice can also be done.

Source

Going forward, insurance companies are also looking at bringing out mobile applications and devices that can send automatic health emergency-related information to nearby hospitals. The size of the covers could also go up to as high as Rs 3-4 crore depending on people's needs.

Back

General Insurance

Up to Rs 25L cover for rail passengers soon - Financial Chronicle – 10th April 2016

The Indian Railways has set the ball rolling for providing insurance cover to its passengers. Its tourism and catering arm Indian Railway Catering and Tourism Corporation (IRCTC) met officials of non-life insurance companies to work out the modalities of cover for passengers. An official of a top general insurance company told Financial Chronicle that insurers have suggested offering three personal accident insurance policy options to passengers based on their class of travel. A fixed cover for baggage loss has also been suggested. A personal accident cover would insure passengers against death and disability due to accidents. The railways carries 850 crore passengers in a year.

Insurance would be optional for passengers. Customers can avail of insurance while booking rail tickets online on the IRCTC platform. Those who book tickets offline, however, would not get the option.

"We suggested that travellers be given three personal accident insurance options to choose from, besides a fixed insurance component for baggage loss. The sum insured would differ according to the class of travel. For second-class sleeper, we suggested personal accident insurance cover options of Rs 5 lakh, Rs 7.5 lakh and Rs 10 lakh and a fixed baggage insurance of Rs 5,000. For AC 3-tier class, AC chair car, the three options are Rs 7.5 lakh, Rs 10 lakh and Rs 15 lakh and a baggage insurance of Rs 10,000. AC 2-tier travellers can choose from options of Rs 10 lakh, Rs 15 lakh and Rs 20 lakh. Baggage insurance cover for them is Rs 20,000. The three options for first class AC would be Rs 15 lakh, Rs 20 lakh and Rs 25 lakh and baggage insurance of Rs 20,000," said an official of a public sector insurance company.

"Since there is a mad rush for reservation and in minutes people lose their chance of getting a confirmed ticket, the primary concern of travellers is to get reservation done and not buying insurance. Therefore, we have suggested that travellers be provided a quick 'NO' option for insurance to help save their time rather than giving them an 'YES' option. Travellers need to do 120 days advanced booking and the insurance cover has to be bought on the same day of booking tickets," said the insurance company official.

Insurance officials said that the premium would be as low as Rs 50-70 as the duration of coverage is less. Personal accident will cover accidental death and disability due to accidents. Public sector insurers have suggested extending the coverage to provide medical treatment too as a general personal accident policy does not cover medical treatment.

Public and private sector insurers differed on the scope and duration of coverage: IRCTC called four public sector insurers and some private insurers, ICICI Lombard General Insurance, Reliance General Insurance, Universal Sompo General Insurance.

Three public sector general insurers were of the view that the coverage should start from the time the person arrives at premises of the station platform till the time he is out of the premises of the destination station. While one public sector general insurer and private insurers wanted coverage to start only when the train leaves the station and end immediately when the passenger alights on the destination station platform. Private players were also against providing baggage insurance since it would be difficult to asses the contents of bags.

Those opting for insurance after reserving their ticket would have to pay twice for payment gateway charges—once while booking the ticket and second time for booking insurance. Insurance officials said that the IRCTC is likely to finalise the cover details soon and would then ask insurers to bid for providing the cover to passengers.

According to the information provided by Manoj Sinha, minister of state for railways, there were 123 rail accidents in 2012-13, 118 in 2013-14 and 135 accidents in 2014-15, 100 in 2015-16. He said 579 cases of claims of compensation to victims of rail accidents were still pending with various railway tribunals which are quasi-judicial authorities.

As regards grant of compensation provided to victims of rail accidents through rail tribunals, he had said during 2012-13 a compensation of Rs 3.18 crore was paid, while in 2013-14 a total of Rs 1.49 crore was paid and another Rs 1.27 crore paid during 2014-15.

Source

During 2015-16, a total of Rs 1.1crore was paid as compensation to victims of rail accidents, he said.

Back

Satellites to aid rollout of crop insurance - Deccan Herald – 11th April 2016

The remote sensing satellites moving over the country will be used to prepare cadastral maps, which will carry time-tagged crop information. In case of bad monsoon or excess rain, satellite images before and after crop damage will be used to assess the yield loss.

Officials from the Departments of Space and Agriculture made detailed presentations to the Prime Minister's Office recently on plans to use space technologies to give a boost to the agriculture sector.

Source

"We have satellites that give images with resolution ranging from 5.8 metres to 50 metres. We intend to use these in providing inputs to implement the Pradhan Mantri Fasal Bima Yojana," a senior government official said.

Back

Survey & Reports

Mumbai, NCR lead health insurance claims from diabetics – The Economic Times – 10th April 2016

With diabetes affecting over 10 crore of the Indian population, metropolises like Mumbai and Delhi national capital region lead in the maximum number of diabetes-related health insurance claims in the country according to a survey.

7.8 per cent of the 131 crore people in the country are diabetic with the disease having claimed over two lakh lives till now, according to World Health Organisation (WHO), which focussed on diabetes for this this years's World Health Day on April 7.

"Diabetes rarely makes headlines, and yet it will be the world's seventh largest killer by 2030 unless intense and focused efforts are made by governments, communities and individuals," says Poonam Khetrapal Singh, regional director of WHO South-East Asia.

Diabetes, a chronic disease that occurs either when the pancreas does not produce enough insulin or when the body cannot effectively use the insulin it produces, has often been considered to be a lifestyle disorder, with the affluent urban population being most prone to it.

While a WHO report noted rise in diabetes patients in the country, a data aggregation of some of the leading private health insurance companies suggested a rise in diabetes related health claims. The data also raised concern over such claimants belonging to the age group below 25 years.

Diabetes becomes serious when patients become hyperglycemic and have to undergo costly surgeries such as diabetic retinopathy, diabetic nephropathy, diabetic neuropathy and diabetic foot treatement.

A report by ICICI Lombard shows that while most of the diabetes-related health insurance claims were previously made by people over the age of 60 years, over the last few years youths under the age of 25 have also become claimants to such health covers.

The firm received 7,915 such claims between 2011-2015 across all age groups.

A year by year data of the claims handled by the insurance firm says 4,140 senior citizens since 2011 have claimed insurance cover for diabetes while the same figure among youth till the age of 25 remained at 235. The same numbers for people in the age group of 26-45 and 46-60 stood at 1,564 and 3,433, respectively, it said.

With 1,286 and 1,015, Mumbai and Delhi NCR hospitals respectively registered most such cases even as Chennai, Bengaluru, Pune, Hyderabad, Kolkata, Coimbatore, Vadodara and Madurai (in the same) order constituted the top 10 cities and together formed 62 per cent of total diabetes-related health insurance claims, the data said.

Of the 7,915 claims handled by ICICI Lombard since 2011, over 57 per cent were by males and rest by females, suggesting men are more prone to the disease.

Max Bupa Health Insurance said while an average diabetes-related claim handled by it amounted to Rs 53,739 in 2014, last year it reached Rs 60,838. During the last five years, the firm also noted a rise in the claims coming from youth under 25 years of age, which it said spiked by up to 22 per cent.

"Among the various lifestyle disorders, diabetes is one which has become a major concern for people living in both metros, tier-II and III cities. A quick look at statistics and figures indicates that diabetes is assuming endemic proportion in all age and social groups," says Ashish Mehrotra, MD and CEO of Max Bupa.

"As compared to 2014, we have noticed a 23 per cent increase in diabetes-related claims in 2015. The average diabetic claim amount for 2014 being Rs 53,739 and Rs 60,838 in 2015," Mehrotra said.

"We received a competitive number of claims from both men and women. The more serious concern of diabetes is among the below 25 age group, in which we have noticed a 22 per cent increase in claims," he said, adding such figures are indicative of the prevalence of diabetes.

According to a data by Max Bupa, under diabetes-related health claims handled by it the most were made for diseases of the eye and adnexa (adjoining organs) followed by cancer; heart and blood vessels; genitor-urinary (genitals and urinary) system; and infections.

Bajaj Allianz General Insurance said it observed a 12.5 per cent rise in the number of claims related to diabetes, with maximum claims being reported from the age group of 56-65 years (30 per cent) and 46-55 (27 per cent) years.

The company also saw five per cent of the overall diabetes related claims coming from the age group of 0-25 years. There has also been a 25 per cent rise in the number of diabetes related claims from the age group 25-35 years and 12 per cent rise in claims form the age group 35 - 45 years, Bajaj Allianz said.

Of the total claims received by Bajaj Allianz last year, majority 62 per cent were reported by men and remaining 38 per cent by women. The claims are majorly pertaining to Hyperglycemia, diabetic retinopathy, diabetic nephropathy, diabetic neuropathy and diabetic foot.

Mumbai has reported the maximum number of claims (14 per cent) among other metros, followed by Delhi and Kolkata (both 7 per cent) and Chennai (5 per cent). Diabetes and claims arising out complications due to diabetes account for five per cent of the overall health claims at Bajaj Allianz General Insurance.

The average claim size for any diabetes related claims is Rs 53,000. A rise of approx 10 to 12 per cent over the last two years, the company said.

While diabetes-related specific breakdown of numbers of health insurance policies was not readily available with public sector insurers, including United India Insurance and LIC, an Insurance Regulatory and Development Authority (IRDA) report noted a "significant rise" in health insurance premiums over time.

"The insurance sector in India which initially covered certain areas like life, motor, marine insurance is gradually making rapid strides to cover the exclusive health risks contingent on human lives. Health insurance premiums have been registering a significant compound annual growth rate (CAGR) of 24.6 per cent in the preceding 10 years. The gross health insurance premium underwritten which was Rs 2,221 crore in the year 2005-06 has increased to Rs 20,096 crore by 2014-15," IRDA said in its annual report 2014-15.

World Health Day this year focuses on diabetes and calls for scaling up efforts to prevent, care for and detect the disease to arrest the global epidemic which is hitting the low and middle-income countries the most, the WHO said.

Countries in the WHO South-East Asia, including India, must take vigorous and concerted action to 'prevent, treat and beat' diabetes, a potentially fatal disease that has reached epidemic proportions and is expected to further increase in coming years, it said.

"Diabetes is of particular concern in the region. More than one out of every four of the 3.7 million diabetes-related deaths globally occur in the region, while its prevalence exacerbates difficulties in the control of major infectious diseases such as tuberculosis. Almost half of the 96 million people suffering the disease don't know they have it. If diabetes prevalence continues to rise, the personal, social and economic consequences will deepen," she said.

Source

Back

Global News

South Korea: Insurers' investment return rate falls to 4% - Asia Insurance Review

The investment income ratio - or rate of return on investment activities - of 25 local life insurance companies stood at 4% on average last year, the lowest since 1991 when statistics on the investment income ratio first became public.

The statistics were released last weekend by the Korea Life Insurance Association (KLIA), reported Pulse News which is produced by Maeil Business News Korea.

The life insurers maintained a return rate of 11-12% on invested assets in the 1990s but the rate headed down to 8.9% in 2000 and fell to 4.5% in 2013. It rebounded to 5.9% in 2014 but dipped to 4% last year. The average investment income ratio for 30 non-life insurers and reinsurance firms was even lower at 3.79% on average last year.

Furthermore, aggravating the situation, the insurers are seeing a decline in their primary insurance operations. The accumulated operating loss for life insurers expanded to KRW20.9 trillion (US$18.2 billion) last year from KRW18.8 trillion in 2013, while that for non-life insurance companies widened to KRW6.3 trillion last year from KRW4.9 trillion in 2013.

Surrenders

Separately, life insurance policyholders cancelled contracts worth KRW18.5 trillion last year, the highest annual figure in recorded history, due to continued financial woes amid a protracted economic slump, reported the Yonhap News Agency citing KLIA. In 2014, life insurance policies worth KRW17.2 trillion were cancelled.

"For many households, cancelling insurance policies is the easiest way to secure cash when the economy is not good. Insurance holders increasingly feel the burden of paying insurance premiums on a monthly basis if their income does not rise enough to offset increases in living expenses and one-off costs, such as higher home rental costs," a KLIA spokesman said.

Source

In a survey on 2,000 households conducted by the KLIA last year, the respondents said KRW423,000 seems to be an affordable monthly premium payment, down 13.7% from KRW490,000 in 2012.

New Zealand: Regulator to review insurance legislation - Asia Insurance Review

The Reserve Bank of New Zealand (RBNZ) has said that it will review the Insurance (Prudential Supervision) Act (IPSA) over 2016-2017 to ensure that the regime continues to provide for a cost effective, risk-based supervisory regime.

IPSA, enacted in 2010, provided the first comprehensive framework for the prudential regulation and supervision of insurers in New Zealand, and added insurers to RBNZ's oversight.

In its Insurance Industry Update, RBNZ said that it considers that IPSA has had a positive effect on the soundness of the insurance industry and that the legislation has worked well in most areas. RBNZ considers that the legislative purposes of IPSA remain appropriate, so the review will be done on the basis of the existing purposes of IPSA, namely, to promote the maintenance of a sound and efficient insurance sector and public confidence in the insurance sector.

The Bank considers that there are likely to be opportunities to reduce the administrative costs associated with IPSA, for example by reducing the fragmentation of policies across regulatory instruments or by greater use of generally applied requirements instead of individually applied requirements. The review will also consider whether the requirements for overseas insurers adequately balance the goals of recognising home country regulation versus adequately protecting New Zealand policyholders.

RBNZ will be undertaking work on defining the scope of the review this year. Formal public consultation is expected to commence in Q4 of 2016, with the release of an Issues Paper which will set out what the RBNZ sees as the key issues to consider in the review. The Bank will engage the industry over 2017, prior to issuing a paper for public consultation. If legislative change occurs, it would be in 2018 at the earliest.

Source

Back

New Zealand: Insurance advisers seen to hold onto market share - Asia Insurance Review

New Zealand's 6,500 insurance advisers are holding firm to their share of the insurance market, despite an increase in direct sales and perceptions of consumers.

In the life insurance market, about 49% of business is generated by advisers. Another 40% comes from banks and 11% from direct sales - primarily online. In general insurance – residential house, car, contents - much more business is done online and brokers have only a small share.

Insurance expert Russell Hutchinson of Chatswood Consulting said he expected life insurance advisers to hold on to their market share even as direct sales increased, reported the news website stuff.co.nz.

He said there were benefits to each sales method. "If you go direct the great advantage is convenience. But if you don't know what you are looking for and don't know what you need to buy, you don't get any help."He said buying from a bank might give customers more help but they would be limited to only the products sold by the bank.

"Using a third-party adviser gives you choice and advice," he added.

As for the belief that it is cheaper to buy direct, Mr Hutchinson said that on average, the premiums for direct products were virtually identical to the average price of advised products. "Some are cheaper and some are more expensive. Some offer better cover and some worse."

Generally, direct products are simpler, without all the bells and whistles of a product that can be explained by an adviser. But an adviser can help too when the policyholder needs to make a claim.

Perceptions

Still, a number of surveys over recent years have looked like bad news for the industry.

A Commission for Financial Capability (CFFC) survey last year found people did not know how to choose an adviser and were worried that if they did, they would be sold something. Another, from the Ministry of Business, Innovation and Employment (MBIE), showed just 54% of people had confidence in the professionalism and integrity of advisers. Almost 80% said commissions and other potential conflicts of interest affected their level of trust and confidence.

Mr Fred Dodds, Chief Executive of the Institute of Financial Advisers, said that the financial advice industry needed to do something to turn around those statistics. "We're going to get advisers to do surveys of their clients to see how people with an adviser have had the potholes taken out of the road, they're more informed. They're in a far better position than someone who has taken no advice at all."

The industry needed to do better at marketing itself to the public, and explaining its value, he said.

Source

Meanwhile, in July, MBIE is to make recommendations to the Commerce Minister for an overhaul of the law relating to financial advice. It is predicted that among the changes will be higher regulatory standards for registered financial advisers, including standardised disclosure requirements and new qualification rules.

Back

Malaysia: Moderate growth forecast for insurance & takaful marts – Asia Insurance Review

Growth in the Malaysian insurance and takaful sectors is expected to moderate this year amid the challenging landscape and uncertainties in the financial markets, says RAM Rating Services. The ratings agency said that against its GDP forecast of 4.4% for 2016, gross premiums are projected to expand by about 5% for life insurance, 2%-3% for general insurance and 4%-5% for takaful contributions, reported The Star newspaper.

"Despite the likelihood of slower momentum in the near term, the industry's mid to long-term outlook remains favourable given the low insurance penetration rate, rising consumer awareness and greater efforts in product innovation and distribution," RAM Ratings said.

Insurers and takaful operators' capitalisation levels and reserves remained robust and the industry is supported by a sound and prudent regulatory framework, noted the rating agency. "Against this backdrop, we have maintained a stable outlook on the credit profiles of our rated insurers and takaful operators.

"Over the next few years, the operating landscape will evolve with regulatory-driven liberalisation. The de-tariffication of motor and fire insurance – to be implemented in phases beginning this year – bodes well for the sector as premiums will gradually commensurate with underwriting," it said.

RAM Ratings said the life and family takaful sectors would see greater operational flexibility as initiatives under the Life Insurance and Family Takaful Framework were gradually implemented. It pointed out these reforms might result in some short-term uncertainty for insurers and takaful operators during the initial adjustment period but they would be positive for the long-term growth and efficiency of the industry.

In 2015, insurers and takaful operators were not spared the fallout from slower economic growth and subdued consumer sentiment. To recap, gross premiums in the general insurance segment rose only 1.7% (2014: 6.5%) on-year to MYR15 billion (US$3.8 billion). Life insurance premiums grew 5.4% (2014: 7.7%) to MYR37.4 billion.

Although family takaful continued to expand at 8.0% (2014: 4.4%), growth in the general takaful segment eased to 6.0% (2014: 13.3%), ending the year with MYR7.0 billion and MYR2.3 billio of gross contributions, respectively. Overall, the sector's profit ebbed 13.8% as benefits and claims as well as commissions and management expenses outpaced the increase in premiums/contributions and investment returns fell amid a volatile market.

Source

Disclaimer:

'Newsletter' is for Private Circulation only intended to bring weekly updates of insurance related information published in various media like newspapers, magazines, e-journals etc. to the attention of Members of Insurance Institute of India registered for its various examinations. Sources of all Cited Information (CI) are duly acknowledged and Members are advised to read, refer, research and quote content from the original source only, even if the actual content is reproduced.

CI selection does not reflect quality judgment, prejudice or bias by 'III Library' or Insurance Institute of India. Selection is based on relevance of content to Members, readability/ brevity/ space constraints/ availability of CI solely in the opinion of 'III Library'.

'Newsletter' is a free email service from 'III Library' to III Members and does not contain any advertisement, promotional material or content having any specific commercial value.

In case of any complaint whatsoever relating 'Newsletter', please send an email to Mr. A. Mukherjee, Director, College of Insurance at a.mukherjee@iii.org.in.

To stop receiving this newsletter, please send email to library@iii.org.in