भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

27th Jan – 2nd Feb 2018

• Quote for the Week •

“Every tomorrow has two handles. We can take hold of it with the handle of anxiety or the handle of faith.”

Henry Ward Beecher

INSIDE THE ISSUE

Insurance Industry

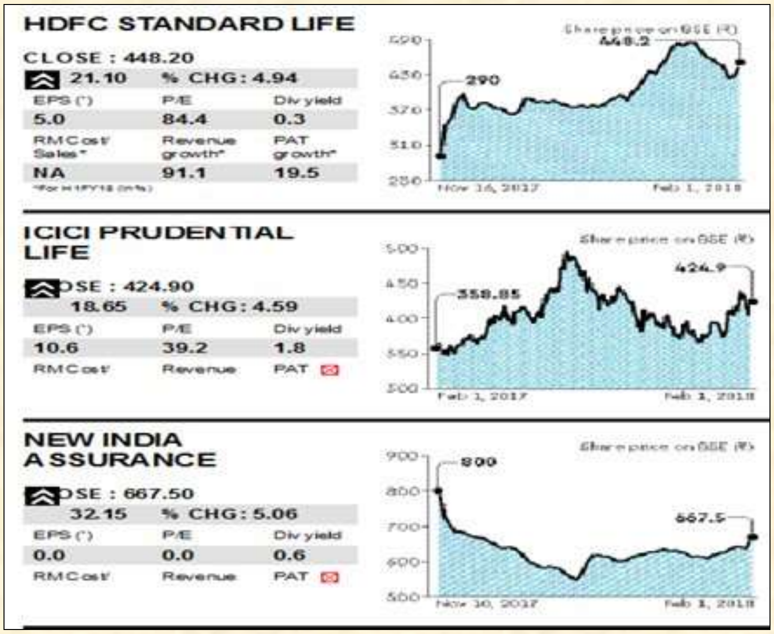
Budget 2018 impact on Insurance - Financial Express – 2nd February 2018

Increased medical insurance coverage is likely to provide more business opportunities. However, given the precarious profitability of the earlier schemes, the pricing of the scheme would remain a key monitorable. The merger of the three general insurance companies is expected to be a positive given the benefits from greater economies of scale and reduction in unhealthy competition. It would also benefit private sector insurers.

A merger prior to listing would also result in better valuation of the entity. The merger of the three state-run insurers would lead to the creation of a mammoth organisation and would be a key part of the government’s divestment target of Rs 80,000 crore for fiscal year 2018-19.

The proposal is part of the government’s divestment drive and follows the listing of two other public sector insurers: New India Assurance (NIA) and General Insurance Corporation (GIC). The government had offloaded 11.65% stake in NIA and 12.5% in GIC for Rs 7,653 crore and Rs 9,704 crore, respectively.

While the shares of NIA are trading 16.5% below its offer price on BSE, GIC is trading 17.4% below its offer price. The profitability of most general insurance companies including state-owned ones, has been under pressure owing to rising underwriting losses and higher claims.



Source

The rationalisation of costs would help bring down the combined ratio (a measure of profitability after taking into account the incurred losses and expenses) and improve profitability.

Making of an insurance giant: Government plans to merge three of its unlisted insurance firms – News Tread – 1st February 2018

The government plans to merge three of its unlisted general insurance companies to create a behemoth that will control a third of the non-life insurance market and be listed on stock exchanges to fetch better valuation.

National Insurance Company, United India Insurance Company and Oriental India Insurance Company will be merged, an entity that could be a dominant player in the Rs 1.5-lakh-crorea-year motor, health and industrial insurance industry, which is seeing intense competition from private players.

The listed state-run New India Assurance is the largest with a market share of 15%.

"The merger will lead to higher retention capacity," said G Srinivasan, chairman, New India Assurance. "Subsequent listing and raising of capital will make them stronger. It will reduce the competitive intensity and will lead to better pricing and better underwriting profitability."

Increased competition has eroded solvency margins of general insurers. Every insurer has to maintain an asset value at 150% of liabilities. But, Oriental and United have reported solvency ratio of 1.11 and 1.15, respectively, falling below the regulatory mandate.

In 2016-17, the Insurance Regulatory and Development Authority of India (Irda) asked the three insurers to amortise motor third-party liability for three years from FY17 and to consider 30% of fair value change account to appear solvent. Oriental India and United India had reported a loss last fiscal.

Source

National Insurance's solvency margin rose to 1.90 from 1.26 in the previous year.

Back

India: GDP growth for FY2018 estimated at 6.5-6.75% - Asia Insurance Review

India's real economic growth is expected to be 6.5% in the current fiscal year ending 31 March 2018 (FY2018), according to the Economic Survey 2017-2018 report released yesterday by the Finance Ministry. However, this estimate has not fully factored in the latest developments in the third quarter of the fiscal year, especially as related to exports and government contributions to demand. Accordingly, real GDP growth for 2017-18 as a whole is expected to be close to 6.75%.

The FY2018 estimated GDP growth rate is lower that the average of 7.5% between FY2015 and FY2017. India can be rated as among the best performing economies in the world on this parameter.

With GDP growth of 6.0% in the first half of the current financial year, the implicit growth for the second half (H2) of the year works out to be 7.0%, indicating further recovery of the economy that began in Q2 of FY2018. Major macro indicators, namely, gross fixed investment and exports are also expected to grow at a faster pace in H2 vis-à-vis H1 of FY2018.

The Survey says that macroeconomic developments this year have been marked by swings. In the first half, that is from April to September 2017, India's economy temporarily "decoupled," decelerating as the rest of the world accelerated – even as it remained the second-best performer among major countries, with strong macroeconomic fundamentals. The reason lay in the series of actions and developments that buffeted the economy: demonetisation, teething difficulties in the new GST, high and rising real interest rates, an intensifying overhang from the TBS (Twin Balance Sheets involving public sector banks and some highly leveraged corporations) challenge, and sharp falls in certain food prices that impacted agricultural incomes.

In the second half of the year, the economy witnessed robust signs of revival. Economic growth improved as the shocks began to fade, corrective actions were taken, and the synchronous global economic recovery boosted exports.

The Survey said that the key question going forward is whether the economy has troughed, and if so at what pace it will recover toward its medium term trend. However, signs are that a robust recovery is taking hold as reflected in a variety of indicators, including overall Gross Value Added (GVA), manufacturing GVA, the Index of Industrial Production, gross capital formation and exports.

Insurance

The report also says that India's insurance penetration has increased to 3.49% in FY2017 from 2.71% in 2001. The life insurance penetration was 2.72% and general insurance penetration was 0.77%, according to the Economic Survey.

The insurance density has increased to US$59.7 in FY2017 from $11.5 in 2001 - with life insurance density of $46.5 and general insurance density of $13.2. This compares to global average insurance density of $353 for life and $285.3 for non-life, it said.

Source

Back

Venture debt funds see increasing interest from insurance firms, HNIs – Mint – 29th January 2018

Insurance companies and wealthy individuals are increasingly interested in investing in venture debt funds thanks to their fixed income nature and track record, say fund managers. The past few months have seen many venture debt deals and the launch of several venture debt funds. According to private capital tracker Venture Intelligence, venture debt deals witnessed a significant uptrend in 2017, with 30 deals worth $81 million being closed as compared to $40 million across 31 deals in 2016.

“A lot of people have become knowledgeable about venture debt and are seeing it as a fixed income yielding product. Venture debt provides a safe way to get double-digit post tax returns and that is one of the fundamental reasons why insurance companies and family offices are resonating with it,” said Ajay Hattangdi, managing partner, Alteria Capital Advisors LLP.

Venture debt has shown a track record of good returns, said Hattangdi, adding there is regular repayment of principal and interest for the investor unlike in the case of venture capital. Alteria is a Securities and Exchange Board of India (Sebi) registered category-II Alternative Investment Fund (AIF) venture debt fund based in Mumbai. It is currently raising Rs1,000 crore for its debut fund.

Traditional debt financing (i.e. loans from banks, non-banking financial institutions and other institutional lending platforms) is typically not available for early stage start-ups, given tough conditions required to be fulfilled by entities borrowing from such platforms. Here, venture debt has an advantage.

With evolving regulations over the last couple of years, more institutional investors such as insurance firms are allowed to invest in alternative asset classes and these investors have shown a strong interest in venture debt, according to Rahul Khanna, co-founder and managing partner, Trifecta Capital, a venture debt firm.

“Traditionally, the sources of institutional financing for AIFs were largely Life Insurance Corp. of India and Small Industries Development Bank of India. Institutions like insurance companies had limited access to alternative investing as the regulations did not allow them to invest into AIFs till a few years ago. Over the last three years, we’ve had the opportunity to work with many of these large institutions to build a framework for how venture debt fits into their treasury allocations,” said Khanna.

Trifecta was founded by Khanna and Nilesh Kothari. Before starting Trifecta, Kothari was managing director of ventures and acquisitions at technology consulting firm Accenture Plc, while Khanna was part of the India team of US venture capital firm Canaan Partners.

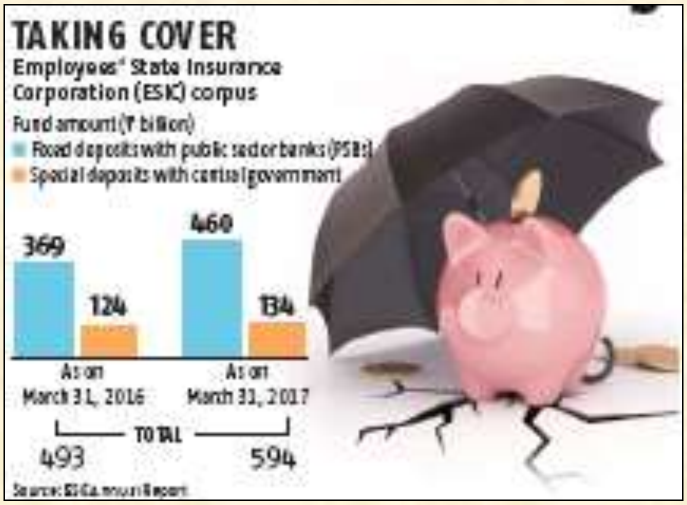
Trifecta has 13 insurance companies and several family offices as investors in its debut fund, he said. Attributes such as regular payments and predictable returns have made the asset class a good fit for these institutional investors. “The Trifecta Venture Debt Fund offers quarterly income distribution along with an equity kicker that provides fairly predictable returns. Some of the finer aspects of the fund structure include a shorter fund life, recycling of capital and a fee structure that is completely aligned with the investor’s interest,” said Khanna.

Source

Back

FRDI Bill’s bail-in clause worries labour ministry - Business Standard - 29th January 2018

The Union labour and employment ministry has raised concerns about the ‘bail-in’ clause — under which bank deposits can be used for helping failing public sector banks (PSBs) to stay afloat — in the Financial Resolution and Deposit Insurance (FRDI) Bill. This is perhaps the first time the clause has drawn flak from within the government, which is facing criticism from other quarters as well.



The ministry has represented that a substantial chunk of money kept in fixed deposits of PSBs for providing medical benefits under the Employees' State Insurance (ESI) scheme to around 30 million employees will be rendered unsafe due to this clause. Union Finance Minister Arun Jaitley had in August last year introduced in the Lok Sabha the FRDI Bill, which proposes a comprehensive resolution framework to ensure that in the case of financial institutions, including banks and insurance companies, failing, there was a system of resolution for their revival or closure.

This is for the first time that a Bill has proposed a clause that involves using depositors' money to infuse capital into ailing financial institutions.

"A large portion of ESIC (Employees' State Insurance Corporation) deposits is kept as fixed deposits in PSBs. This is money collected from employers and employees for extending medical benefits to workers that will come under threat. A bail-in clause is different than bail-out where the government steps in to rescue failing financial institutions. The former is a hands-off approach," said a senior labour and employment ministry official.

Around 460 billion, which constitutes 77 per cent of its corpus, was invested by the ESIC in PSBs' fixed deposits till March 31, 2017. The remaining money, in the fund of ~594 billion, was invested as special deposits with the central government in 2016-17.

"The ESIC is supposed to look after the interests of the workers, who are its contributors. If a portion of the ESIC's corpus is converted into equity of banks through the bail-in clause, it will become difficult to extend medical benefits committed to stakeholders as the money will become inaccessible," said a senior ESIC official.

The ESIC is mandated to invest 75 per cent of its funds in PSBs. "This is workers' money, which should be protected," the official said. The ministry has raised these concerns before a joint parliamentary committee of both the Houses, which is examining the Bill and holding discussions with stakeholders and the finance ministry, according to government sources.

The panel, headed by Rajya Sabha Member Bhupender Yadav, will likely present its report to Parliament on the last day of the upcoming Budget session.

The central trade unions, too, have opposed the clause. "We have demanded the finance ministry withdraw clause 52 (related to bailin)... This should be only applicable to private sector banks. Workers stand a risk of losing their hardearned money because of this proposal. We have strongly opposed it," said Rashtriya Swayamsevak Sangh-affiliated Bharatiya Mazdoor Sangh President C K Saji Narayanan.

The ESI scheme applies to all factories and establishments, including shops, hotels, restaurants, cinemas, and road transport undertakings, employing at least 10 workers. While 4.75 per cent of a worker's monthly salary goes towards ESI as the employer's contribution, 1.75 per cent of the income is the employee's share. Workers drawing a monthly salary of up to Rs 21,000 are entitled to medical benefits owing to sickness, disability, and death due to an occupational disease or work-related injury along with maternity benefits. ESIC dispensaries and hospitals are present in 503 of the 686 districts in India and around 29.3 million workers were insured under the ESI scheme till March 31, 2017.

The Union government has, in the last couple of months, issued a series of clarifications to allay concerns over the clause. Jaitley had assured the Lok Sabha last month that “the government is very clear” that it would “fully protect” depositors’ money in case a PSB fails.

“Bail-in will be only sparingly used. PSBs will effectively not be subject to bail-in provisions. Depositors need not have any apprehensions,” Department of Economic Affairs Secretary Subhash Chandra Garg said earlier this month.

Bail-in amounts to holders of liabilities bearing a part of the cost of resolution and it is one of many resolution tools in the FRDI Bill, including acquisition and merger, the finance ministry had said in a statement on January 2.

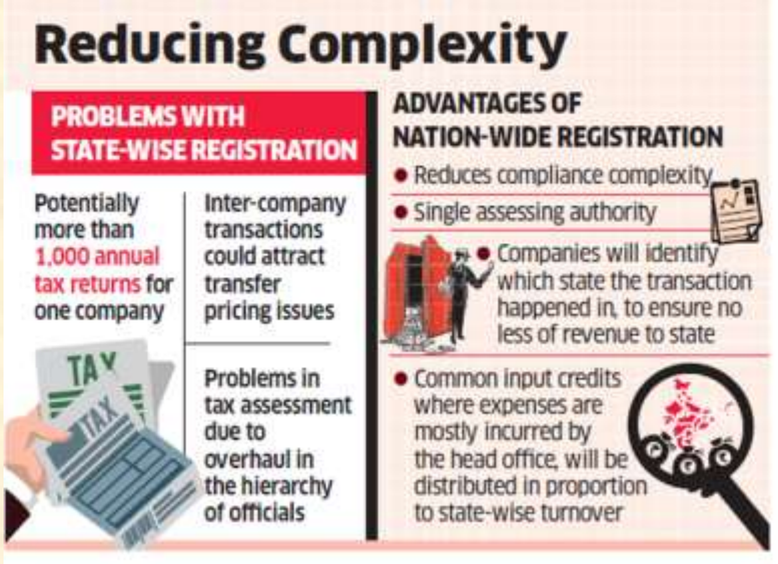
Source

Back

Single GST registration for airlines, banks on the anvil - The economic Times – 29th January 2018

The government is considering a nationwide single GST registration process for the aviation, banking and insurance sectors, people in the know of the matter said. A single registration will potentially solve a majority of the compliance problems that services companies have been complaining about. They now have to register themselves and file GST returns in every state or union territory (UT) they operate in.

But the change will require the approval of the GST Council, the top decision-making body under the new tax system, where states are expected to oppose it fearing revenue loss as they have done when the proposal had come up before, tax experts said. While goods-producing industries were used to making multiple state-wise returns for value-added tax under the previous regime, this is a new requirement for services companies, which complain it as a cumbersome process involving lot of paperwork and manpower.



For instance, since most airlines have pan-India operations and sales offices, they have to make about 30 registrations. In each territory, they have to file two returns every month: GSTR1 on outward supply or sale and GSTR 3B, which is a summary of all transactions and credits. With two more being added — GSTR 2 on inward supply or purchase and GSTR 3on reconciliation or credits to be claimed from the government — the number of returns that an airline has to file is set to increase to 120 a month, or 1,440 a year.

There are other fears as well. Inter-company transactions in some sectors could attract transfer pricing issues. In such cases, the company will have to pay tax.

There could be problems also over tax assessment due to reassignment of work within the tax authorities. The government has assigned GST assessing officers from a combined pool of officials who previously dealt with sales tax, excise or VAT. Some of them, especially those working in state governments, may not be familiar with the way services industries operate.

Earlier, state officials dealt primarily with manufacturing companies, collecting VAT. The central government collected excise tax as well as services tax from industries like aviation and financial services. Service providers, which were previously assessed only at the central level, are also assessed by state officials under GST.

A common registration system, with a centralised filing of returns, will significantly cut compliance costs and complexities, a key issue that almost all of corporate India has raised about the tax structure that combines several indirect taxes into one.

"The main advantage of a single centralised registration would be one assessing authority, possibly the central government who was administering service tax earlier. It will be interesting to see if the GST Council approves this proposition," said Pratik Jain, leader-indirect tax, PricewaterhouseCoopers. State governments, however, have been resisting such proposals, said Sachin Menon, head of indirect taxes at KPMG.

Source

Back

Tax incentives for insurance can help widen coverage – The Hindu – 28th January 2018

India is a country where social security measures are negligible and penetration of insurance products is low. Hence, its people need incentives to opt for insurance according to their financial capacity. Investments and insurance have been marketed purely as tax-saving instruments and the terminology such as '80C', '80D' are better understood than the real reason for the insurance is.

"Investment is thus fragmented without proper planning across different categories under section 80C of the Income Tax Act and insurance premium / plan is generally the balancing figure within the Rs 1.5 lakh limit for tax purposes," said Parag Mathur, general counsel and head of compliance, BankBazaar.com, an online financial marketplace. So, "whatever is possible [within those limits] is what people buy or rather, are sold by investment advisors."

K.G. Krishnamoorthy Rao, MD and CEO, Future Generali India Insurance said in India, insurance was still considered an expense rather than a necessity to secure financial stability.

With the increase in financial literacy, there is some increase in awareness levels and of late, people are beginning to realise the significance of insurance products, across protection, savings and investment, for themselves and their families. "However, most still don't know the difference among endowment, ULIPs, term cover or annuity. The new generation is still learning to design its insurance portfolio," said Mr. Mathur.

Like any other investment option, there is no one-sizefits-all insurance product for all events and life stages. A person will require different insurance products to cover different risk at different life stages which necessitates careful planning and enough scope to buy products.

Having a separate category for insurance product for tax saving (other than Section 80C) would do justice in promoting the right lifestage planning and purchase of the right product rather than a forced buy for adjustments in the same category as PF, PPF and the like.

Mr. Mathur said the separate Rs 50,000 exemption for National Pension Scheme (NPS) investments under Section 80CCD(1) has made people consider retirement planning from the "right perspective." Over the years, the investment in NPS has grown from Rs 231 crore in March 2013 to Rs 1,838 crore in September 2016, highlighting how a separate category of investment which is over and above the deduction of Rs 1.5 lakh available under section 80C of Income Tax Act can influence better financial decision-making and planning, he said. "Doing something similar for insurance can help insurance companies sell needbased insurance and manage life stage needs for covers and savings much better," Mr. Mathur added.

"With rising inflation over time, it may make sense to increase the limits as also motivate people to insure their lives at an early age — like a separate limit was inserted under section 80CCD to save for retirement under NPS", said Sudhakar Shanbhag, chief investment officer, Kotak Life Insurance.

Home, health insurance

Two areas where Mr. Rao expects some focus from the government are home insurance and health insurance. This year, various States in India had been flood-stricken. Data on the frequency of floods in the country has revealed significant losses to property, assets and lives.

In India, a concerted effort, including from the Centre, is needed to make home insurance pervasive. To reduce the burden of losses from disasters, there is an urgent need to increase home insurance penetration in the country. It is a well-recognised fact that natural disasters are a major hurdle for economic development of the country.

"Making home insurance mandatory and incentivising homebuyers with income tax benefits for premium paid towards a home insurance policy will encourage people to protect their house," said Mr. Rao. "It will not only ensure protection against financial losses from natural calamities but also help deepen insurance penetration in the country."

Source

Back

Insurers look for Budget sops to power next phase of growth – The economic times – 27th January 2019

The insurance industry in India is possibly as established as the banking industry, but it has seen a sea change in business expansion and disclosure standards since last few decades. A well developed and evolved insurance industry is a boon for economic development of a country. The insurance industry highly contributes to the capital markets, thereby increases large infrastructure developments in the country and simultaneously strengthens the risk-taking ability of the economy.

The industry is set to undergo a massive change and the future growth will come in from all segments. The growth would be seen from health and life insurance to the general insurance. Auto sales numbers are growing and so is automobile insurance. Also medical costs go up; more and more treatments are coming up. All these factors together are set to support the industry.

Also with the increase in digitalisation and technology adoption, Indian insurance industry is set to witness significant growth, as digitisation will help reduce cost of insurance products and allow it to develop customised products through data analytics.

Besides, growing awareness of the insurance, retirement planning, growing middle class and a young insurable population will continue to boost the industry. With an increase in income, exponential growth of purchasing power and household savings, the industry will continue to introduce new trends such as product innovation, expansion of distribution network, better claims management and regulatory development in the Indian market.

It could be seen that both government and insurance regulatory body Irdai have been continuously focusing on boosting the industry. IRDAI has taken a step to relax capital raising norms. Because of this, the primary market has been flooded with the companies from the insurance industry.

ICICI Lombard General Insurance, SBI Life Insurance, HDFC Standard Life Insurance, General Insurance Corp and New India Assurance have already hit the market to raise close to Rs 45,000 crore. The buoyancy in the primary market is likely to continue and we may see more insurance companies such as National Insurance, Oriental Insurance and United India Insurance in the primary market soon.

Under the National Health Policy 2017, the government is planning to bring a national-level health protection scheme, a key component of which will be cheaper health insurance products. Undoubtedly, the industry expects more tax incentive for insurance investment and exemption of insurance policies from GST in the coming Budget.

Insurance services attract a GST of 18 per cent. The industry is demanding abolition of GST, as it would help reduce cost and widen the reach of insurance cover to more individuals. Also a possible increase in income-tax slab by the Finance Minister in the Budget can give a quick push to the industry. Besides home insurance, the industry demands government to focus on pension annuity plan.

The Indian insurance industry is set to achieve significant growth in the coming years and we may see further changes in the way it conducts business and deals with customers. If the Finance Minister fulfils the demand of the industry in the upcoming Budget, it would be an icing on the cake for the industry.

Source

IRDAI Regulation

Risk-based capital regime: IRDAI to provide data to consultants for impact study – The Hindu Business Line – 27th January 2018

The insurance regulator will facilitate data availability to consultants to undertake a quantitative impact study (QIS) for implementation of a risk-based capital (RBC) regime.

If required, the Insurance Regulatory and Development Authority of India (IRDAI) will help provide data which are not available publicly for the purpose of the QIS exercise, it said in response to pre-bid queries for expression of interest (EoI) on the implementation of the new regime.

Early this month, the IRDAI had called for EoI from consultancies, agencies and institutions for implementation of the RBC regime.

Access to data will be provided only on entering into a data protection and confidentiality agreement, it added.

Contrary to the solvency capital method being followed now, the RBC regime, in line with global practices, will prescribe the minimum capital requirement based on the types of risks to which an insurer is exposed.

The primary responsibility of data collection, consolidation, analytics and reporting will be the responsibility of the consultant.

On whether the bidder will have the freedom to take up any work related to RBC with any of the insurance companies during the period of engagement with the regulator, it said there will be no restrictions at the EoI stage.

However, the team engaged for development of the project should not be engaged for any other project of the consultant.

A senior IRDAI official said introduction of RBC will be a "game-changer" for the insurance industry as it will bring in greater transparency on risks, facilitate comparisons across insurance companies, and thereby help in early and effective intervention by the regulator, if necessary.

Source

The insurance market is growing in double-digits. Last year, the total premium collected was about Rs. 4 lakh crore and Rs. 1.27 lakh crore in the life and general insurance segments, respectively, according to IRDAI data.

Back

Life Insurance

Insurers seek separate limit for tax exemption for life Insurance - Deccan Herald – 31st January 2018

The insurance industry is seeking various measures, in the upcoming Budget, including separate limit for tax exemption for life insurance that will help in augmenting insurance penetration in the country, which is very low at present compared to other countries.

"Currently, life insurance is one of the investment avenues which falls under Section 80 C limit of Rs 1.5 lakh. Given the long-term nature of life insurance savings and protection products, there should be a separate limit of Rs 50,000 akin to NPS for life insurance," said Jyoti Vaswani, Chief Investment Officer of Future Generali India Life Insurance.

As per the Economic Survey 2017-18, the insurance penetration, which was 2.71% in 2001, has increased to 3.49% in 2016 (Life insurance constitutes 2.72%).

Vaswani said as an aftermath of demonetisation, there is a conspicuous shift in preference of savers towards financial savings such as life insurance, with net financial savings as percentage of GDP moving up from 7.4% in FY15 to 8.2% in FY17.

"Life Insurance (Pension plans) should also be part of the exemption under Section 80 CCD of NPS and 40% of the maturity proceeds should be tax exempt on lump sum withdrawal. In addition, annuities arising from pension plans should also be tax exempted." he said.

The Economic Survey points out that during the fiscal 2016-17, the Gross Direct Premium (GDP) of General Insurers (within India) was Rs 1.31 lakh crore, registering 33% growth (highest ever since 2000-01).

Crop insurance, motor sales and health insurance helped the industry report this growth.

Tapan Singhel, MD and CEO of Bajaj Allianz General Insurance said the government should make it mandatory for employers to provide an adequate health cover to all the employees whether organised or unorganised.

"The proposed new universal health insurance scheme, which the government is planning to introduce, will be beneficial for the country. This will ensure that significant population comes under the ambit of health insurance," he said, adding that the government should route a slight annual increase in property tax of around Rs 100 towards home insurance.

He said that this insurance shall get triggered when rainfall exceeds a certain limit from the prescribed index of that area. "With the rise in catastrophic events in India, insurers will then be able to pay their claims directly to the Jan Dhan bank accounts, which will bring relief, thus reducing financial burden on citizens," he added.

Anoop Pabby, MD and CEO at DHFL Pramerica Life Insurance said term insurance products should be made zero rated or at lowest GST slab rate of 5% in order to maximise protection and drive social benefit of insurance.

Source

Back

Separate limit for life insurance premium will drive growth: Sriram Life MD Manoj Kumar Jain - The Hindu Business Line – 30th January 2018

A separate limit for life insurance premium under under Sec 80 C will drive growth, according to Manoj Kumar Jain, Managing Director, Shriram Life Insurance Company.

When approached by the Business Line on the suggestions recommendations for the Union Budget 2018-19, Manoj Kumar Jain lists out his views as below.

1. Separate limit for life insurance premium under Sec 80 C: In the current provisions, there is a limit of Rs 1,50,000 under Sec 80 C, 80CCC and 80 CCD. There is a separate section created under Sec 80CCD (1B), which provides a separate limit of Rs 50,000 for retirement savings under National Pension Scheme.

   In the current Sec 80 C provision, other expenses/investments are clubbed along with life insurance premium. Tuition Fees, Home Loan Principal repayments, PF contribution and so on are also included and they completely edge out Life Insurance premium in the reckoning of 80C.

   Our suggestion is to consider a separate sub section within Sec 80 C towards life insurance premium and any life insurance premium upto Rs 1 lakh needs to be considered. This limit has to work as a separate sub-limit within the overall limit of the Sec 80 C.

2. Group Insurance: Group Term life insurance cover product, 18 per cent GST is being charged on the premium. In group term life insurance, cover is offered to loan borrowers as a collateral and in the event of the death of the borrower during the term of the loan, Sum Assured provided under the Group life insurance cover product is paid to the Bank/NBFC, the loan is closed. This helps the family of the borrower from the harrowing experience of looking at ways and means to repay the loan, in the absence of the borrower. GST rate of 18 per cent also increases the cost to the borrowers.

3. Individual plan pure term insurance plan – GST waiver or reduction — upto Rs 10 lakhs sum assured: We have the urban educated masses opting for pure term life insurance either directly through the life insurers or through web aggregators. Education, access to information and web help the urban market class to enjoy the benefits of pure term plan. In most of these cases the Sum Assured starts from Rs 10 lakhs onwards.

On the other hand, we also have significant number of SME enterprise owners: truck drivers, cab operators who actually need the life insurance, but do not have access to information and technology. For them the increase in cost of insurance by 18 per cent due to GST is large enough to deter them from taking pure term life insurance cover.

In order to serve this needy segment we propose full exemption from GST or reduction in GST to 5 per cent on pure term insurance plan upto a sum assured of Rs 10 lakh. This will help life insurance companies to focus on this segment and low GST can be a speaking point to the industry forums to which the customer segment belongs to.

Source

With Rs 10 lakh sum assured, the family of the bread winner, will at least be able to meek out a simple living.

Back

Life insurance stocks can secure your portfolio – Business Standards – 29th January 2018

Insurance was among key themes that played out last year, whether life or general. Yet, barring HDFC Standard Life, which more than doubled since its listing, not all stocks received the same investor interest. That phase is slowly changing and foreign brokerages, such as Nomura and Citi, feel life insurers could be a viable option in the financial sector. Analysts at Citi defend their premium valuations and say they are in line with the superior multiples enjoyed by private sector banks and non-banking finance companies.

“Life insurance is a retail financial services product with significant under-penetration in India. With a shift towards financial savings, which is underway, the life insurance sector should deliver healthy growth," the analysts add. Given that there are only four listed players, investor interest is expected to be well-spread between them. For Nomura though, the pecking order is ICICI Prudential Life (I-Pru Life), SBI Life, HDFC Standard Life (HDFC Life) and Max Life.

HDFC Life: Too much, too fast
With strong listing gains, HDFC Life was quick to grab the attention of many analysts. While its December quarter (Q3) numbers didn’t disappoint, with the insurer yet again posting the superior value of new business (VNB) margin of 22 per cent, a rise in unit-linked insurance plans (Ulips) from 50 per cent in FY17 to almost 59 per cent in Q3 came as a surprise. While Ulips are still within the guided range of 50-60 per cent of HDFC Life’s total portfolio, analysts say they would monitor it’s performance on this front.

Yet, the major concern for HDFC Life isn’t its financials, but steep valuations, due to the recent stock rally. Analysts say that it trades at a significant premium to SBI Life and I-Pru Life. Citi, for instance, has initiated ‘sell’ on the stock primarily for its valuations. Those at Nomura also feel that this factor could restrict HDFC Life stock’s near-term performance. A decent correction, however could provide entry to long-term investors.

I-Pru Life: Improving product profile
Nearly six quarters after listing, investors are acknowledging that it could be foolhardy to avoid I-Pru Life for its high exposure to equity-oriented Ulips. The latest Q3 results stand testimony to the same. Despite 82 per cent of its revenues coming from Ulips, I-Pru Life’s VNB margin stood at 17.5 per cent; a near two-fold increase over the past year. While the share of high-yielding participating policies increased from 10 per cent last year to 13.5 per cent in Q3, better realisations of newly launched products (including Ulips) and improvement in persistency ratio (reflects business retained) have also played a key role in bettering the margins.

Analysts at JP Morgan, who are overweight on the stock, say I-Pru Life has emerged from tough six-seven years of low growth. “We see 20 per cent top-line growth in FY16-20, driven by improving penetration and robust markets," they note.

Max Life: Uncertainties remain
Unlike others, the Max stock has been an underperformer lately. Initially, the Street wasn’t perturbed when the merger with HDFC Life was called off last year. In the September’17 quarter, however, there were signs of slowing growth, even as overall numbers met expectations. Growth was optically lower due to a tilt towards lower-ticket protection business and muted growth in higher-ticket Ulips, a fast-growing segment.

This apart, if the distribution channel with Axis Bank, which accounts for over half of Max Life’s new business is disturbed, it could affect financials further. With this likely overhang, Nomura recently said that Max is the lowest in their pecking order among the listed life insurers.

SBI Life: Helped by diverse products
Despite being the second largest player, SBI Life is Citi’s top pick in the sector. Its strong distribution network led by State Bank of India and balanced product mix work in its favour. Increasing the share of Ulips in the past few years and reducing dependence on low-yielding non-participative products has helped SBI Life

substantially improve its financials. Likewise, increased business from individual products, which tend to have better realisations, is also positive. While its Q3 numbers are awaited, analysts at Citi expect SBI Life to deliver annualised premium equivalent (APE) growth of 28.1 per cent in FY17-FY20 and VNB growth of 32.4 per cent helped by a well-diversified product portfolio and multichannel distribution strategy.

Source

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General Insurance

A shot-in-the-arm for insurance players - The Hindu Business Line – 2nd February 2018

The Centre's flagship National Health Protection Scheme to cover over 10 crore poor families providing coverage up to Rs. 5 lakh, will benefit public insurers and certain private insurance players active in mass health programmes.

The Budget also proposes to merge three public sector general insurance companies — National Insurance Company Ltd, United India Assurance Company Limited and Oriental India Insurance Company — which will be listed sebsequently. This will bring down costs, improve scale and usher in greater competition in the space. While clarity on the contours of the National Health Protection Scheme is awaited, industry players feel that it will be on the lines of the existing Rashtriya Swasthya Bima Yojana (RSBY).

Contours of health scheme
Under this, a beneficiary pays a premium of Rs. 30 for a Rs. 30,000 cover. The balance (about Rs. 370) is borne by the Centre and the State together. Insurance players will participate in the tender process for each state and the lowest bid is awarded the contract.

If the Centre's new scheme is on similar lines, then a beneficiary may have to pay Rs. 500 for a Rs. 5 lakh cover. The premium may work out cheaper as the probability of lower income households using up the full cover may be less. However, for players active in this space, this opens up big opportunity as the scheme gathers scale.

What for players
For public insurance players such as New India Assurance, United India, National and Oriental National and select private insurance players such as Reliance General, the Centre's new health scheme offers immense opportunity. For Reliance General mass health forms about 44 per cent of total health GDPI (Gross Direct Premium Income).

That said, vagaries in the mass health business and unattractive pricing has seen other private players, turn cautious to this segment. Hence not all players may find it viable to bid for the Centre's mega health protection scheme. For instance, in FY17 Reliance General was not appointed to provide policies under RSBY for the state of Kerala which impacted growth; overall health GDPI fell by a sharp 36 per cent in FY17.

Also sustainable benefits will flow in only when some of the existing issues are ironed out.First, there must be smooth flow of subsidy without undue delay, both from the Centre and the State.

Next, claims settlement can be smoother only if more number of hospitals are empanelled which, given the segment these mass health programmes cater to, will be long-drawn. Of the Rs. 1,000 crore budgeted allocation to RSBY in FY-18, only Rs. 470 crore was used, according to revised estimates, clearly implying that scaling up such schemes will take time.

For FY-19, the Centre has allocated Rs. 2,000 crore for RSBY.

Sound move
New India Assurance was listed last year. But steep valuations and weak operating metrics have seen the stock trade way below its listing price of Rs. 800 (now at Rs. 667). The Budget proposing to merge the remaining three public insurers is a sound move, as it will help them increase scale and cut costs.

In comparison to private players, public insurers have weak financials. Each of the three public insurers proposed to be merged have a steep combined ratio of 134-148 per cent (FY17). Combined ratio measures the incurred losses and expenses in relation to the total premiums. For top private general insurance players, such as ICICI Lombard, Bajaj Allianz and HDFC Ergo combined ratio is a much lower 97-104 per cent.

Source

Insurance claims of helmetless riders will not be honoured, warns judge – The Times of India – 31st January 2018

Motorists riding two-wheelers without helmets and getting involved in accidents will not be eligible for insurance henceforth, senior civil judge and member secretary, district legal services authority, Latha said here on Wednesday. Of late, even the educated and literate tend not to wear helmets designed primarily for safety of two-wheeler riders just for fun or thrill. Nationally, 900 people die in road accidents every year primarily due to this very reason, she said.

Inaugurating an awareness programme on wearing helmets at Nutan Ravindra Mantap of M G M College, Latha rued the fact that most motorists wear helmets from the fear of getting persecuted by the police and not out of conviction that it helps save lives in the eventuality of an accident.

Instead people must realize that wearing helmets is in their own interest, Latha said, adding that motorists not wearing helmets will be ineligible to receive insurance claims. Earlier, Venkatesh Naik, principal district and session's judge, inaugurated the awareness jatha with police personnel riding their two-wheelers wearing helmets fitted with face guards and not the department issue half-helmets.

Lakshman Nimbargi, superintendent of police, was present on this occasion. Kumar Chandra, additional superintendent of police, Sandhya Nambiar, principal, MGM, Nishanth B Bhat, president, Manipal Auto Club were present at the programme.

Source

Back

Irdai for more players in general insurance, to give new licences - Financial Express – 31st January 2018

Even as life as well as non-life insurance industry have registered positive growth in the last few years, a lot needs to be done, especially in the general insurance space, insurance regulator Irdai said on Tuesday. In order to further boost the insurance sector, the Insurance Regulatory and Development Authority of India (Irdai) is set to give new licences to various players in non-life, health and re-insurance. “Today compared to many other countries, our penetration as well as growth is good. But a lot needs to be covered, especially in the general insurance sphere. The penetration can be much higher than the current level,” Irdai chairman TS Vijayan said at the 19th Annual Global Conference of Actuaries on Tuesday. Vijayan also added that many people came under under Pradhan Mantri Fasal Bima Yojana (PMFBY) and Pradhan Mantri Jeevan Jyoti Yojana (PMJJY) and this itself shows that there is demand for insurance and right products like this should contribute to the growth of the sector.

This year, only life insurance has seen Rs 35 lakh crore asset and Rs 6 lakh crore premium has been collected. Considering there is less than 3% penetration in India and almost 7% globally, it indicates a huge potential for insurance in the coming years. According to the data from Irdai, first year premium of life insurance companies as on December stood at Rs 1.38 lakh crore, as compared to Rs 1.16 lakh crore upto December 2016. A senior official of the Life Insurance Corporation of India (LIC), who also attended the event, added that the country’s largest insurer has invested almost Rs 60,000 crore in the government’s disinvestment programme so far this fiscal. “We have invested almost Rs 3 lakh crore in equity and debt upto the end of third quarter, out of which Rs 2 lakh crore is in various government securities and Rs 40,000 crore in equity market,” said a senior person on condition of anonymity.

In the last financial year, LIC had invested over Rs 47,000 crore in equity markets. In the rising markets, LIC has almost booked profits of Rs 20,000 crore in equity markets till December end. In the last financial year, the insurer booked profits of Rs 19,000 crore in equity markets.

Source

Back

Budget 2018: Non-life insurers call for exemption from MAT; want tax sops on home insurance - Financial Express – 30th January 2018

The general insurance (GI) industry is passing through a defining phase, as companies get listed on the stock exchanges. Detailed analyses show that a one standard deviation increase in GI penetration induces a per capita GDP growth of 0.39%. At the same time, the industry is credited with employing over 7 lakh individuals, directly or indirectly. Given the low penetration of GI in India at around 0.77% of GDP, there is immense scope for this sector, one that policy makers should help realise through appropriate measures in the Budget and through reforms in general.

Health insurance

The government has been providing tax incentives to buyers of health insurance. The Income Tax Act allows for deduction of Rs 25,000 for premium paid towards health insurance by a policyholder for himself, spouse and children. An additional deduction of Rs 25,000 is allowed for premiums paid for parents (Rs 30,000 in case parents are senior citizens). As the cost of medication is rising, the current slabs necessitate an increase to bring the tax incentives on health insurance premium in line with the rising cost of hospitalisation. Policy makers should consider increasing the limit for deduction on health insurance premium to Rs 75,000 (Rs 100,000 for senior citizens).

Home insurance

The Budget should also act as an enabler to promote non-life insurance in other areas that are of critical importance.While measures are being taken to empower home buyers, it is important to motivate them to protect their homes from any perils. Introduction of provisions in the Budget towards tax incentives on home insurance premium would boost adoption of this underrated insurance product by home owners.

TDS on motor accident claims

The issue of TDS on motor accident claims remains another point of concern. According to the I-T Act, TDS is deductible if the interest amount awarded by Motor Accident Claims Tribunal (MACT) exceeds Rs 50,000 in a financial year. MACT awards victims of motor vehicle accidents compensation, as well as interest. For many victims of motor vehicle accidents, tax liability does not arise in the normal course of things. Given this scenario, the system of award, which was brought as a relief measure, should not be used as an instrument of taxation. An amendment should be done to exclude interest component on MACT awards from TDS application. Pending amendment, appropriate instructions could be issued to provide relief to both, claimants of compensation and non-life insurance companies.

MAT on non-life insurance

Another area of attention relates to provision of Minimum Alternate Tax (MAT). The provisions of MAT were not applicable to the industry till FY12. However, the Finance Act 2012 made MAT applicable only for non-life insurers with effect from April 1, 2012 and reversed the exemption enjoyed by the industry. Non-life insurers are placed in a singularly disadvantaged position as compared to life insurers, being taxed at the maximum marginal rate. Considering the essential role played by the GI sector, it is important that companies in this segment are exempted from the purview of MAT.

Source

Back

Insurers now offer cover for insolvency professional - The economic Times – 29th January 2018

Some insurance companies are writing new policies to protect insolvency resolution professionals (IRPs), who are becoming more vulnerable to kidnapping and ransom as they try to settle cases referred to bankruptcy courts.

The new policies cover kidnap and ransom of insolvency professionals, apart from offering professional indemnity. Insolvency professionals are appointed as acting CEOs of companies by lenders. They are attached to accountancy firms and in most cases, with the Big Four.

Currently, the policies available cover the liability of directors and officers and offer professional indemnity. The directors and officers' liability policy covers IRP and other key executives against claims arising from employees, shareholders and regulators. To cover legal action by their clients, officers take professional indemnity policy.

JLT Independent Insurance Brokers is working on a crisis response cover for IRPs ranging from $2 million to $30 million. JLT has provided insurance cover to three IRPs and another 15-20 policies are in the works. There are eight cases of IRPs harassed as they carried out their duty.

"There is huge potential in the Indian market, with 1,200 insolvency professionals and a large pile of bad debt going for resolution," said Amit Agarwal, director of JLT Independent Insurance Brokers.

"The current policy pays for the defence costs. There is demand for crisis response cover. Apart from kidnap and ransom and personal accident, this policy will pay for psychiatric help in situations when IRPs are detained or tortured."

There are cases of IRPs taking risks as they resolve cases.

One case involved two companies that collected Rs 8,000 crore from over 18 lakh small investors by selling holiday plans with refund options. When an investor failed to get his money back, he approached the National Company Law Tribunal, which appointed Devendra Jain as the IRP for both companies. During the course of resolution, Jain was threatened and kidnapped.

"I had to face many challenges, like I started receiving so many threats for my life as well as for the life of my family members and I was also kidnapped by a group of investors and held for hours," said Jain. "However, I was saved by the prompt actions of the Mumbai Police."

Jain said he would like to buy cover for his life, health and litigation expenses.

"We have discussed this matter with Insolvency and Bankruptcy Board of India and Insurance Institute of India and they are designing a policy for safety of IRPs," said Jain.

Remuneration for IRPs ranges from Rs 10,000 to Rs 1 crore. The Insolvency and Bankruptcy Code came into force in August last year and the Reserve Bank of India has been pushing banks to resolve cases through NCLT courts. Stressed loans with banks are estimated at about Rs 11.5 lakh crore, or about 14% of total advances, according to rating agency Crisil.

Source

"Insurance cover will give extra protection for unforeseen events," said Anil Kumar of AAA Insolvency Professionals. "Financial coverage comes as a cushion to IRPs while rendering professional services."

Back

Health Insurance

Government to bring over 10 crore BPL people under new health insurance scheme - The Economic Times – 2nd February 2018

Few industries get an opportunity to grow by a third in one stroke, but the general insurance industry has, thanks to the budgetary proposal of providing health cover to a huge population. The industry has an annual premium opportunity of between Rs 30,000 crore and Rs 50,000 crore, as the government plans to bring over 10 crore people below the poverty line under a health insurance scheme and enhance health insurance cover to Rs 5 lakh from Rs 30,000.

"The new health insurance scheme announcedhasthepotentialto match, if not dwarf, the crop segment, which saw momentous growth during the last two years," said Alice Vaidyan, chairman, General Insurance Corp Re.

Currently, the Rashtriya Swasthya Bima Yojna provides an annual coverage of only Rs 30,000 to poor families. The average premium paid per policy is around Rs 500.

Source

"The government will launch a flagship National Health Protection Scheme to cover over 10 crore poor and vulnerable families, benefiting approximately 50 crore people, providing coverage up to Rs 5 lakh per family per year," the FM said.

Back

Modicare: The world's largest National health protection scheme - The Economic Times – 2nd February 2018

India will get the world's largest governmentfunded national health programme, according to the Budget announced by finance minister Arun Jaitley on Thursday. The mega health insurance scheme for the poor will give the sector a big boost but could cost over Rs 1 lakh crore, according to some independent estimates. Based on the cost of the existing Rashtriya Swasthya Bima Yojana (RSBY), back of the envelope calculations show it would require Rs 30,000 crore The National Health Protection Scheme (NHPS) will provide 100 million families with medical coverage of up to Rs 5 lakh per year for secondary and tertiary care hospitalisation.

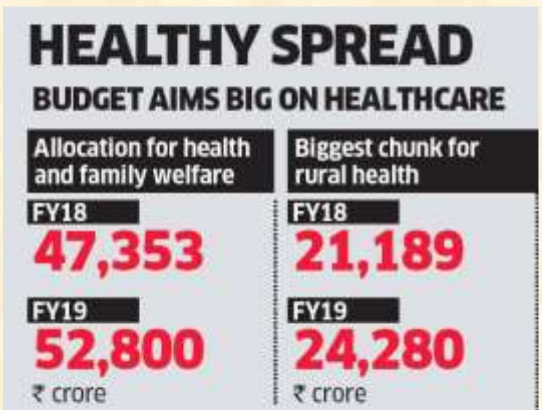
RSBY provides Rs 30,000 cover for up to five members of a below the poverty line (BPL) family. The Centre provides 75% of the total premium while states pay the rest. Around 36 million of 59 million BPL families across 15 states are enrolled in the RSBY scheme.

The allocation for RSBY rose to Rs 2,000 crore in FY19 from Rs 470.52 crore in FY18. Given that the cover under NHPS is Rs 5 lakh and the coverage is more, the Rs 470.52 crore spent in FY18 topped up with 25% provided by states, when proportionality increased yields about Rs 30,000 crore cost.

Former finance minister P Chidambaram said, "If the insurance companies will foot the bill, the premium at Rs 5,000-15,000 per family will require an outgo of Rs 50,000-150,000 crore per year. Is the FM serious?"

"The scheme announced would mean the government would be required to spend at least Rs 1.2 lakh crore in premiums to private health insurance firms to extend coverage to 50 crore people," health economist Indranil Mukhopadhyay said.

The government has not yet made any allocations for the scheme. "Adequate funds will be provided for smooth implementation of this programme," Jaitley said.



Healthcare providers welcomed the scheme. "This will be a big boost for us. The current insurance schemes were unviable, but with the increase in cover, I think we will see a growth in our state-sponsored scheme patients," said Suneeta Reddy, MD, Apollo Hospitals Enterprise. Another challenge would be lack of adequate hospitals, doctors and diagnostic laboratories, especially in north Indian states.

A good healthcare delivery system providing services of reasonable quality is necessary for people to take advantage of this scheme, said former health secretary K Sujatha Rao.

"The government will either have to raise public investment to strengthen its own service delivery system or incentivise the private sector by providing the necessary market," she said.

Ankur Nijhawan, CEO of AXA France VIE (India Reinsurance Branch), said the defects in RSBY should have been addressed.

"Government should focus on creating reasonable package rates, fraud mitigation and beneficiary grievance while addressing the flaws of RSBY such as smartcard misuse, enrolment flaws and delay in premium," he said.

Source

The government has allocated Rs 1,200 crore towards 150,000 health and wellness centres envisioned in the National Health Policy 2017 to provide comprehensive healthcare.

Pricing, service will determine the success of national health insurance scheme - The Hindu Business Line – 2nd February 2018

The success of the new flagship national health insurance scheme will depended on pricing and service, among others. According to the Budget, the scheme will cover 10 crore vulnerable families and provide a cover of up to Rs. 5 lakh per family for secondary and tertiary hospitalisation. It is likely to benefit 50 crore people.

"In principle, 10 crore families is a big number and the scheme is positive," Bhargav Dasgupta, MD & CEO, ICICI Lombard General Insurance, told BusinessLine, on Thursday. The full structure of the scheme should be seen to ascertain the likely impact of the scheme on various stakeholders, he added.

Earlier schemes had an upper limit of Rs. 30,000 which could cover tertiary care. The scope of the new scheme ismuch larger and will help in the penetration of health insurance.

There will be challenges, too, going by the experience of existing low-cost insurance schemes. Pricing will be the key for customers and industry. If the government prefers to implement it through a tender-driven process, which is the most-common practice, some players may resort to aggressive pricing.

Source

Back

Govt set to create general insurance behemoth - Deccan Herald – 1st February 2018

Three public sector general insurance companies - National Insurance Company Ltd, United India Assurance Company Limited and Oriental India Insurance Company Limited, will be merged into a single insurance entity, and will be subsequently listed.

Making this announcement in his Budget speech, Finance Minister Arun Jaitley also mentioned that the government has approved listing of 14 Central Public Sector Enterprises (CPSEs), including two insurance companies, on the stock exchanges.

Also, he announced raising the limit of deduction for health insurance premium and/ or medical expenditure from Rs 30,000 to Rs 50,000, under section 80D. All senior citizens will now be able to claim benefit of deduction up to Rs 50,000 per annum in respect of any health insurance premium and/or any general medical expenditure incurred.

Welcoming this move, Karni S Arha, Chief Financial Officer of Aviva India said, "Overall health insurance deductions increasing to Rs 50,000 for senior citizens is a big positive move to promote healthcare and safety amongst the most deserving".

National Health Protection Scheme, which will cover over 10 crore poor and vulnerable families, is a great initiative and will act as a catalyst in elevating the insurance sector and in turn the health care services for the uninsured and under-insured population, Arsha added.

Till now, Pradhan Mantri Jeevan Jyoti Beema Yojana (PMJJBY), a government-backed life insurance scheme, has benefitted 5.22 crore families with a life insurance cover of Rs 2 lakh on payment of a premium of Rs 330 per annum. Under Pradhan Mantri Suraksha Bima Yojana, 13.25 crore people have been insured with personal accident cover of Rs 2 lakh on payment of a premium of Rs 12 per annum.

Finance Minister also announced that the government will expand the coverage under Prime Minister Jan Dhan Yojana by bringing all sixty crore basic accounts within its fold and undertake measures to provide services of micro insurance and unorganised sector pension schemes through these accounts.

"This initiative will help increase penetration of insurance," said Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance.

Source

Back

Budget 2018: Spotlight shifts on health, says HDFC Life MD Amitabh Chaudhry - Business Standard – 1st February 2018

There is a clear focus on the rural and agriculture sectors, the lower income category and the MSMEs. In a year with multiple elections looming on the horizon, the government has eschewed outright populism and has made efforts to continue down the fiscal consolidation path, albeit with an allowance for the revenue distortions caused due to structural changes implemented during the year.

While the current year's fiscal deficit has been revised to 3.5 per cent against the budget estimate of 3.2 per cent, the target for next year is set at 3.3 per cent of GDP.

The estimate for next year is based on prudent assumptions for tax revenue growth — both direct and indirect taxes — conservative assumptions for dis-investment revenues and receipts of dividend and profits from state-owned entities. The introduction of the healthcare cover of Rs 0.5 million to about 100 million vulnerable families was a laudable initiative to improve the finances and health of the poor.

A big measure on the taxation front was the introduction of the Long Term Capital Gains tax on equities.

The finance minister, though, took care to prevent any 'retrospective' effect on the taxes by indexing the future gains to the prices as on 31 January 2018.

Source

This is a step in the right direction and puts equity on a par with other asset classes.

Back

India: Finance Minister announces world's largest health insurance programme – Asia Insurance Review

The world's largest government funded healthcare programme which is expected to benefit 500 million beneficiaries was announced by the Indian Finance Minister Arun Jaitley in his Budget proposal presented yesterday for the 2018-19 fiscal year (FY2019). The National Healthcare Protection Scheme (NHPS) scheme will provide up to INR500,000 (US$7,810) per family per year for secondary and tertiary care hospitalisation, Mr Jaitley said.

"This is a welcome move not just to maintain a healthy India but, I believe, also to create several lakhs of new jobs in the country as new healthcare facilities will come up in smaller districts and villages," said Mr Antony Jacob, CEO, Apollo Munich Health Insurance. The programme, he believes, will go a long way in helping India's poor and underprivileged.

Mr Bhargav Dasgupta, MD & CEO of ICICI Lombard General Insurance, feels that through the Budget proposals the government has focused on inclusive measures targeting critical areas of agriculture, education, health, power among others. "The introduction of INR5 lakh cover for families and the increase in medical insurance tax exemption for senior citizens indicate the focus of policymakers to ensure adequate protection against health hazards for India's populace," said Mr Dasgupta.

Towards holistic healthcare protection

Healthcare in India is largely underfinanced, with a major proportion of the population relying on out-of-pocket spending during a medical emergency. Conservative estimates reveal that currently around 300 million people or 25% of the country's population are presently covered by some form of health insurance, while for the rest of the population any medical emergencies are financed by loans and sale of assets leading to huge rural distress and suicides.

"The announcement to build a holistic healthcare protection ecosystem is a revolutionary move undertaken by the government," said Mr Mayank Bathwal, CEO of Aditya Birla Health Insurance. He highlights that health insurance in the country today contributes to nearly 5% of the total healthcare spends, clearly reflecting that most citizens are either under-insured or un-insured.

Mr Karni S Arha, CFO of Aviva India, said: "The National Health Scheme of the government is a great initiative and will act as a catalyst in elevating the insurance sector and in turn healthcare services for the uninsured and underinsured population."

Mr Jaitley also said that "the government is steadily but surely progressing towards the goal of universal health coverage".

Multiple initiatives for senior citizens

India is the second most populated country in the world and 20% of the population is above the age of 60 years. The aging population has typical healthcare needs and to fund them, they are keen to seek health insurance cover. However, post retirement, they are worried about having to fund health insurance premiums. The various Budget initiatives announced yesterday to enhance the affordability of health insurance for seniors is a welcome move and will go a long way in providing them with a financial cushion in medical adversities. Senior citizens can now claim a tax deduction of up to INR50,000 per annum on health expenditure and health insurance premium, from INR30,000 previously.

Infrastructure

In other proposals that would give a boost to the insurance industry, Mr Jaitley said that infrastructure is the growth driver of the economy. He said: “Our country needs massive investments estimated to be in excess of INR50 lakh crore in infrastructure to increase growth of GDP, connect and integrate the nation with a network of roads, airports, railways, ports and inland waterways and to provide good quality services to our people.”

He announced that the Finance Ministry would leverage the India Infrastructure Finance Corporation to help finance major infrastructure projects, including investments in educational and health infrastructure, on strategic and larger societal benefit considerations.

He cited plans for strengthening the railway network and enhancing its carrying capacity have been a major focus of the government. Railway capex for FY2019 has been pegged at INR148,528 crore. The government proposes too to expand the country's airport capacity by more than five times to handle a billion trips a year.

GIC Re's response

In a statement describing the FY2019 Budget as “forward looking and progressive”, Mrs Alice G Vaidyan, Chairman and Managing Director of the industry heavyweight and state-run reinsurer GIC Re, said: “This year’s Budget had assumed great significance, since it was the first one after the implementation of GST, the boldest tax reform in India since independence. The insurance industry – both life and general, were expecting that their demands would be met. The industry demanded lower GST rates and input credit on insurance premiums - in view of the fact that the insurance sector holds strategic significance, especially life and health insurance, and offers a first layer of financial security to Indian masses. The pre-Budget clarification that no GST will be levied on agri-insurance, was certainly helpful.” GST was implemented in India on 1 July 2017.

Mrs Vaidyan continued: “Overall, the Finance Minister has done a fine work of balancing the fiscal deficit with growth priorities and has given a positive thrust to all important segments of the economy.

“Health insurance coverage is a much needed measure to address the protection gap for the Indian population and will boost penetration in a major way. However, its success will depend upon adequate pricing based on actuarial assessment. We have a very good template in terms of the Pradhan Mantri Fasal Bima Yojana for boosting penetration of crop insurance.

“INR5 lakh per family and 10 crore families – the sum insured involved is INR50 lakh crore. This has the potential to match, if not dwarf, the crop segment which saw momentous growth during the last two years.”

Source

Back

Insurers warming to wearables - Business Standard - 29th January 2018

Less than one-third of India’s population enjoys any form of health insurance, with private players reportedly penetrating merely five per cent. Given the vast challenges and opportunities offered by the country’s health care sector — served largely by private companies — insurers view technology as a key tool to innovate products and thereby exploit an untapped market. No wonder, private health insurers are looking to work with fitness trackers and wearables firms to help design coverage plans that incentivise a health-conscious audience.

Sandeep Patel, CEO and MD, Cigna TTK Health Insurance, points out apps and wearables help monitor a user’s health and a healthy customer is considered a low-risk one. “A healthy profile of customers is always beneficial for a health insurance firm. The data captured from apps/wearable devices can help predict the health of the customer and take necessary steps if the health needs any improvement.”

On December 6, 2017, the Insurance Regulatory and Development Authority of India constituted a working group to examine innovations in the insurance sector that involve wearable or portable devices. This, Patel feels, is an encouraging step that will propel the use of wearable devices that can be synced with health insurance.

Cigna TTK’s product called “Get ProActiv” is designed to reward people to be physically active. It is integrated with Cigna TTK’s innovative Healthy Rewards Program allowing customers to earn valuable incentives by tracking their activities through “Get ProActiv” by integrating select wearable devices. Healthy Reward points are earned on the basis of the quantum of physical activity, which then translate into lower health insurance premiums or increased benefits of up to 10 per cent of the premium amount.

According to Ashish Mehrotra, MD & CEO, Max Bupa Health Insurance, offering pre-emptive wellness solutions for maintaining health is an effective way to engage with young customers and encourage them to buy insurance. "The segment of customers under 35 years is very active digitally and is turning to technology to stay fit," he says, adding that by 2019 two out of five Internet users are expected to be using a health app with likely engagement with such tools of up to 50 per cent. "This gives us a huge opportunity to promote holistic wellness by leveraging personal health care devices that are capable of tracking and relaying medically useful information."

Last year, Max Bupa announced a tie-up with fitness technology firm GOQii to provide users access to the latter's personalised wellness engine. According to the International Data Corporation, as of Q1 2017, GOQii led the wearables market in India with 20.8 per cent share, followed by Xiaomi and Fitbit.

Abhishek Sharma, chief marketing officer and co-founder, GOQii, explains the opportunity for companies in this space is not in the hardware aspect, given that devices like smartphones can perform functions like wearables. "Where the fitness tracker or wearable add value is as a data capturing device, and the ecosystem approach which we have is the one that can help users in defining any kind of meaningful intervention for their health." The impact on the health of the user is therefore critical.

The scope of the wearable device is in capturing the relevant information. GOQii defines itself as a smart preventive health care platform, as against a tracker, and it gives wearables free as part of the subscriptions to customers. It also provides the services of a care team that includes doctors and experts to users. "That's what the user wants today," says Sharma.

The partnership with Max Bupa is based on the proposition that a healthy customer gets a better insurance premium. "Insurance is still a push product in India, and not a pull product primarily because we don't feel the need of it. The problem is that a healthy consumer is subsiding the cost of an unhealthy consumer," says Sharma, adding that a fit consumer being bracketed into a particular based on age, gender et al is unfair. The tie-up with Max Bupa therefore aims to better profile consumers — enabling them to get healthier and also the insurance industry to have a better understanding of the consumer base.

Source

Back

Budget 2018 and medical insurance: PPP model for universal health coverage to help boost sector – Financial Express – 29th January 2018

Budget 2018: Every Budget is important, but this year's edition holds special significance. Next year when the finance minister rises to make the speech, India would well and truly be in the election mode. This is the Budget where the reforms since 2014 can be appraised and policymaking gears appropriately shifted.

Low health insurance penetration

Budget 2018: From the consumer's perspective, insurance must form the foundation of the financial planning pyramid as it acts as the shock absorber while people undertake their journeys in the pursuit of wealth creation or career advancement or personal goals. Unfortunately, the penetration of retail health insurance in India remains measly—under 4%. That's a reason why governments have to incentivise its purchase by linking it to tax sops, or like the case of motor insurance, make it mandatory. But given the low penetration levels, the industry and the government must move in lockstep to ensure that every citizen has access to high quality secondary and tertiary healthcare.

GST on insurance

Budget 2018: Insurance products including health insurance fall in the 18% goods and services tax (GST) slab. In the pre-GST tax regime, insurance purchases were taxed at 15%. While India's median age is 27, it has an elderly population approaching 110 million. It is important to incentivise private investments to ensure healthcare for the elderly. Keeping in mind the healthcare needs of senior citizens whose disposable incomes are significantly lower, and illness vulnerability much higher, the government must consider bringing their health insurance under the 5% GST bucket.

Health insurance investments come under Section 80D where citizens are allowed to claim a deduction up to `25,000 annually year for medical insurance premium installments. The premium paid must be for themselves, spouse and dependent children. An exemption of up to `30,000 can be claimed if the premium is paid for parents who happen to be above the age of 60. Today Irdai allows health insurers to sell policies that cover two or three years of medical expenditure with the payment of a single lump sum premium. Such plans prove useful for consumers who may have the financial resources today, but fear cash flow instability in the medium term. While the insurance cover stretches for three years, the lump sum investment is considered for tax exemption only for the financial year the investment is made. The finance minister should consider a provision to carry over the tax benefits over the course of time the health insurance cover is purchased for.

Access to reliable, affordable and good quality healthcare remains a challenge for both rural and urban poor in India. While increased investments in public healthcare infrastructure will most certainly happen in the upcoming Budget, private public partnership models to roll out a universal health coverage can help achieve the twin objectives of expanding the umbrella and providing a shot in the arm to the organised healthcare sector in the country. India has stated its ambition to achieve universal health coverage by 2030. A successful PPP model for diagnosis and treatment, and health insurance will be a major step in the direction of achieving the universal health coverage goal.

Source

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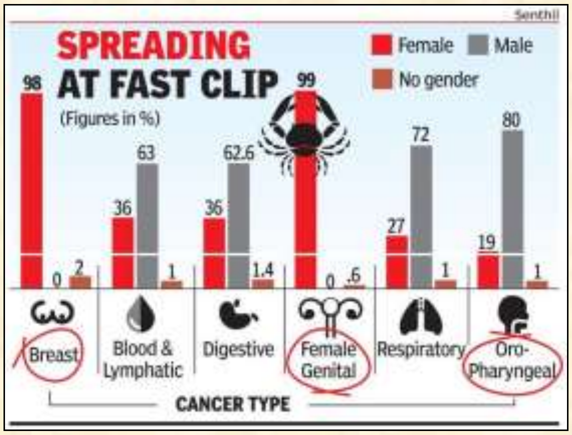
Cancer-related claims rise 16% a yr – The Economic Times – 27th January 2018

With cancer-related claims rising 15.5% year-on-year and an average of 14.5 lakh cases detected in India, growing incidents of breast cancer are alarming. Recent data with Bajaj Allianz shows that breast carcinoma contributes to around 24% of the total cancer hospitalisation claims. Indian Council of Medical Research estimates that by 2020, India will see more than 17.3 lakh new cases of cancer and over 8.8 lakh deaths due to the disease. Data shows that breast and cervical cancer for women and lung and mouth cavity for men are most frequent.



In 2016-17, it was seen that blood and lymphatic cancer was the second most frequent, contributing 16% of the cancer claims. This category also saw a 26% rise in claims over the previous year. Digestive tract related cancer claims account for 16% of overall claims, which saw a surge of 22% year-over-year. Data revealed that men were more prone to bone, joints and skin cancer than women.

"In our experience, the average surgical treatment cost for cancer is around Rs 1,75,000 and and average medical treatment cost is Rs 75,000. Majority of cancer-related claims are in the 46-55 and 56-65 age band," said Bhaskar Nerurkar, head-health administration team, Bajaj Allianz General. "There are claims for people as young as 30."

Once a year, insurers advice that policyholders could go for preventive check-ups like mammography for breast cancer and PAP smear for cervical cancer, PSA (prostate specific antigen) for prostate cancer and X-rays for lung cancer. Many insurers offer such tests free-of-cost for their policyholders at affiliated scan centres.

"Due to steady rise in non-communicable disease over the past few years along with rise in medical inflation, the treatment cost of cancer has definitely put a lot of stress on finance of an individual. Therefore, there is a strong need for individuals to look for a comprehensive critical illness policy, which covers not just cancer but also heart disease/cerebrovascular disease and others," he added.

Source

Insurers to work with fitness trackers to incentivise a healthy audience - Business Standard – 29th January 2018

Less than one-third of India's population enjoys any form of health insurance, with private players reportedly penetrating merely five per cent. Given the vast challenges and opportunities offered by the country's health care sector — served largely by private companies — insurers view technology as a key tool to innovate products and thereby exploit an untapped market. No wonder, private health insurers are looking to work with fitness trackers and wearables firms to help design coverage plans that incentivise a health-conscious audience.

Sandeep Patel, CEO and MD, Cigna TTK Health Insurance, points out apps and wearables help monitor a user's health and a healthy customer is considered a low-risk one. "A healthy profile of customers is always beneficial for a health insurance firm. The data captured from apps/wearable devices can help predict the health of the customer and take necessary steps if the health needs any improvement."

On December 6, 2017, the Insurance Regulatory and Development Authority of India constituted a working group to examine innovations in the insurance sector that involve wearable or portable devices. This, Patel feels, is an encouraging step that will propel the use of wearable devices that can be synced with health insurance.

Cigna TTK's product called "Get ProActiv" is designed to reward people to be physically active. It is integrated with Cigna TTK's innovative Healthy Rewards Program allowing customers to earn valuable incentives by tracking their activities through "Get ProActiv" by integrating select wearable devices. Healthy Reward points are earned on the basis of the quantum of physical activity, which then translate into lower health insurance premiums or increased benefits of up to 10 per cent of the premium amount.

According to Ashish Mehrotra, MD & CEO, Max Bupa Health Insurance, offering pre-emptive wellness solutions for maintaining health is an effective way to engage with young customers and encourage them to buy insurance. "The segment of customers under 35 years is very active digitally and is turning to technology to stay fit," he says, adding that by 2019 two out of five Internet users are expected to be using a health app with likely engagement with such tools of up to 50 per cent. "This gives us a huge opportunity to promote holistic wellness by leveraging personal health care devices that are capable of tracking and relaying medically useful information."

Last year, Max Bupa announced a tie-up with fitness technology firm GOQii to provide users access to the latter's personalised wellness engine. According to the International Data Corporation, as of Q1 2017, GOQii led the wearables market in India with 20.8 per cent share, followed by Xiaomi and Fitbit.

Abhishek Sharma, chief marketing officer and co-founder, GOQii, explains the opportunity for companies in this space is not in the hardware aspect, given that devices like smartphones can perform functions like wearables. "Where the fitness tracker or wearable add value is as a data capturing device, and the ecosystem approach which we have is the one that can help users in defining any kind of meaningful intervention for their health." The impact on the health of the user is therefore critical.

The scope of the wearable device is in capturing the relevant information. GOQii defines itself as a smart preventive health care platform, as against a tracker, and it gives wearables free as part of the subscriptions to customers. It also provides the services of a care team that includes doctors and experts to users. "That's what the user wants today," says Sharma.

The partnership with Max Bupa is based on the proposition that a healthy customer gets a better insurance premium. "Insurance is still a push product in India, and not a pull product primarily because we don't feel the need of it. The problem is that a healthy consumer is subsiding the cost of an unhealthy consumer," says Sharma, adding that a fit consumer being bracketed into a particular based on age, gender et al is unfair. The tie-up with Max Bupa therefore aims to better profile consumers — enabling them to get healthier and also the insurance industry to have a better understanding of the consumer base.

"The insurance industry has the least touchpoint with the consumer today, which is unfortunate. So, the ecosystem approach is going to have a huge impact in the insurance sector," says Sharma, adding that in the past five months under the National Health Service in the UK clinics have been prescribing GOQii for solutions to various diseases.

Keeping Track

Source

Wearables help monitor a user's health and a healthy customer is considered low-riskBy 2019, two out of five Internet users are expected to be using a health app with likely engagement of up to 50 per centThe opportunity for wearables is not in terms of hardware, but in adding value as data capturing devices.

Back

Survey & Reports

India: Regulations & operations are main risk areas for corporates – Asia Insurance Review

Regulatory compliance, operational concerns and geopolitical uncertainty are the main risk areas for corporate India, according to research by ICICI Lombard General Insurance.

"While the key risk areas perceived by India Inc include regulatory compliance (53%) and operational concerns (50%), 27% of the respondents believe geopolitical uncertainty to be a risk factor," said the study, adding that 23% claim uncertain economic growth can lead to increasing risks.

The research was conducted through online interviews with 130 C-suite risk officers to identify the risk practices adopted by Indian organisations, the insurer says.

"Interestingly, only 23% of respondents perceived information insecurity as a key risk, while 11% believe technological disruption was a risk area," it said, adding that this could be because of the limited risk exposures that companies would have experienced directly.

The report states that 88% of organisations claimed that supporting strategic business decisions has been one of the key drivers for Enterprise Risk Management implementation.

It also states that 73% of organisations have been equipped with a risk governance framework for more than three years, whereas 20% have incorporated a risk governance mechanism in the last three years and only 7% have introduced the same in the last year.

Source

"With the emerging global uncertainties coupled with technological disruption, it is the need of the hour for organisations to equip themselves with a well-defined enterprise risk management framework," said Mr Bhargav Dasgupta, MD and CEO of ICICI Lombard General Insurance.

Back

Insurance penetration in India has risen to 3.49%, Economic Survey says - The Times of India – 29th January 2018

The Economic Survey 2018, released on Monday, said insurance penetration -- the ratio of premium underwritten in a given year to the gross domestic product (GDP) -- in India increased to 3.49% in 2016-17 from 2.71% in 2001.

In comparison, some of the emerging economies in Asia such as Malaysia (4.77%), Thailand (5.42%) and China (4.77%) have a higher insurance penetration than India.

The country's life insurance penetration was 2.72% and general insurance penetration was 0.77%; this compares to a global insurance penetration of 3.47% for life and 2.81%.

"Insurance, being an integral part of the financial sector -- should be assessed on the basis of two parameters, viz., insurance penetration and insurance density, which is the ratio of premium underwritten in a given year to the total population," said the survey. "India's insurance density has increased to $59.7 from $11.5 in 2001 - with life insurance density of $46.5 and general insurance density of $13.2. This compares to global average insurance density of $353 for life and $285.3 for non-life," it said.

The comparative figures for Malaysia ($452.2), Thailand ($323.4) and China ($337.1) were higher than India. Crop, motor, health insurance sectors boosted non-life GDP premium growth by 33% year-over-year to Rs 1.30 lakh crore; highest y-o-y growth rate since 2000-01. Life insurance premium grew 14% to Rs 4.18 lakh crore as against Rs 3.67 lakh crore in the previous financial year.

In the last five years, however, there has been a dip in savings via insurance. "There was a significant decline in the proportion of deployment of financial savings in bank deposits and life insurance funds and an increase in share of currency, provident and pension funds, claims on government (primarily in small savings) in 2015-16. Bank deposits accounted for about 50% of the aggregate financial savings between 2011-12 and 2015-16," said the survey. "Savings held in shares and debentures more than doubled, and within this category, mutual funds segment increased by 126% in 2015-16 over the previous year," the survey added.

The Survey also noted the stellar public debuts of the insurance companies in 2016-17. "As against last year's achievement of Rs 46,247 crore realized from 16 transactions of disinvestment, the budget estimate for 2017-18 was set at Rs 72,500 crore split into Rs 46,500 crore from disinvestment of Central Public Sector Enterprises (CPSEs), Rs 15,000 crore from strategic disinvestment and Rs 11,000 crore from listing of insurance companies," said the survey.

Source

Back

Crop, motor, health insurance sectors drove non-life sector: Economic Survey - The Economic Times – 29th January 2018

Income from insurance industry
Crop, motor and health insurance policies majorly enabled the non-life insurance sector to log 33 per cent growth in 2016-17, the Economic Survey 2017-18 said on January 29.

Highest earners
According to the Survey, tabled in Parliament on Monday by Finance Minister Arun Jaitley, during 2016-17, the Gross Direct Premium (GDP) of non-life insurers (within India) was Rs 130.97,000 crore, registering 33 per cent growth (highest ever since 2000-01). Crop insurance, motor sales, health insurance and others helped the industry report this growth.

Increase in life insurance income
On the other hand, the life insurance industry recorded a premium income of Rs 418,000 crore as against Rs 367,000 crore in the previous financial year, registering a growth of 14.04 per cent, the Survey said.

Insurance penetration
As regards the spread of insurance in the country, the Survey said the insurance penetration which was 2.71 per cent in 2001, increased to 3.49 per cent in 2016 (life 2.72 per cent and general or non-life 0.77 per cent). Insurance penetration is defined as the ratio of premium underwritten in a given year to the gross domestic product (GDP).

Insurance density
The insurance density in India, which was $11.5 in 2001, has increased to $59.7 in 2016 (life 46.5 and general 13.2). Insurance density is defined as the ratio of premium underwritten in a given year to the total population (measured in US$ for convenience of international comparison), the Survey said.

Source

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IRDAI Circular

Source

IRDAI issued notification regarding Insurance Regulatory and Development Authority of India (Insurance Brokers) Regulations, 2018.

Back

Global News

Navigating complexities of cross-border insurance – Business Day – 30th January 2018

As South African businesses pursue growth opportunities amid sluggish local economic conditions, many are venturing outside the country's borders.

However, developing markets and establishing operations in foreign territories poses myriad challenges. Due to disparities in market conditions, political climates, legislation and regulatory compliance regimes, a multinational growth strategy can introduce complex risks.

Managing these risks is essential and often requires sophisticated cross-border insurance solutions. According to Neil Beaumont, Business Development and Global Accounts Manager at Chubb Insurance South Africa, the primary purpose of a global insurance programme should be to maximise global insurance capacity and minimise cost, while maintaining centralised control over risk management and risk transfer practices.

"Structuring a global insurance programme requires an in-depth understanding of the complexities and transactional elements of crossborder insurance," explains Beaumont. "The structure should carefully consider the relevant tax and insurance regulatory regimes of each jurisdiction as regulation is rarely homogenised across disparate territories."

According to Beaumont, a compliance analysis of local regulations is critical. "Based on the data, specialist brokers can work with insurers to structure a global insurance programme that seeks to deliver consistent coverage terms, conditions and financial limits, while augmenting the ability to consolidate loss information. This will enhance loss control practices and procedures, while also ensuring that insurance arrangements meet local regulatory requirements."

It's also pertinent to note that global programmes have evolved beyond the standard compliance question of whether a local jurisdiction permits admitted (insurance from locally licensed providers), or non-admitted insurance (cover from unlicensed insurance providers) to cover local risks, says Beaumont.

"As African insurance markets develop, regulators are changing their stance on nonadmitted insurance coverage and the exportability of premiums and risk out of their respective countries. Many multinational companies are potentially unaware their global insurance programmes may be subject to regulatory and tax scrutiny in certain jurisdictions, which has the potential to lead to unanticipated reputational and financial repercussions at claims stage."

Accordingly, risk managers and insurance buyers must consider the multinational risks and where they can best access available, dynamic capacity for both core lines of insurance and specialty lines such as business travel, group personal accident, cyber, environmental liability and terrorism protection.

Due to the lack of control, the administrative burden and potential for unintended coverage gaps, making insurance and risk management the responsibility of each in-country subsidiary in the form of separate, unrelated insurance policies is impractical and inefficient. Adopting a single global insurance policy, on the other hand, may fall foul of in-country regulatory compliance and tax laws.
Partnering with brokers and insurers who can structure a risk-adjusted global insurance programme that combines both options will best serve multinationals. These structures combine a master policy that provides consistent global insurance cover with local cover provided by policies that align with local requirements.

"When considering a global insurance programme, align the capabilities of the insurer and broker, relative to the insured's global exposure. It's imperative to investigate whether the capabilities of the insurer and broker will meet expectations at acceptable service standards and that the people tasked with providing these services are accessible. All parties should consider whether assistance from an independent financial or tax advisor is also needed," says Beaumont.

Source

Back

High-tech features on new cars drive up insurance rates - Texarkana Gazette - 29th January 2018

The gee-whiz gadgets on new cars—the backup cameras, the large touch screen controls, the blind-spot monitoring—make us all feel a little safer about navigating the roads.

But high-tech, advanced safety features come at a fairly steep price, so they're driving up car insurance rates, too. "If they're damaged, they're much more expensive to repair," said James Lynch, chief actuary for the Insurance Information Institute.

"You can't just go to a shop and pick up a part that you can jerry-rig on."

Fixing a bumper isn't the same old job. Repairing a bumper on an entry-level luxury car, for example, can cost about $3,550 for a 2016 model for parts and labor, compared with about $1,845 for a 2014 model, according to data from Liberty Mutual Insurance.

Why? The 2016 model has a distance sensor; the 2014 model does not. Parts are 130 percent higher and labor is 18 percent higher.

"Increasingly, simple, small repairs can now be much more costly and complex to do," said Maxime Rieman, product manager for insurance at ValuePenguin.com, a personal finance research firm with a website that can help consumers select insurance plans.

Consumers often don't think about the cost of insurance when they're shopping around for a new car—or a newer used car, such as one of the many 2015 models that will come off lease in 2018. But they should plan for higher insurance expenses relating to some advanced safety features and other factors.

"While it's improving safety, it's also increasing premiums on policies," said Todd Kozikowski, co-fournder and chief revenue officer for Clearsurance, a crowdsourced review and ratings tool for insurance.

Just take a quick glance at where some sensors are placed. They're located on bumpers and side mirrors, spots that are easily hit—either in a significant accident or some minor fender benders.

The car payment is one part of the financial decision, but car insurance is another. So consumer experts advise reviewing insurance costs before buying a car, as well as comparing insurance premiums for different makes and models.

Kiplinger's Personal Finance magazine notes in a February report that consumers may even want to shop around for car insurance when their lives change, such as when they marry or get a new job.

Car insurance rates are likely to rise in 2018 across the country, according to industry experts. The consumer price index for auto insurance jumped up 25.9 percent—the largest five-year increase—from early 2012 through early 2017, according to ValuePenguin. com.

During the same time, the overall consumer price index rose by 6.7 percent. Nationwide, the average cost of auto insurance has gone up from $915 in 2015 to $980 in 2016, according to the Insurance Information Institute.

By 2017, though, the average cost of auto insurance was $1,060. It's expected to climb to $1,150 in 2018. Michigan is notorious for its high car insurance rates given its unique no-fault system. Michigan ranks as the most expensive state for car insurance with an average of $2,394, according to rankings by Insure.com.

To be sure, insurance premiums are going up across the country for a variety of reasons other than expensive auto parts. The Insurance Information Institute also blames higher rates on distracted driving, more drivers on the road during the economic recovery, faster driving and, in some states, legalized marijuana.

The more people are working, the more they're driving, the more likely they're to get into an accident. The average age of vehicles on the road is 11.6 years. So many people who trade up to a new vehicle aren't even considering how new technology might drive up their insurance bills.

"You would like to think that all this additional technology would reduce cost," said Karl Brauer, executive publisher of Cox Automotive Inc. brands including car-shopping website Autotrader and researcher Kelley Blue Book. But Brauer, who visited the Detroit auto show lastday week, said insurers still need to evaluate how consumers are using new technology and what could be leading to higher claims.

For example, he said, the introduction of antilock brakes in the 1980s didn't necessarily reduce accidents initially, as some drivers tended to drive more aggressively because they were banking that antilock brakes would prevent an accident.

Right now, he said, distracted driving from texting, cell phone usage and other sources is outweighing some benefits of newer safety features. Drivers who aren't paying attention don't react quickly even when alerted to change course by advance safety equipment.

"Ultimately, you will see a reduction with accidents," Brauer said. So while forward collision warning systems, for example, can scan the road ahead and alert the driver to take action to avoid an accident, repairing such systems after an accident will drive up the severity of collision claims by about 2 percent, said Matt Moore, senior vice president of the Highway Loss Data Institute at the Insurance Institute for Highway Safety.

The complexity of the repairs goes up in part because sensors are mounted in the front bumper and must be repaired and may need to be recalibrated after an accident.

"The insurance industry is very focused on the repair costs associated with these new technologies," Moore said. "When the reduction in the crash risk associated with any advanced driver assistance system is greater than the increased repair costs then insurance premiums will likely go down," Moore said.

Source

Backup cameras, for example, will be required on most new vehicles beginning May 1. Most automakers have already begun putting backup cameras on new vehicles as standard.

Back

China: Net cashflow of insurers dive to US$100 bln – Asia Insurance Review

China's insurance companies saw their net operating cash flow fall 65% to CNY633 billion (US$100 billion) last year, reported Reuters citing a source with knowledge of the data which was in a government memo.

The net operating cash flow of life insurers plunge by 47%, while property and casualty insurers saw their positions swing to negative, said the source, who was not authorised to speak to the media. The source declined to be identified.

Source

There are concerns, in particular at the CIRC, of a liquidity crunch in the Chinese insurance industry as a consequence of the regulator's crackdown on the sale of cash-generating universal insurance products. To meet the high yields promised on such products, insurers had poured money into riskier assets.

Back

Singapore: Proposal for long-term care insurance plan to be made mandatory – Asia Insurance Review

The government-backed ElderShield, a severe disability insurance scheme which provides basic financial protection to those who need long-term care, should be made compulsory, according to the ElderShield review committee.

In an interim update released yesterday, the committee made the following key recommendations:

- ElderShield to be a universal and inclusive scheme for future cohorts
- Inclusion age to be lowered to 30 to ensure more affordable premiums
- ElderShield should be administered by the government as a key pillar of the social safety net

The ElderShield claims process should be made more accessible and convenient for policyholders and their caregivers.

The panel said that in carrying out the review, it heard a wide representation of views from over 800 Singaporeans, across 26 focus group discussions. These include long-term care service providers, financial advisors, academics, industry professionals, community partners such as unions and self-help groups, and youths. Public feedback, suggestions submitted to the ElderShield website's online feedback form and email recommendations have also been taken into consideration. The full set of recommendations is expected to be finalised by the middle of this year.

The committee, appointed in 2016 by the Ministry of Health, recommended that people join the scheme at age 30 rather than 40 (as is the case at present) and suggested that the government, rather than private insurance providers, should be the single administrator. It also called for the claims process to be simplified.

The update said: "With a rapidly ageing population and shrinking family sizes, there is a need to plan ahead for our future long-term care needs. The demand for long-term care is set to increase. About one in two Singaporeans who is healthy at the age of 65 is at risk of having a severe disability over their lifetime."

It added: "Universal ElderShield coverage for future cohorts is aligned with our principle of collective responsibility and supports our aim to be a caring and inclusive society.

"With universal coverage, Singaporeans in future cohorts with pre-existing severe disabilities would be included in the enhanced ElderShield scheme. This supports our aim to be a caring and inclusive society, and the low prevalence of severe disability at younger ages means that this can be achieved without significant impact on premiums."

The panel recommended that the government provide premium support for low-income Singaporeans and those in financial difficulties, so that no Singaporean will lose ElderShield coverage due to financial difficulties.

Currently, ElderShield is administered by three private insurers on behalf of the Health Ministry. Singaporeans are auto-enrolled onto ElderShield at age 40 and are randomly assigned to one of the three private insurers—Aviva, Great Eastern or NTUC Income—and allowed to switch insurers at the point of enrolment.

Money is paid out when people cannot perform three of the six "activities of daily living", which are: washing oneself in the bath or shower; wearing and unfastening all garments and putting on braces, artificial limbs or medical devices where required; to eat and drink without help; use the toilet to relieve themselves and manage the use of any protective undergarments or surgical appliances; move from room to room on level surfaces; and to transfer oneself from a bed to a chair or wheelchair, and vice versa.

Source

Back

Philippines: Govt relooking minimum net worth requirements – Asia Insurance Review

The government is planning to revise the capitalisation requirement imposed on local insurance companies to align it with those in other ASEAN countries, according to the Insurance Commission (IC).

Insurance Commissioner Dennis Funa said that the IC would revisit the net worth requirements of local insurance firms following a study it had conducted on insurers' capitalisation in the Southeast Asian region. He said this in an interview with *Philippine Star*.

Based on the study, Mr Funa said that the Philippines appears to have the highest net worth requirement for insurers in ASEAN.

"And on top of that, you have the RBC (risk-based capital) system, so I think having a second look at the net worth requirement under the amended Insurance Code is worth doing," he said.

He said that the proposed adjustment in net worth requirements was first proposed by non-life insurance firms.

Under the insurance law, new players in the industry are required to have a minimum of PHP1 billion (US$19.4 million) in net worth. For existing insurers, the minimum has been increased in phases since 2013 and is set to be PHP900 million by December 2019 and PHP1.3 billion by December 2022. It currently stands at PHP550 million.

In addition, the IC last year implemented an improved risk-based capital system, dubbed RBC 2 to strengthen the insurance industry.

Since the minimum net worth requirement reached PHP550 million in December 2016, at least five non-life insurance players have voluntarily exited the business due to their inability to meet the new measure. The IC has also issued a cease and desist order against five more companies. Also, four insurers have decided to merge, to comply with the capitalisation requirement.

Source