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QUOTE OF THE WEEK

"Great leaders are almost always great simplifiers, who can cut through argument, debate and doubt, to offer a solution everybody can understand."

Colin Powell

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Paid Up Policy

Life insurance policies usually last the insured's lifetime, but some policies can be paid up completely till a specified age. A life insurance policy in which if all the premium payments are complete and the insured is free of all payment obligations, the policy stays intact until insured's death or termination of the policy is called paid-up policy.

Paid-up policy falls into the category of traditional insurance plans. The sum assured is limited to the paid-up value. It is calculated as the ratio of number of premiums paid to the total number of premiums that were supposed to be paid according to the policy multiplied by the sum assured at maturity.

Source

INSURANCE INDUSTRY

Government may raise FDI cap in insurance to 74% - The Hindu Business Line – 18th December 2019

In the run up to the Budget, life insurance companies have pitched for increasing the cap for foreign direct investment (FDI) in the sector from 49 per cent to 74 per cent.

The issue was taken up at a recent general body meeting of the Life Insurance Council, where life insurance companies were on the same page vis-a-vis the proposal to hike the FDI ceiling in the sector.

"All life insurance companies have said they are in favour of increasing the FDI cap, which can be decided by the government," sources familiar with the development told BusinessLine.

Finance Minister Nirmala Sitharaman had in the Budget 2019-20 announced that the government would "examine suggestions of further opening up of FDI" in a number of sectors, including insurance, along with 100 per cent FDI in insurance intermediaries.

At present, FDI up to 49 per cent is allowed in the insurance sector through the automatic route. Following the Budget announcement on further opening up FDI in insurance sector, the insurance regulator had earlier this month sought views of stakeholders. "Increasing the FDI cap will bring in more capital for these companies and give the foreign partner more say in the management of the companies. Many of the foreign partners are getting restless," noted a source.

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Source

Technology is a big enabler in buying insurance – Outlook – 14th December 2019

We live in a digital environment where everything is connected to technology in some way. From taking a ride to ordering food and groceries, everything happens digitally. With growing internet penetration and rapidly increasing incomes, there has been tremendous growth in digital businesses. Many sectors are digitally transforming themselves to stay relevant, and the insurance industry is no exception.

New-age insurance companies that have cropped up recently have understood the needs of the current generation whose preferences are shaped by both digital and physical realities. Millennials, who account for more than 34 per cent of the current workforce in India, drive the way insurance works. Insurance companies are introducing innovative products that are enabled by technology, which directly address the need for a simpler and faster insurance solution to cater to this generation of consumers.

Here are some of the features millennials often look for in an insurance product:

Easy and fast process

Typically, insurance terminologies are difficult to comprehend. New-age insurance companies are simplifying the terms and norms addressing this to make the process seamless. Also, it is made mostly digital and without paperwork to facilitate tech-savvy consumers, who dislike paperwork and elaborate processes.

Low premium

Bite-sized insurance products have a low premium, yet address the needs of the consumers. For instance, mobile insurance, cycle insurance, seasonal diseases and specific insurance (dengue) are products that are specific to the need and can be availed of at a low premium.

Products matching lifestyle

Lifestyle is one factor that reflects on the kind of new products in the market. For example, gymnasium injury insurance is something new in the market, which is designed considering the need for medical security attached to fitness.

Traditionally, the insurance market was restricted to products like life, health and motor and the demand for these products was very investment based. However, with the introduction of bite-sized insurance products, the industry has changed drastically, and the products now focus on the need of customers and cover assets that have increased in emotional value like mobile insurance, travel insurance, pet insurance. these products are need based and connected with the customers depending on their emotional link with the cover and security that the product offers.

How technology has made insurance simpler

Technology has been used by the insurance sector to simplify operations across distribution, buying and claim processes. Application programming interface (API) integrations, artificial intelligence (AI) and machine learning are some new-age technologies used by digital insurance players to provide seamless service to customers.

The following three ways describe how technology is simplifying insurance:

Pre-inspection process: Pre-inspection processes done through an app-based system helps in faster turnaround time for claims.

For example, earlier, in motor insurance cases, policyholders had to contact the agents or go through a lot of paperwork to settle their claims. However now, policyholders can apply for a claim by clicking real-time pictures of the damages on the car and start the process. The AI- enabled Process recognises basic checks like registration number and colour of the vehicle. It speeds up the process of inspection and also of policy issuance.

Automation of claims process: The claims processes for some products are seamless, and the customer does not have to worry about anything. For instance, in travel insurance, the claims process involves reimbursement of money in case of flight delays or cancellation.

Now, with the help of AI and machine learning tools, flight delays and cancellations are tracked, and a link can be sent asking for boarding pass details and bank details. The claim amount will be credited directly to the bank or wallet cash according to the customer's preferences.

Eliminating paper-based documentation

Traditionally, paper-based documentation was considered as proof, and all transactions were recorded on paper. Considering that the young population is tech-savvy and wants solutions at their fingertips, new-age insurance companies are going 100 per cent on the cloud. From getting a policy till claiming, all the transactions are carried out online.

For example, details about the customer and the vehicle can be sourced with the help of the vehicle's registration number during the time of the claims process. There is no need for filling in the details of the customer again as all the information, including the vehicle colour, engine number etc. is saved in the system. Also, incase of vehicle documents, customers do not have to share any hard copies and can just share a picture.

The insurance sector is welcoming change enabled by innovative thinking and technology. Hence, it will continue to see disruptions in the sector. It won't just come from the new companies but also the traditional players. Wherever the inspiration comes from, the end-customer will be benefitted, and that is what a simpler world of insurance would mean for the millennial generation.

((The writer is Aashish Somaiyaa.)

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Source

INSURANCE REGULATION

IRDAI to seek councils' view before offering indemnity- based health plans - Business Standard - 18th December 2019

Insurance regulator IRDAI will seek views of the life and general insurance councils before deciding on the appeal of life insurers to offer indemnity- based health plans, an official said on Wednesday.

The life insurers have sought permission from the regulator to launch indemnity or reimbursement based health cover products and the IRDAI will take a call soon on the matter, the official said.

"We will be writing to Life Insurance Council and General Insurance Council in a week or so to seek their views on the matter.

We will examine their recommendations and take a call soon," IRDAI Member (Life) K Ganesh said on the sidelines of a programme organised by MCCI here.

Non-life companies feel that allowing life insurers to offer indemnity-based plans will increase competition further in the market; he said adding that this issue will be kept in mind while making a decision.

A person can avail indemnity-based health plans from non-life insurers.

He said there were 930 odd life insurance products and insurers have been in the process of revising their products according to the guidelines of the regulator.

"Some of their products will undergo change and there would not be any change required for some products. Life insurers have so far filed more than 150 products with modifications to the authority," Ganesh said.

The insurers were given time up to January 31, 2020 to complete the process of revision of their products, he said.

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Source

IRDA gets close to 170 applications under sandbox, approvals by end of FY20 - Business Standard – 16th December 2019

The Insurance Regulatory and Development Authority (IRDA) has received close to 170 applications under the regulatory sandbox approach, aimed to promote innovation in the insurance sector.

According to sources, a majority of the proposals are in the non-life segment, including some from insuretech firms. IRDA is expected to approve some of the products this financial year, according to the source.

The window for submitting applications was open for around 30 days in the months of September and October.

Regulatory Sandbox usually refers to live testing of new products in a controlled environment, wherein regulators may permit certain relaxations for the limited purpose of testing. It is similar to a pilot project and the insurer is free to withdraw the project in case it fails to succeed, provided it doesn't impact the customers who have already purchased it.

To evaluate such applications, IRDA has formed an eight-member panel headed by International Institute of Information Technology (Bangalore) Director S Sadagopan. In May this year, the insurance regulator had come out with draft regulations for the creation of a regulatory sandbox in the insurance sector. IRDA stipulated that an applicant should have a net worth of Rs 10 lakh to file products under the regulatory sandbox.

According to a senior official in a public sector general insurance firm, the sandbox method will lead to much needed innovation in the insurance sector with products like insurance against loss of employment, savings-linked insurances, and better micro insurance products. The draft regulations said the categories in which innovation can be promoted include insurance solicitation & distribution, insurance products, underwriting, policy and claims servicing.

The regulations also provide for relaxation of one or more provisions of any regulations to the applicant, subject to conditions. The maximum period for which the relaxation can be granted is one year. The draft guidelines also said, "If the Authority is satisfied that the objectives of the proposal has been met, it may accord permission to the applicant to adopt the proposal under regular regulatory supervision wherein in addition to provisions of Insurance Act, 1938, IRDA Act, 1999 all regulations, guidelines, circulars, etc will be applicable from the date of moving to regular regulatory supervision."

Notably, FCA (Financial Conduct Authority), the British financial regulator was the first to launch the Fintech sandbox, back in 2016. The move was seen as a big success, and a number of fintech firms rolled out the products in a bigger way. Taking a leaf from the UK, different regulators like Sebi (Securities and Exchange Board of India) and IRDA have been taking steps to promote sandbox method for innovation in the financial sector.

(The writer is Namrata Acharya.)

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Source

LIFE INSURANCE

Seek separate tax exemption limit for life, medical insurance: Kotak Life Insurance CEO – Moneycontrol – 20th December 2019

A separate section must be carved out for life insurance premium under section 80C of the Income Tax Act in Budget 2020, said G Murlidhar, MD and CEO, Kotak Life Insurance. "A higher exemption limit would be beneficial for the industry. Right now, we are bunched in the same category as bank deposits and loans and Section 80C has become crowded," he added.

Payment of life insurance premium qualifies for tax deduction up to Rs 150,000 from the gross total income of an individual. But Murlidhar feels that Section 80C is overcrowded with options like public provident fund (PPF), equity-linked savings scheme (ELSS), school fees of children, contribution to the employee provident fund (EPF) etc and the Rs 1.5 lakh limit gets exhausted easily.

He wants Finance Minister Nirmala Sitharaman to create a separate category -- Section 80D -- for products like health insurance that too would qualify for a tax exemption. "We also want pension products to be treated on par with the National Pension System (NPS) from a taxation perspective," he added.

NPS has a separate tax exemption limit of Rs 50,000 and has exempt-exempt-exempt status. This means that the corpus is not taxed during investment, on receipt of income on investment and at the time of withdrawal or maturity.

As far as the industry is concerned, Kotak Life expects the industry to sustain growth rates of around 15 percent levels, which Murlidhar said is significantly higher than the growth rate for the overall economy.

“An important factor driving this is the composition of household financial savings, which has been marginally shifting in favour of financial products rather than physical assets like gold and property. This could be attributed to interest rates, industry initiatives and government policies,” he explained.

Other favourable factors include a young population and growing working age group, increasing incomes, rising awareness about insurance, and an under-penetrated market. India is a highly under-penetrated market with life insurance penetration at under 3 percent.

Within financial savings, insurance has been an important instrument for long-term savings. About 17 percent of incremental household financial savings are allocated to insurance.

Till November, the life insurance industry has maintained its steady growth in line with the past few years’ trend. New business premium (NBP) from April till November was Rs 1.7 lakh crore, with a year-on-year growth of 37 percent. Kotak Life Insurance saw a growth of44 percent YoY during the same period.

Its Individual Adjusted Premium Equivalent (APE) has grown by around 17 percent in the period under review. Murlidhar expects the full-year growth to be around the same levels. APE includes 100 percent of regular premiums and 10 percent of single premiums.

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Source

What is waiver of premium in life insurance plans? Read on to know what it is, how it works - Financial Express – 18th December 2019

One of the most important conditions for a life insurance policy to remain active or in-force is that the policyholder has to keep paying the premium on or before the due date. By paying the premium, the life insurance contract between the policyholder and the insurance company remains valid. In a regular life insurance policy, on the death of the policyholder within the policy term, the sum assured or the death benefit is paid to the nominee and the plan ends. However, it may not always be the case. In some life insurance plans, on the disability leading to non-payment of premium or death of the policyholder before the end of the policy term, the policy does not end and instead the insurance company continues the plan by paying the premium into the policy. This is true only in those life insurance plans that have the unique benefit called 'waiver of premium' (WOP). The presence of Waiver of Premium benefit in a life insurance policy ensures that the policy does not end or become inactive even after the death of the policyholder or due to inability of the policyholder to pay the premium.

Waiver of Premium can either be a part of the policy as an in-built feature or it can be optionally added as a Waiver of Premium rider. If Waiver of Premium feature exists, then on policyholder's disability or on death, the future premium payment to the insurer is waived and the policy runs its original tenure with all other policy contracts remaining the same.

In the case of disability, most insurance plans with Premium Waiver benefit will waive off the premium in case of permanent or total disability of the policyholder. During such an event, the earning capacity of the policyholder falls and hence such a feature helps in keeping the insurance policy active. Waiver of Premium as an inbuilt feature is mostly found in children insurance plans. Waiver of Premium can also be attached as a rider to a term insurance plan to take care of future premium after a permanent disability.

How waiver of premium works

As a parent, one wants their child to receive a certain desired sum of money at the desired age. For example, if the child is of 3 years, the parent may want to save Rs 50 lakh for the child when he or she is 21 years of age. If the death of the policyholder happens anytime in the 18-year term, in a plan without WOP, the sum assured and the fund value or bonus is paid to the nominee and the plan ends.

However, in a Waiver of Premium insurance plan, even after the death of the policyholder or the life assured, the plan continues. The insurer pays the sum assured and also keep putting in the premium into the plan on the due date. This ensures the fund value is for the child at the desired age.

Such child insurance plans are available as a traditional insurance plan such endowment plan or as a unit-linked insurance plan (ULIP). The cost of a Premium Waiver insurance plan is higher than a regular insurance plan as it takes care of future premium too.

To Sum Up

In a regular insurance plan, the sum assured or the death proceeds go to the nominee, who may not be in a position to deploy the entire sum of money optimally for child benefit. And, if the child higher education need is still a few years away, the probability of the death proceeds not meeting its desired objective may fail. If as a parent, you need to ensure that the child gets the desired amount at the right time, waiver of premium plans helps to meet the objective.

(The writer is Sunil Dhawan.)

Source

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5 insurance policies you should have in New Year - Financial Express – 18th December 2019

Insurance gives us financial protection in times of need. Depending on the types of insurance, the policyholder gets financial protection in times of accident, serious health issues, untimely death, or property loss. However, that can only be availed by the policyholder if he/she keeps the policy active by paying the premium on time and renewing the policy.

Even though insurance in India is still a pushed product, people are opting for insurance policies. According to the latest IRDAI report, during 2018, total insurance premium in India increased by 9.3 per cent, whereas the global total insurance premium increased by 1.5 per cent (inflation-adjusted).

Samit Upadhyay, CFO and Head Product, Tata AIA Life Insurance says, "One of the first policies should always be one which provides income protection or liability cover to the policyholder and their family in the event of any unfortunate occurrence such as death, disease and disability. Term plans with relevant riders are highly recommended."

However, despite their importance, all types of insurance are not needed by everyone. There are only a few types of insurance which may be required by a majority of people. Here we are taking a look at a few must-have insurance policies which one must have in one's portfolio:

Health Insurance

With a steep rise in the medical cost and diseases not being age-specific, having a health insurance policy should be a priority. Health insurance is one of the first necessities an individual should consider while planning their finances. One can opt for an individual policy for themselves or for the family, or opt for a family floater plan under which the whole family gets covered in one policy.

Having this policy protects the insured from unexpected medical situations, by paying their medical and hospitalization expenses as mentioned in the policy. It is suggested by experts to opt for a health insurance plan with the sum insured of at least Rs 5 lakh. Also, with various health plans being available in the market, one should compare them, and then opt for the one that suits one's requirements the best.

Personal Accident Insurance

A large number of people are killed and suffer disability every day on Indian roads, due to accidents. Policyholders should opt for this, in case they suffer a disability or death in an accident, the policyholder/ policyholder's family will get the pre-defined sum assured from the insurer. Srinivasan Parthasarathy, Sr. EVP, Chief Actuary and Appointed Actuary, HDFC Life Insurance says, "Life Insurance is needed to protect the policyholder's loved ones from unforeseen events such as death, accident, disability, etc. In the absence of the breadwinner of the family, life insurance can provide a safety net to the beneficiaries and help secure their long term financial needs." Depending on the type of insurance plan and the insurance company, some policies also pay continuously after an accident in the case of a serious injury, to help the policyholder cope with financial obstruction.

Life Insurance

Opting for a term life insurance cover provides financial protection to the policyholder's family, in case of his/her death. These plans are very economical, as this policy does not payout if the policyholder survives the policy term. The premium for this policy, however, increases with the age of the policyholder. The premium instalment fixed at the beginning of the plan remains the same throughout the policy period, which helps the premium to be lower if one buys the policy at an early age. Hence, experts suggest opting for one at an early age.

Critical Illness Cover

Generally, health insurance plans do not provide cover for critical illness or life-threatening diseases. In such case having a critical illness cover will help the policyholder in case of life-threatening diseases such as cancer, tumors and heart disorders. Treatment for these illnesses is also quite expensive. With some of these illnesses, hospitalizations are not required, and regular hospital visits are required over a long period of time. Health insurance policies usually do not pay under these circumstances. However, these critical illness plans offer fixed benefit where a lump sum amount is paid to the policyholder for the treatment. The insured can use the money according to themselves. Experts suggest the sum insured of a critical illness cover should be around 4 to 5 times of a regular health insurance plan.

ULIPs

Unit-Linked Insurance Plans are a combination of investment with insurance. These plans offer the policyholder returns from the investment along with a risk cover. Policyholders depending on their risk appetite and long-term goals can choose the type of fund they want to invest in for goals like retirement, higher education of children, marriage, etc. The premium of this policy is also higher.

(The writer is Priyadarshini Maji.)

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Source

Life insurers bat for 100 per cent foreign investment in sector via automatic route - Financial Express – 18th December 2019

Life insurers have sought 100 per cent foreign direct investment (FDI) limit in the sector through the automatic route, which can help the sector attract capital of Rs 40,000-60,000 crore. India has received nearly Rs 30,000 crore worth of FDI in the private sector insurance firms since 2015, when the government had increased FDI limit from 26 per cent to 49 per cent.

In a detailed presentation to the Insurance Regulatory and Development Authority of India (Irdai), life insurance companies pitched for 100 per cent FDI limit in the sector. Investment under the automatic route does not require prior approval from the government. The insurance regulator on December 2 invited views from all the companies to increase the FDI limit in the sector and asked for their feedback by December 10. The subject matter was further discussed in the Life Insurance Council meeting on December 13.

"The government will examine suggestions of further opening of FDI in aviation, media (animation, visual, gaming and comic) and insurance sectors in consultations with all the stakeholders," the Irdai said. The life insurers said the government should allow both the options FDI and FII (foreign institutional investors) in opening the insurance sector to 100 per cent via the automatic route. This will give the insurance companies an option to decide on which route they would like to take (FDI or FII or a combination of the two), to increase the limit to 100 per cent, the insurers said in the letter, adding there should be no conditions for the foreign investors for moving from 49 per cent to 100 per cent, such as restriction on voting rights and India ownership, among others. If the limit is increased from 51 per cent to 100 per cent, another Rs 40,000- 60,000 crore of inflows are attainable, based on current valuations.

"Increase in FDI will help the country better technical know-how, better insurance penetration, and better training of stakeholders, etc. It will also help in higher settlement claims, better persistency and early claim reduction," the Irdai said. Among others, the increase in foreign stake will also help the

private life insurance sector increase its market share and help in bringing more technical expertise on risk-based capital which developed markets have already implemented.

More capital injection will help in expanding the business that will further help in generating more employment, thereby addressing the employment issues."It will also help in increasing the government's GST collection and other taxes by increasing the ability of companies to write more business," it said. The increase in stake from 26 per cent to 49 per cent in 2015 led to an increase in total premium income of the Indian life insurance sector from around Rs 3 lakh crore in 2014 to around Rs 4.5 lakh crore in 2018.

The total premium income growth for the private sector during 2014-15 and 2015-16 was 14 per cent each, while in 2017 and 2018, it was 17 per cent and 19 per cent, respectively."A further increase in FDI to 100 per cent is likely to grow the Indian life insurance sector at much faster pace," the insurers said. It also said the increase in FDI is likely to increase money supply to the capital market that will increase economic activities. In the past, the increase in FDI to 49 per cent helped in increasing assets under management for the private life insurance players from Rs 1,07,225 crore in 2014 to Rs 2,54,461 crore in 2018.

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Source

With lower sum assured, Ulips emerge as attractive option with high returns – Business Standard – 18th December 2019

Unit Linked Insurance Plans (Ulips) offered by insurance companies, which combine insurance with investment, are fast emerging as an attractive option. This has happened because of the change of rules brought about by the insurance regulator. Recently, the Insurance Regulatory and Development Authority of India (IRDAI) allowed those under the age of 45 years to also buy Ulips with a lower sum assured. Earlier, the sum assured for such people had to be at least 10 times the annual premium. According to experts, this change of rule has increased the attractiveness of Ulips. "This regulation has made the insurance cover in Ulips uniform across all age groups. Earlier, only people above 45 were eligible to buy Ulips with sum assured less than 10 times their annual premium. Now, even people below 45 can buy Ulips with a minimum sum assured of seven times the annual premium. The smaller sum assured will lead to better returns over time as the mortality charge deducted from the premium will be less. A larger part of the premium will get invested, improving returns," says Santosh Agarwal, chief business officer–life insurance, Policybazaar.com.

(The writer is Sarbajeet K Sen.)

TOP

Source

More women putting a premium on their life – The Times of India – 17th December 2019

In a boost to the life insurance sector in the country, the number of women buyers, who constitute 48% of the total population, is steadily rising. According to the latest Insurance Regulatory and Development Authority of India (IRDAI) annual report, the share of women has increased to 36% in the number of policies and 37% in the first-year premium (FYP) in FY2018-19 as compared to 32% on both the counts in FY2017-18.

The total number of life insurance policies sold in 2018-19 stood at 2.86 crore with an FYP of Rs 97,690 crore. Of the total number of policies sold, women accounted for 1.03 crore policies in FY2018-19 (90 lakh in previous fiscal) with an FYP of Rs 36,525 crore in FY2018-19 (90 lakh in previous fiscal) with an FYP of Rs 36,525 crore in FY2018-19 (Rs 29,801 crore).

Of the total policies bought by women, over a third came from three states — West Bengal (16.51%), Uttar Pradesh (10.53%) and Maharashtra (10.16%). Similarly, of the total FYP of Rs 36,525 crore, over one-third came from Maharashtra (15.74%), West Bengal (10.05%) and Uttar Pradesh (9.55%).

Commenting on the trend, Anil Kumar Singh, chief actuarial officer, Aditya Birla Sun Life Insurance, said, "This is a true reflection of the increasing financial awareness and independence of women in India. We, like many other life insurance companies, are also witnessing more women purchasing life insurance. Interestingly, the participation of women from tier-3 and -2 towns is higher than women from tier-1."

He said it is important to understand that life insurance needs of women are very different from their male counterparts and, therefore, the need of the hour is to understand requirements of the specific life stages of women and come up with tailor-made products to meet their unique protection requirements.

Bajaj Allianz Life Insurance Company MD & CEO Tarun Chugh said the participation of women in India's workforce is increasing year-on-year. The trend of women opting for life insurance is indicative of the data that women are now more aware of their contribution to their family's finances and are looking at life insurance solutions to secure their family's life goals Star Health and Allied Insurance Company MD S Prakash pointed out that the industry must work with the regulator to come up with women-related health insurance data as it will help players gain a deeper insight into this segment.

According to the report, the proportion of policies sold to women by private sector life insurance players stood at 27% and that of LIC was at 39%.

(The writer is Swati Rathor.)

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Source

Number of rural offices of private life insurers sees big decline - Financial Express – 17th December 2019

The number of offices of private life insurers in rural India has reduced sharply in the last two years. The number of rural offices of private life insurers were 429 in March 2017, which came down to 58 in March 2018 and remained at that level in 2019, the Insurance Regulatory and Development Authority of India (Irdai) said in its annual report.

There are only 229 life insurance offices in rural India as of March 31, 2019 compared with 590 in 2017. Offices in semi-urban regions also came down from 4,803 as of March 2017 to 4,329 in March 2019.

LIC has doubled its number of offices in semi-urban area, compared to all the private insurers taken together, and almost treble in rural India. The public sector insurer had 2,932 offices in semi-urban areas as on March 2019. LIC has added 19 branches in semi-urban and rural areas, with seven offices being added in rural areas.

There are 24 life insurance companies in India, whereas there are 31 in Bangladesh, 182 in the US and 195 in the UK. At the Global Insurance Summit 2019, Vipin Anand, MD of LIC, said there was need for more players to enter this segment.

Chief marketing officer at Shriram Life Insurance R Radhakrishnan said: "The huge opportunity provided by the rural India also comes with its own set of challenges. The nature of customers, their demographic

characters, and appropriate life insurance product and process design and service delivery are some of the key factors we need to understand before developing our life insurance delivery model."

Though the premium collection in life insurance sector has increased, much of the contribution seems to be coming from metros and cities.

When the number of offices of private life insurers reduced in semi-urban and rural areas, the same increased in metropolitan and urban cities by around 12% and 20%, respectively.

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Source

Life insurance: Why we need life stage specific insurance cover - P Saravanan – 17th December 2019

The lifecycle of people are divided differently by philosophers and psychologists. They identified three life stages for an individual but according to ancient Chinese wisdom, there are seven stages of life. In contrast, an actuary, a person who use statistics and assess insurance risks, has a different approach to life stages.

Understanding which life stage you are in now, helps to compute the optimal cover at any given point of time. Let us discuss the same in detail.

Life stages

From an insurance perspective, life stages can be classified into the following groups. Starting your first job, buying your first car or home, getting married, having children, getting promoted, providing good education for children, saving more money and retirement. In the above life stages classification, having children is one of the few events which change your attitude of responsibility. It makes you think through what needs to be done to secure your own and your loved ones' future.

As young professional

Though everyone's circumstances may be different, as a young professional you need to consider what types of insurance will ensure that you financial future is secured. Consider income protection policy to ensure that you continue to receive an income if you become disabled; a life and disability policy to cover any debts such as your study loan, vehicle loan or other commitments towards your spouse, parent or relative.

After marriage

When you are married, you should ensure that your spouse will be comfortably taken care of and not be burdened with debt in the event of your death. This means that you should commit an additional policy to cover extra commitments or add your spouse to your existing policy or take out a separate policy for your spouse. Generally, buying a separate policy may be more cost effective than getting a combined policy. However, premium is based on the age, occupation, and health history.

When family expands

Along with a spouse, when children arrive you need to adapt your insurance policies to ensure that your dependents are not left to deal with debt or unpaid medical bills. It is equally important to ensure that expenses for your children's education, clothing, etc., are covered until they are able to provide for themselves.

When you buy a house

If the amount of cover that you have in place is enough to pay off your outstanding home loan and leave some additional money for unexpected events, it may not be necessary to change your life insurance.

Often home loan providers will offer life cover, and some may even require this cover in order to sanction the loan. If you already have life policies in place that are sufficient to meet the debt and or any additional needs, you can offer the same to the home loan provider as security.

When you retire

When planning for retirement, you need to review your insurance portfolios to see if you are adequately covered to meet your commitments post retirement. It is advisable not to surrender or cancel your policies as you may not get the full benefit if surrendered. Life cover premiums vary significantly with your age, health and can be even declined owing to health fears.

To conclude, it always advisable to review your policies annually to ensure that they still meet your needs. If not annually, you should review at least every time you enter into a new life stage.

(The writer is P Saravanan.)

TOP

Source

Incurring huge losses under PMSBY, insurers urge govt to hike premium - Financial Express – 17th December 2019

The Pradhan Mantri Suraksha Bima Yojana (PMSBY), which offers accidental insurance cover, has incurred losses of more than 350% till December 6 in the current financial year, data from the jansuraskha website reveal. The scheme, launched in May 2015, has seen claims of over 200% in 2017-18 and 347% in 2018-19.

As on December 6, the total number of persons enrolled for the scheme stood at 170.3 million, while the number of claims addressed was 36,152, data from jansuraksha.gov.in show.

Given the premiums paid per person is Rs. 12, insurers would have received a total premium of Rs. 204 crore. However, since the claim per person is Rs. 2 lakh, the amount disbursed was Rs. 723 crore for 36,152 persons.

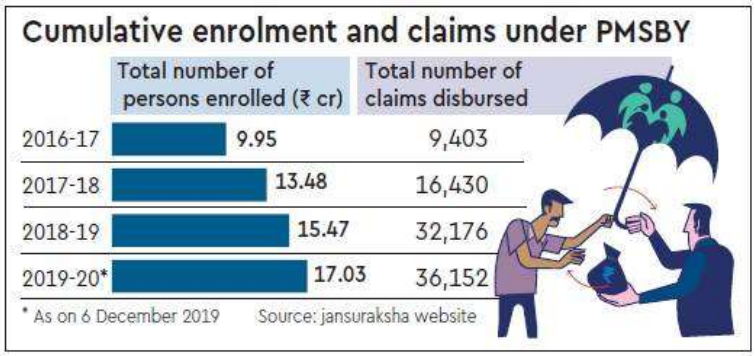
With claims rising every year, insurers have asked the government to increase the premium under the scheme. The main insurers are state-owned general insurers like New India Assurance, National Insurance Company, Oriental Insurance Company and United India Insurance, which together have a market share of 70-80%. Among private insurers, the players are Bajaj Allianz General Insurance and HDFC ERGO General Insurance.

"The claims ratio continues to remain at elevated levels and we have asked the government to increase the premium to Rs. 35-39. However, as of now, we haven't got any indication from the government on the changes in the premium…" said a top official from one of the public sector insurance companies. The cover under this scheme is for one year starting from June to May 31.

This scheme was projected as a path-breaking one to provide affordable accidental insurance to the citizens. The premium amount has to be paid by May-end every year for renewal and policies are linked to beneficiary bank accounts.

Under the said scheme, the risk coverage available is Rs. 2 lakh for accidental death or permanent total disability and Rs. 1 lakh for permanent partial disability. According to the data from the jansuraskha.gov.in, 17.03 crore enrolments have been done under the PMSBY, while total number of claims disbursed stood at 36,152 as on December 6, 2019. Som the premium received by the insurers would be at Rs. 204 crore, while claims paid by them stands at around Rs. 723 crore.

At the end of 2018-19, 32,176 claims amounting to Rs. 643.52 were settled by the insurers, while claims settled in 2017-18 and 2016-17 were Rs. 328.6 crore and Rs. 188 crore, respectively.



"Though overall numbers look small in terms of claims, if more people participate and claims remain at the same level, it might hurt us.

We hope that the government understands our point of view and increases premiums so that the claims ratio comes down," said another senior official from a top insurance company.

(The writer is Chirag Madia.)

TOP

Source

Here's how your insurance policy will look like in 2020 – Moneycontrol – 16th December 2019

If you are a non-smoker who never jumps traffic signals and is into regular exercising, 2020 will be a good year for you as far as insurance premiums are concerned.

With the Insurance Regulatory and Development Authority of India (IRDAI) bringing in a series of changes in the product structures, there will be new policy designs starting next year.

While a series of these regulations for motor and health insurance are currently in the draft stage, they will be finalised in the next two to three months. Here is a look at five ways in which your insurance policy will be transformed in 2020.

Lower depreciation for motor-own damage segment and driving-based cover

At present, the moment you purchase a car/bike and drive it out of the showroom, depreciation kicks in. This essentially means that the value of the vehicle starts decreasing. Hence, when it comes to the motor-own damage cover, only a portion of the actual price of a vehicle destroyed in an accident is paid as the claim.

IRDAI has now proposed that in case of private cars, there will be no depreciation for the first three years. So, the sum-insured will be the listed price of the vehicle. Between the third and the fourth year, a depreciation of 40 percent will be applicable. This will progressively increase to 60 percent between the sixth and the seventh year.

For two-wheelers, the sum-insured may be 95 percent of the vehicle's listed price up to six months of the purchase. This will gradually go down to 90 percent till the bike is one-year-old and, finally, 40 percent once it is seven years old.

The idea here is to encourage people to take own damage covers for their vehicles. This cover protects the vehicle from physical damages and is an optional policy.

In a related proposal, the government and the IRDAI have set up a working group to look at linking insurance premium with traffic violations.

IRDAI has said that it is perceived that linking insurance premiums to traffic violations committed by an individual could reduce road accidents and change driver behaviour.

Quicker settlement of insurance claims
Soon, motor insurance claims of up to Rs 75,000 will not require any assessment of losses by a surveyor. This means that motor insurance claims will be quickly settled since there will be no requirement to appoint a surveyor for claims up to a certain limit.

A draft proposal by IRDAI has talked about enhancing loss limits for appointment of surveyors to above Rs 75,000 in cases pertaining to motor insurance and to Rs 1,50,000 for all others.

At present, claims above Rs 50,000 for motor insurance and Rs 1 lakh for others qualify for the services of insurance surveyors and loss assessors.

When surveyors are appointed to assess a claim, they get 30 days to review the filed claim and submit the report. This delays the claim processing since any settlement will be made by an insurer only after the report is reviewed.

Flexible health and fitness benefits
Standard health insurance products could now offer a 5 percent increase in the cover for each claim-free policy period. The IRDAI has proposed that the sum insured under a standard policy can be raised every year, provided the policy is continuously renewed without a break.

Here, the sum insured (excluding CB) shall be increased by 5 percent in respect of each claim-free policy period (where no claims are reported), provided the policy is continuously renewed without a break, subject to a maximum of 50 percent of the sum insured (excluding CB accrued) under the current policy period.

In another related regulation, the IRDAI has proposed to allow fitness related discounts. The insurance regulator has floated a draft proposal that will allow insurers to give premium discounts in health insurance for those living a fit lifestyle.

You may also get a higher sum insured compared to others if you maintain an active fitness regime. Currently, health premiums are based on the claims experience of the previous year for that specific age group. Those with a history of medical ailments are charged higher.

Flexibility in life insurance products
Life insurers will be able to offer flexible policy tenures for certain products. The IRDAI also said insurers could design term, credit life and micro-insurance products that have a range of policy tenures to choose from. The last date to switch to this new regime is January 31, 2020.

For non-linked insurance products, the revival period has been extended to five years from the current two years. Here, non-linked policies to acquire guaranteed surrender value after two years.

In unit-linked insurance products, after payment of premiums for the first five completed policy years, the policyholder may be given an option to decrease the premium by a maximum of 50 percent. Once the premiums are reduced, they cannot be increased subsequently.

Standardised exclusions in health insurance
As part of its regulations on standardising exclusions in health insurance, IRDAI listed out several instances where a health cover cannot be denied. This includes mental health, puberty and menopause-related disorders as well as genetic disorders.

The IRDAI has also gone deeper and said that even if the use of a drug, stimulants or anti-depressant impact intellectual facilities of an individual, they are entitled to get covered.

While this will lead to price increases in 2020, new types of products covering these ailments will be part of the health insurance portfolio.

Will prices go up?
Across the product segments, the changes in regulations will mean that policy premiums may rise by 10-15 percent. An increase in coverage means that the risks incurred by an insurance company for possible future claims is higher. Hence the premiums will go up.

Segments like motor insurance already see an annual increase in the third-party rates as also is the case with group health products.

Goods and services tax (GST) at 18 percent on insurance premium has already been a matter of concern for the industry. IRDAI has sought that the GST be reduced to 5 percent. Once this is implemented, insurance premiums will be reduced.

(The writer is M Saraswathy.)

TOP

Source

Insurance sector in need of positive enablers, say industry leaders - The Economic Times – 16th December 2019

India's insurance industry needs an environment of positive 'enablers' in form of increased competition, outreach personnel and an easing of regulatory regime to achieve greater demographic penetration, said two senior industry executives at a panel discussion here on Monday.

The issues of under penetration, which at less than 4.5% of the GDP is low compared to advanced economies, stems from problems of outreach rather than a shortage of demand, they said.

"Demand is not as much an issue. There is a huge market. The problem is reach," said Vipin Anand, MD Life Insurance Corporation (LIC), while sharing a panel with Vibha Padalkar, MD and CEO, HDFC Life.

"India is a huge country with diverse demographics. If we can ensure a network of agents that can reach nook and corner of the country and sell these policies face to face, the target of selling Rs.100 billion worth of life insurance policies can easily be achieved," Anand added.

The duo were speaking at the Times Network India Economic Conclave 2019, discussing the role of insurance industry in helping India become a $5 trillion economy.

Both the industry veterans comparing India's insurance industry to that of China, said that there is much to learn from the neighboring market.

"China's penetration to GDP levels is four times that of India where they have four times the agents working on the field selling retail products," said Padalkar suggesting that there is huge potential for the sector to scale further over the years to come given India's favorable population demographic.

To this the LIC managing director Anand said that the if Indian insurers who have around 20 lakh agents working for them, can add 50 lakh more such agents, it will address the problem of underpenetration while also creating ample employment opportunity aiding the country's economy in a more holistic manner. He also added that the insurance industry in India needs to have further competition to be able to expand to a greater customer base.

"China has almost the same population as India. However, they have 100 companies competing in the life insurance market as against 24 that are operating here," said Anand.

Furthermore, relaxation in regulatory norms can also help Indian insurance sector cover a wider consumer base, the veteran insurers suggested.

Provision for easing customer authentication models via unified KYC, allowing life insurance companies sell health insurance products, decreasing Tax Deductible at Source (TDS) for non resident Indians on pension plans, easing minimum policy tenures from the current seven years to get more millennials to buy protection were some potential regulatory relaxtion discussed by the panel as an option for the regulators to prod into.

(The writer is Ashwin Manikandan.)

TOP

Source

Premium picks - The Hindu Business Line – 16th December 2019

The life insurance space in India has been gaining significant traction, with top private sector players delivering strong performances over the past two to three years.

After several ups and downs and regulatory upheavals, the sector is emerging as an attractive opportunity for investors looking to invest in the financial services space.

Since the 2010 regulations that impacted sale of unit-linked insurance plans (ULIPs) and the 2013 regulations that hit non-linked products, top life insurers have restructured their product portfolios, and focussed on cost efficiency and persistency to drive profitability. Given that life insurance is a long-gestation business, players with solid long-term track record, scale and strong business models are well-placed to ride the opportunity within the sector.

Over the past three years, the overall premium (individual weighted received premium) has grown about 16 per cent CAGR, led by private players reporting 21 per cent growth. The growth so far wthis fiscal has been upbeat, with private life insurers reporting 21 per cent year-on-year (y-o-y) growth in the first-year premium between April and September.

But a few private life insurance players have managed to build scale through strong product portfolios and bancassurance networks. The top seven private players still constitute 72 per cent of the market (in terms of individual weighted received premium). Of these, four are listed — SBI Life, ICICI Prudential Life, HDFC Life and Max Financial Services (holding company of Max Life). We deep dive into key drivers of the life insurance business and take a look at the performance of each of the listed players.

Product dynamics

There are broadly two types of life insurance policies — savings and protection. Savings products essentially comprise ULIPs, participating and non-participating policies. Protection products provide cover for life, disability, critical illness and accidental death.

ULIPs

ULIPs are essentially life policies where a portion of the premium is invested in equity or debt or in a combination of both, based on the risk appetite of the policyholder. For insurance companies, ULIPs require relatively lower capital than other products as the market risk is passed on to the customer. These products generate steady margins. Market volatility impacts the business and there can be a second-order impact on fund management charges, owing to decline in AUM (assets under management).

Participating policies
In participating policies, 90 per cent of the profit is shared with the policyholder and therefore margins are limited but steady. The maximum commission payable depends on the premium-paying term of the policy. While the capital requirement and business strain is low, persistency is an issue.

Non-participating polices
These policies offer guaranteed returns with an IRR (internal rate of return) of 4-6 per cent. The capital requirement and business strain is high. There is also reinvestment risk in a falling interest-rate scenario. High guaranteed returns can pinch insurers, if not hedged appropriately or repriced when interest rates move.

Protection
Profitability in protection products is a function of actual mortality experience (frequency of deaths) vis-a-vis expectations built into the pricing of the product. The ability to underwrite, hence, is critical. Margins are high, though capital and business strain is also high.

Key Drivers
Diversification of product portfolio is important, as dependence on a single product can be risky from a regulatory perspective. Life insurers have recently been focussing on protection business to drive growth and profitability. This is likely to continue. By focussing on protection business, players have been driving value of new business (VNB) — a key measure to assess the financial performance of insurers.

Essentially, VNB is a measure that values future profit streams of the new business written during the year. Given that protection products are relatively simpler to comprehend and compare, sales through digital platforms (company websites or through aggregator sites such as Policy bazaar) have been strong.

While there is intense competition in protection policies, leading players believe that irrational and low pricing can hurt. The rural market, in particular, could be a test case, and mortality risks could be high if not priced properly.

Currently, ULIPs constitute about half of the total WRP (weighted received premium) within private players. Given that the product is tax-efficient and remains an attractive option to create wealth, long-term prospects still remain healthy.

Distribution game
Distribution is critical given the push nature of the product. In the past four to five years, bancassurance-led players have gained market share. About 55 per cent of the total individual new business premium comes from banca channels for private players. Following regulatory changes a few years ago, each bank can sell policies of up to three life insurers. However, there have been limited tie-ups so far.

While the bancassurance model will continue to drive market share gains, over the long run, agency channel is equally critical. SBI Life and ICICI Pru Life have a relatively higher share of annualised premium equivalent or APE (20-27 per cent) coming from agency, while HDFC Life has a higher share from direct channels (21 per cent).

Aside from banca and agency, building alternative channels of distribution by partnering with NBFCs or FinTech/telecom players is also important. For instance, HDFC Life has partnered with various NBFCs (non-banking finance companies), MFIs (micro-finance institutions) and small finance banks, and also with the likes of Paytm and Airtel.

SBI Life, aside from leveraging on the strong network of SBI, has one of the most productive agency networks. SBI Life is also using new-age distribution tools — SBI's YONO app, for example — to tap new customers; through this channel, SBI Life has covered over 1 lakhlives (small-ticket group policies).

ICICI Pru Life focuses on its banca model to sell ULIPs (65 per cent of retail ULIP APE from banca) and protection (37 per cent). Participating policies (45 per cent) and protection (23 per cent) are the focus under the agency model.

SBI Life

SBI Life reported a strong growth of 40 per cent in new business premium (NBP) in the first half of FY20, led by protection, annuity and individual non-par savings businesses. Protection NBP increased by 59 per cent y-o-y. This has aided a robust 33 per cent growth in VNB (value of new business), with 100 basis points expansion in VNB margin.

The management is focussing on reducing the share of ULIPs and increasing the share of protection. Within par and non-par, the company will follow a balanced approach; it is not keen on going very aggressive on the non-par front given the possibility of margin compression in a falling interest-rate environment. SBI Life has re-priced its non-par guarantee product on account of a reduction in interest rates. On par policies, the management believes that these products can offer good value to the customer and the company, if bought for the long term, ie, 15-plus years. SBI Life has discontinued five- and seven-year terms, and even the 12-year term in one of the products.

The management is looking to reduce pricing in its term plans. While this may lead to losses in VNB margins, the management expects this to be partially offset by increase in volumes. In the September quarter, SBI Life's profit was impacted by provision for diminution in the value of investments; Rs. 67 crore pertained to DHFL exposure. SBI Life has exposure of Rs. 380-400 crore to stressed companies such as India bulls Housing, Yes Bank, which are standard accounts as of now.

SBI Life trades at about 3.7 times its embedded value as on September 2019. Continual focus on product diversification, multi-channel distribution, consistent improvement in VNB margins and cost efficiencies will continue to drive valuations. At current levels, the stock presents a good buying opportunity.

HDFC Life

HDFC Life held its strong performance in the first half of FY20. The insurer's individual APE grew by a strong 37 per cent y-o-y , while NBP grew 26 per cent. In the September quarter though, the growth moderated somewhat from the robust up-tick in the June quarter. This is because the growth in the June quarter was led by the strong response for its Sanchay Plus product — a non-par savings product. Resultantly, non-par constitutes a high 54 per cent (in terms of individual APE), from 15 per cent in FY19.

The management expects the product mix to be more balanced by the end of FY20. As such, other segments have also grown by a healthy clip. The total protection APE has grown 43 per cent in H1FY20. VNB grew a robust 57 per cent in H1FY20; VNB margin expanded by a tidy 320 bps to 27.5 per cent, though fall in share of non-par led to moderation in margins in the September quarter from the June quarter.

In the long run, the management expects to have a product portfolio mix with par and non-par savings constituting 25-35 per cent each, protection about 10 per cent, annuity 7-8 per cent and the balance being ULIPs. While Sanchay Plus has been a big success, there have been concerns over the risk associated with the product. The management though is confident of managing the risk well, even in a falling-rate scenario.

HDFC Life trades at about 5.9 times its embedded value as of September 2019. The company's ability to drive product innovation, a strong distribution network and robust financials are positives, but rate risk around its non-par guarantee product will be watched. Given the steep valuation, the upside may be limited in the near term, but the stock remains an attractive long-term bet.

ICICI Prudential Life

ICICI Prudential Life Insurance, too, has been focussing on its protection business. In the first half of FY20, the insurer's VNB grew 20 per cent, led by growth in protection APE by 86.8 per cent (on a low base). VNB margin shot up to 21 per cent against 17.5 per cent in the first half of last fiscal.

The strong growth in protection aided the overall performance, which was otherwise pulled down by the company's change in business strategies — de-focussing on ULIPs being a key one.

In the first half, the overall APE fell 0.4 per cent, owing to a fall of 16 per cent in ULIPs — mainly in the higher ticket size segment. The share of ULIPs, though lower, is still a high 69 per cent of total APE. A strong growth in protection saw the share of protection in overall APE go up to 14.7 per cent from 7.9 per cent last year. Within protection, retail continues to dominate the mix. Annuity APE, too, on a low base, doubled in the first half vis-a-vis last year. ICICI Pru Life, through its focus on protection business, believes it can sustain profitability. The management expects to double VNB over the next three to four years. On the persistency front, there has been a dip in the early 13th month persistency — 83.6 per cent from 84.6 per cent in FY19. This was mainly due to a decline in large-ticket ULIPs.

The company is taking efforts to improve persistency. On the distribution front, the share of non-bancassurance channels went up to about 47 per cent from about 44 per cent in FY19.

ICICI Pru Life trades at about 3.1 times its embedded value as of September 2019, a discount to peers such as SBI Life and HDFC Life. While the insurer's relatively higher ULIP portfolio (higher ticket size) is possibly weighing on valuation, the management's focus on diversifying the product mix through a higher share of protection should drive profitability. Attractive valuations offer a good opportunity for long-term investors.

Max Financial Services

Max Financial Services is the holding company (71.8 per cent) of Max Life. Max Life enjoys good VNB margin, thanks to a higher share of par policies and a good share of protection policies. In the first half of FY20, individual APE grew 22 per cent. The share of non-par has gone up sharply to 20 per cent in the first half from 5 per cent last year.

While VNB margins went up, driven by a higher share of non-par, they have not gone up sharply as the company has been focussing on short-term products within non-par which are more endowment-oriented than income-oriented. While this works better from a risk-management perspective, margins on these products are ideally lower (than those sold last year). The management in its concall stated it would keep the share of non-par around 15 per cent, to manage risk.

Along with its bancassurance partnership with Axis Bank, Max Life has built a strong agency network. But with Axis Bank recently roping in another life insurance partner, it needs to be seen if the growth off Max Life will be impacted. Currently, 53 per cent of individual APE is through Axis Bank.

The company had initiated a transaction, swapping part of a joint venture partner Mitsui Sumitomo stake in Max Life into Max Financial Services, in a bid to simplify the holding company's structure. This was, however, terminated due to non-agreement on certain terms. The management has stated that this would not impact the process of reverse merger between the holding company and the life insurance company. Holding company discount is a key dampener to valuations.

There is also the overhang of promoter-pledging of shares that has gone up to 91.3 per cent as of September from 80.4 per cent in June quarter. The management stated that this was mainly due to a fall in share price.

Max Financial Services trades at a significant discount to peers at about 1.4 times its embedded value as of September 2019. Healthy margins, a good portfolio mix and a strong agency network are key positives for the stock.

The above-mentioned risks, however, can continue to weigh on the stock. Investors can hold on to the stock.

(The writer is Radhika Merwin.)

Source

TOP

Complaints against life insurers spike by 6% in FY19 – Mint – 16th December 2019

There has been a 6% rise in number of complaints reported against life insurers in FY19. The finding was part of an annual report released by Insurance Regulatory and Development Authority of India (Irdai) on Monday. As many as 102,127 complaints were filed against the public insurer (LIC) and private insurers attracted 61,137 complaints.

"I think the premium growth in the life insurance space in the past year has been over 6% which in a way shows that the number of policies has gone up. So it's likely that the number of complaints will go up too," said Abhishek Bondia, principal officer and managing director, SecureNow.in.

The first year premium for life insurers registered 11.39% growth in FY19 as compared to 10.75% in FY18. Private life insurers, specifically, reported a growth of 11.46%.

"In life insurance the complaints are primarily about people not knowing the kind of returns that a plan will give. They buy insurance assuming that they will not have to pay multi-year premiums, then there are, of course, many instances of mis-selling," said Bondia.

General insurers on the other hand witnessed a drop of 3% in the number of complaints. Bondia said, on the general insurance side, companies are moving towards a more digital infrastructure. "Insurers are allowing policyholders to conduct a self-survey through the e-claims facility. This is true even on the health side. This has a substantial impact on customer experience and hence, reduces complaints," Bondia added.

General insurers registered a growth of 12.47% in FY19 as against 17.59% in the previous year. The industry underwrote total direct premium worth ₹1, 96,448 crore as against ₹1, 50,662 crore in FY18. Motor insurance business contributed the most to the segment with a share of 38.08% and grew at 8.91% from the previous year, thanks to amendments made to the Motor Vehicles Act, which pushed more and more people to buy a third-party motor insurance cover.

(The writer is Disha Sanghvi.)

Source

TOP

Why tobacco consumption is proving heavy on our life insurance – Outlook – 15th December 2019

It is an age-old advice to buy a life insurance policy as early as possible to save up on the premium amount. However, there are other factors as well that could lead to fluctuation in the premium amount and one of those is consumption of tobacco.

The underwriting department of the insurers determine the premium of policies and they calculate this price on the basis of various factors. Insurance premium is determined on the basis of personal information provided at the time of buying a plan.

Factors including age, gender, marital status, habits, family history are few to mention. It is mandatory to fill up all the required details at the time of buying a life insurance plan. One may hide or conceal habits like drinking, smoking or chewing tobacco to enjoy fewer premiums. However, this could lead to

cancellation of the policy and whatever benefits available under the policy may not entitle to the policyholder at the time of claim. Some of the diseases caused by smoking are lung cancer, heart disease, strokes, oropharyngeal cancer, type 2 diabetes, cataracts, esophageal cancer and chronic obstructive pulmonary disease.

And hence, smokers are likely to pay heavy price for their life insurance plan as it increases risk exposure for the policyholder. For instance, a 35-year-old man, a smoker, who buys a term plan with 45 years premium paying term for Rs 1 crore cover will have to pay an annual premium amount Rs 47,400 (without GST) for 45 years, in total Rs 21,33,000. On the other hand, a 35-year-old man, a non-smoker, will have to pay annual premium amount Rs 22,460 (without GST) for 45 years for the same plan, in total just Rs 11,93,400.

In simple words, a non-smoker will pay Rs 9,39,600 less than a tobacco user for the same insurance plan for a same term period and cover. Smokers are paying heavy premium based on their risk factor and insurers are charging high premium based on the risk. This also means that a non-smoker of higher age bracket could get a term plan for lesser premium than a smoker of young age.

Insurance is based on utmost good faith and insurable interest and one must honestly disclose all the facts and personal details at the time of buying. This will avoid disputes at the time of claim. All the insurers want to settle claim at the earliest and in case of suspicious or fraud claims, insurers have the right to reject it. If the insurer finds out that the cause of death was related to smoking or using tobacco, the insurer may reject the death claim and death benefit would not be paid to the beneficiary.

Our habits make a huge difference when it comes to the price of insurance plans and more importantly concealing them at the time of buying insurance plans could lead to bigger issues. However, small habitual changes could lead us on the way to a stress free future.

(The writer is Nirmala Konjengbam.)

TOP

Source

Life insurance: holding out hope for the future – The Hindu – 15th September 2019

The real benefit of life insurance has been clouded by less important objectives like investment returns and tax benefits, especially in India. At its core, life insurance protects against the risk of dying too soon. What is insured is the future earning potential of the person whose life is insured, which would have sustained life, living style and plans for the future of loved ones.

In India, life insurance companies duly registered with Insurance Regulatory and Development Authority of India (IRDAI) can sell life insurance. There are 24 of them now, government-owned Life Insurance Corporation of India and others promoted by various private business houses, both Indian and foreign. The policies they offer are vetted and regulated by IRDAI and have to follow norms of cost to the policyholder and of investment of the premium monies with a view to maximise safety.

(The writer is K. Nitya Kalyani.)

TOP

Source

Life insurance policy rules will change from next year. All you need to know – Mint – 14th December 2019

From allowing partial withdrawal to increasing revival period, life insurance products will witness a host of changes from next year. The new rules will be effective from February 1, 2020. To benefit customers, the Insurance Regulatory Development Authority of India (Irdai) has relaxed regulations for pension plans, Ulips and traditional life insurance plans.

Let's take a look at the changes:
1) In case of unit-linked products, the revival period has been increased to three years. For non-linked products the revival period will be five years. Earlier the revival period was two years. Revival period means the period from the date of first unpaid premium during which period the policyholder is entitled to revive the policy which was discontinued due to the nonpayment of premium.

2) From February 1, withdrawal limit in pension plans is all set to increase. The maximum withdrawal allowed at maturity will be 60% instead of the existing one-third of the corpus. However, in pension plans, withdrawal of one-third corpus is tax-free, not the entire 60%.

"With this new amendment, the regulator has made pension plans as per with the NPS products. This change will be beneficial for the customers and the insurance industry," said Sanjay Tiwari, Director, Strategy, Exide Life Insurance.

3) Irdai has also tweaked the norms for prematurely partial withdrawals. Customers will be allowed to make partial withdrawal of up to 25% once the lock-in period of five years ends. Partial withdrawal will be allowed for higher education, children's wedding or critical illness or for buying or construction of a residential property.

"Earlier the withdrawal was not allowed by the regulator. This is a welcome move by Irdai," Tiwari added.

4) The minimum life cover in Ulips will come down to seven times instead of the existing 10 times for those under the age of 45. 'Sum Assured' is a guaranteed amount that is payable in case of the policy holders' death.

5) The mandatory guarantee on pension Ulip segment will become optional from February 1. Earlier, Irdai made it mandatory for insurers to offer guarantee on pension Ulip plans. Now, the policyholders will have more flexible option to choose whether they want a guarantee or not.

(The writer is Anulekha Ray.)

Source

TOP

GENERAL INSURANCE

PSU general insurers cede ground to private players - The Hindu Business Line – 20th December 2019

State-run general insurers have ceded market share to their private sector peers, according to data from the Insurance Regulatory and Development Authority of India (IRDAI).

The data reveals that barring Oriental Insurance, the other three state-run general insurers lost market share in 2018-19. The trend seems to be continuing this fiscal year as well.

Public sector general insurers' business increased by 1.28 per cent in 2018-19 as against private insurers, who grew 24.25 per cent, according to the IRDAI Annual Report for 2018-19. "In the case of public sector general insurers, two of the four companies expanded their business with increase in respective premium collections over the previous year," the report noted, adding that the market share of all PSU general insurers, except Oriental Insurance,

decreased. Their combined market share fell to 40.52 per cent in 2018-19 with gross direct premium income of Rs. 68,658.85 crore from 45 per cent in 2017-18. New India Assurance remained the largest insurance company in the country last fiscal with direct premium collections of Rs. 23,910 crore.

In contrast, the 28 private sector insurers (excluding standalone health insurers) had a market share of 47.97 per cent in 2018-19 (with gross direct premium income of Rs. 81,287.15 crore) as against 43.42 per cent in the previous fiscal year.

The market share of New India Assurance fell to 14.11 per cent in 2018-19 from 15.08 per cent in the previous year. For National Insurance, the market share fell to 8.93 per cent in 2018-19 from 10.75 per cent in 2016-17. Similarly, the market share of United India Insurance declined to 9.69 per cent in 2018-19 from 11.57 per cent in the previous fiscal year.

Oriental Insurance Company's market share, however, rose to 7.79 per cent in 2018-19 as against 7.6 per cent in 2016-17.

Market share in 2019-20

The latest data shows that these four public sector general insurers lost more ground by November this year although they continued to grow at a healthy pace. The market share of National Insurance was 8.02 per cent by November 2019, for New India Assurance, it was 14.25 per cent and for United India it was 8.69 per cent. Oriental Insurance, saw its share decline to 7.15 per cent by November.

(The writer is Surabhi.)

TOP

Source

General insurers see their profits fall 90% in FY19 - The Economic Times – 20th December 2019

India's general insurance industry saw its profit drop by more than 90 per cent to Rs 683 crore in the fiscal year 2018-19, compared to a profit after tax of Rs 6,909 crore in FY18, data from the annual report of Insurance Regulatory and Development Authority of India (Irdai) showed.

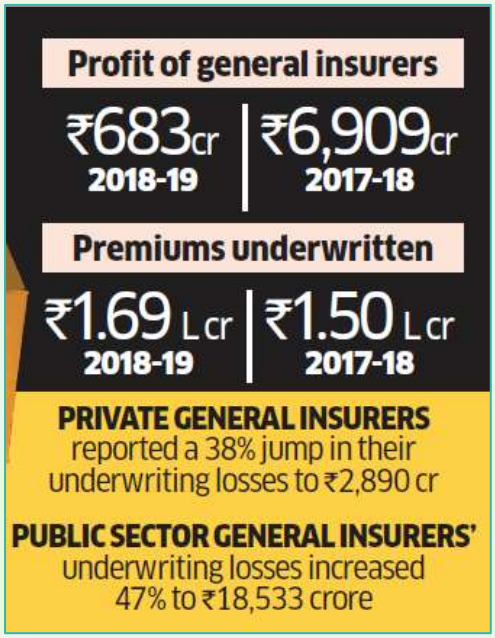
The public sector general insurance firms posted a loss of Rs 3,228 crore in FY19 as against a profit of Rs 2,543 crore in the same period last year, mostly on the back of losses incurred due to natural calamities across the country in this period.

Private insurers performed better compared to their state-owned peers even they reported a marginal decline in profits in FY19 to Rs 3,584 crore compared to Rs 3,798 crore in FY18.

The general insurance industry underwrote premiums worth Rs 1.69 lakh crore in FY19 as against Rs 1.50 lakh crore in the same period last year, registering a growth rate of 12.47 per cent as against 17.59 per cent.

While public sector insurers underwrote 1.28 per cent more policies in this time, private sector companies approved 24 per cent more policies.

"ICICI Lombard continued to be the largest private sector general insurance company with a market share of 8.55 per cent…Bajaj Allianz, the second largest private sector general insurance company, which underwrote a total premium of Rs 11,059 crore reported an increase in market share from 6.27 per cent in 2017-18 to 6.53 per cent during the year in review," Irdai report said.



Source

The underwriting losses of general insurers increased to Rs 22,320 crore in FY19 from Rs 15,341 crore, a jump of 45 per cent. While the private general insurers reported a 38 per cent jump in their underwriting losses to Rs 2,890 crore, the public sector general insurers underwriting losses increased 47 per cent to Rs 18,533 crore. Separately, the motor segment saw the highest claims ratio at 90.6 per cent, closely followed by fire-related claims. Incurred claim ratio refers to the net claims paid by an insurance company as against the net premiums earned. The life insurance industry, on the other hand, reported a profit of Rs 8,435.81 crore as against Rs 8,511.99 crore in FY18. LIC, which posted a profit of Rs 2,668 crore, up 9 per cent from last year, continued to dominate over two thirds of the overall life insurance market.

TOP

Why travel insurance is vital to your trips abroad - Mail Today – 19th December 2019

The population of Indian-origin people in America grew by 38 per cent between 2010 and 2017, according to the South Asian Advocacy Group (SAALT). It consists of 1.3 per cent of the United States population.

Therefore, it is not surprising to see parents and relatives flying off to meet their children and family members during the festive season. However, one must be cognizant of the fact that trips abroad can be marked with uncertainties such as accidents, health issues, cancelled flights or even lost baggage.

This is where travel insurance steps in. It allows one's trip to be special and stress- free.

Availing travel insurance is not just a great idea to secure your planned trip but to make it financially risk-free. These days the extensive use of Artificial Intelligence, Machine Learning and chat bots speeds up the process to get travel insurance.

Travel insurance includes medical & non-medical benefits also. Non-medical benefits include trip-related and baggage-related covers, whereas medical benefits include expenses of emergency hospitalisation and personal accident etc. This provides you with financial risk protection against any untoward incidents while you are on your trip.

Travelling to unknown places comes with multiple health risks and getting medical treatment in a foreign land can be very costly. In most of the cases, travellers are not accustomed to the food and climate of a new place. A small incident of infection could be enough to land them in the hospital. This not only affects an individual financially but also creates a considerable amount of mental stress. Some major accidents such as fractured bone or a strained ligament can probably cost a fortune. Data suggest that roughly 12 per cent of claims are made on accidents, and the value of the claim can go up to Rs 30-40 lakh. Thus a good travel insurance plan can play a great role in protecting one from a financial tragedy at foreign locations.

Moreover, there are serious cases where mere seconds would determine an individual's chances of survival. Also, an air evacuation can ensure an unimaginably high amount of expenses in some critical cases. Thus, an exhaustive travel insurance cover with proper tie-ups with foreign health network partners can not only rescue an individual from such grave situations but also take care of the cost involved.

In the end, it doesn't matter how much effort one has put in planning all the nitty-gritties, one can never really be sure that the trip will go just the way it is planned. We hope it does, but in case it doesn't, let the travel insurance take care of that.

(The writer is Sanjay Datta.)

TOP

Source

Non-life insurers register 13 per cent rise in November premium to Rs 14,591 crore – The Economic Times – 18th December 2019

Non-life insurance companies registered a rise of 13.1 per cent in their collective premium in November to Rs 14,590.50 crore, data from Irdai showed.

The business premium in the same month of the previous year by these 34 non-life insurance firms stood at Rs 12,903.57 crore.

Out of the total non-life insurers, the 25 general insurers registered an increase of 11 per cent in their premium income at Rs 12,723.61 crore during the month, as against Rs 11,508.67 crore in the year-ago same period, showed the Insurance Regulatory and Development Authority of India (Irdai) data.

Seven standalone private sector health insurance companies witnessed their premium rising by 29 per cent to Rs 1,167.66 crore, from Rs 903.65 crore in November 2018.

Two specialised state-owned insurers, Agricultural Insurance Company of India Ltd and ECGC Ltd, registered jump of 42 per cent in the premium collection at Rs 699.22 crore from Rs 491.25 crore a year ago, showed the data.

Cumulatively, the premium of all the non-life insurers during April-November were up by 15.57 per cent at Rs 1,26,048.45 crore, as against Rs 1,09,068.12 crore a year ago.

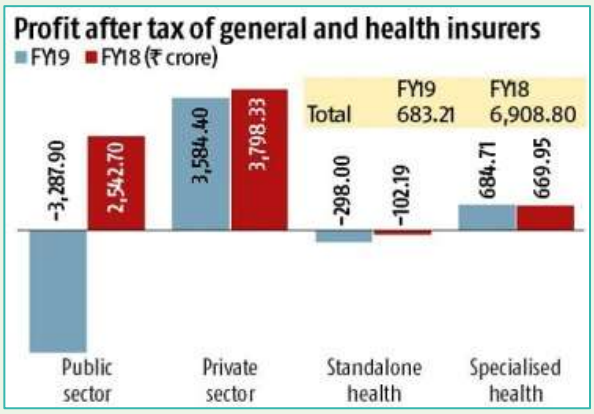
TOP

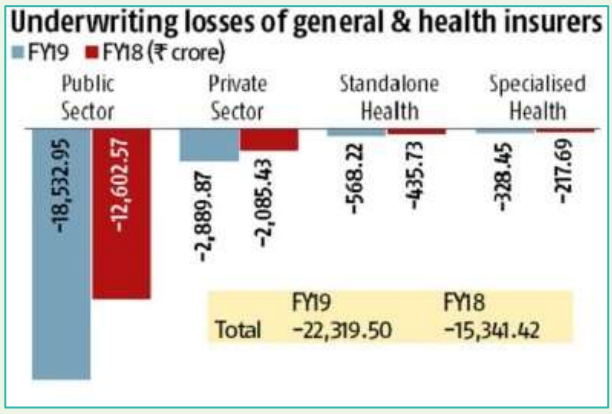
Source

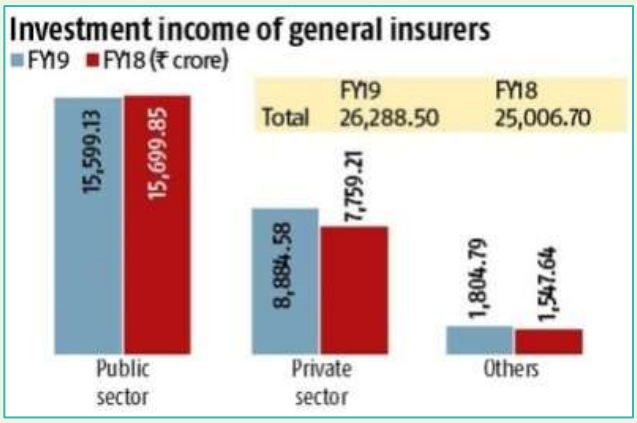
General Insurance sector's PAT drops 90% in FY19, finds Irdai report - Business Standard – 17th December 2019

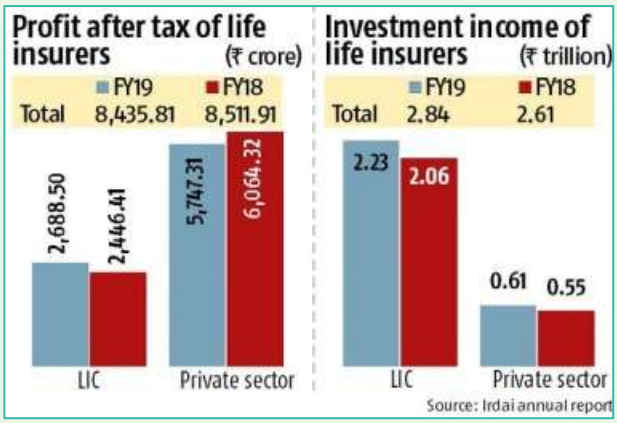
The general insurance industry saw its profit after tax (PAT) in FY19 drop 90 per cent to Rs 683 crore compared to a PAT of Rs 6,909 in FY18, data from the annual report of Insurance Regulatory and Development Authority of India revealed. The public sector general insurance firms posted a loss of Rs 3,228 crore in FY19 as opposed to a PAT of Rs 2,543 crore in FY18. While the state-owned general insurers suffered huge losses, the private sector insurers reported 5 per cent decline in profits in FY19 at Rs 3,584 crore compared to Rs 3,798 crore in FY18. Also, the underwriting losses of the general insurance industry increased to Rs 22,320 crore in FY19 from Rs 15,341 crore, a jump of 45 per cent. While the private general insurers reported a 38 per cent jump in their underwriting losses to Rs 2,890

crore, the public sector general insurers underwriting losses increased 47 per cent to Rs 18,533 crore. On the other hand, the life insurance industry reported a PAT of Rs 8,435.81 crore as against Rs 8,511.99 crore in FY18. Of the 24 life insurers in operations, 22 firms reported profits. The total profit reported by LIC during the year was Rs 2,688.50 crore as against Rs 2,446.41 crore. The private insurers together reported a profit after tax of Rs 5,747.31 crore as opposed to Rs 6,064.32 crore.









(The writer is Subrata Panda.)

TOP

Source

Penetration of general insurance is just 0.94% due to low awareness – Mint – 16th December 2019

Warendra Sinha, managing director and CEO, IFFCO Tokio General Insurance, who has worked in the industry for over three decades, believes that the recent draft regulations by Irdai on motor insurance will make it a more customized and flexible offering. He also spoke about how insurance is still a push product due to lack of awareness, especially in the general insurance category

What do you think about the new draft regulations on motor insurance? Will they impact premiums?

The draft proposals on motor insurance are likely to change its structure from the current model. The thrust is towards customization which will enable covers like “pay as you drive" and “usage-based policies". It will be in line with the developed economies where premiums depend on factors such as usage of the car, the driver’s profile and gender, among others. So the premium will depend on how often you use your car, whether you drive your car to the office or use it only for pleasure trips, how fast you drive, your car’s model, your age and other such factors. For example, as per the new draft regulations, you could also buy a policy to cover only your weekend driving. Such plans will cost less compared to the annual premium. This can be achieved by telematics that tracks the driving behaviour of a person for arriving at customized premium rates.

The draft rules also include add-on covers. Right now, there are add-on covers such as personal accident insurance for the driver and passenger. Once these proposals are finalized, we can have add-on covers such as medical insurance in case of an accident. We are deliberating on these proposals internally and within the industry.

Why are products such as home insurance not becoming popular even as natural disasters are only going up?

Unfortunately, in India, the awareness about insurance is very low. This explains lower penetration. If you look at the overall penetration of general insurance, it is currently just 0.94%. Insurance is still a push product in India.

Before Ayushman Bharat Yojana was launched, only 30% of the population had any kind of health insurance. Even though motor insurance is compulsory, around 50% of the vehicles were not insured. Now, thankfully, after the new Motor Vehicles (Amendment) Act, 2019 under which penalties have been increased, more people have started buying motor insurance and we expect the numbers to go up.

Home insurance is still on low priority in spite of the fact that we have witnessed various natural calamities, mostly due to lack of awareness. There is certainly a need to make people aware about the various insurance products. To address the issue, the General Insurance Council is planning to come out with an awareness campaign in two-three months.

Pollution levels are rising in the National Capital Region and some other metros and tier II cities. Can that impact premiums in the future?

It will certainly have a bearing on health insurance premiums if the problem continues to persist. But we will only be able to tell you about the quantum of impact after we have the data to show how much of the claims have increased during that period.

Do you think lack of data is a serious impediment? Insurance and underwriting depend on data gathering but is the insurance industry mature enough when it comes to data gathering and filtration?

It is an issue right now as people generally don't update their insurance company about any changes in basic information (such as email and phone number). But we think data gathering will improve going forward, especially with the use of telematics, wearable devices and the proposal for Aadhaar-linked KYC. It has also been suggested to have a central repository of telematics data, where data from various sources can flow into a common pool. Such measures will help the industry in improving data gathering and filtration.

Can bite-sized covers help increase the penetration of products such as home and liability insurance?

Bite-sized insurance policies basically provide a smaller cover, come for a short tenure, have large volumes and hence come at a lesser premium. Insurers come up with bite-sized insurance covers primarily based on the demand for such restricted and perceived needs which are different from the need for a full-blown traditional policy. For insurers, the cost for issuing such bite-sized policies is much less due to technology advancement.

To increase home insurance penetration, bite-sized policies can be sold to big businesses. Small measures like these could help a lot in increasing insurance penetration. Similarly, professional indemnity covers of small value can be sold to professionals such as doctors and actors, along with debit and credit cards.

What are the challenges that the industry faces right now?
One of the immediate challenges within the industry is to bring down the operating cost in order to keep premiums competitive. There is a lot of undercutting of premium rates by way of ridiculous discounts to garner market share. The margins are shrinking for the insurers which pose a huge challenge. I believe that we could see more mergers and acquisitions and consolidation in the industry in the future.

(The writer is Renu Yadav.)

TOP

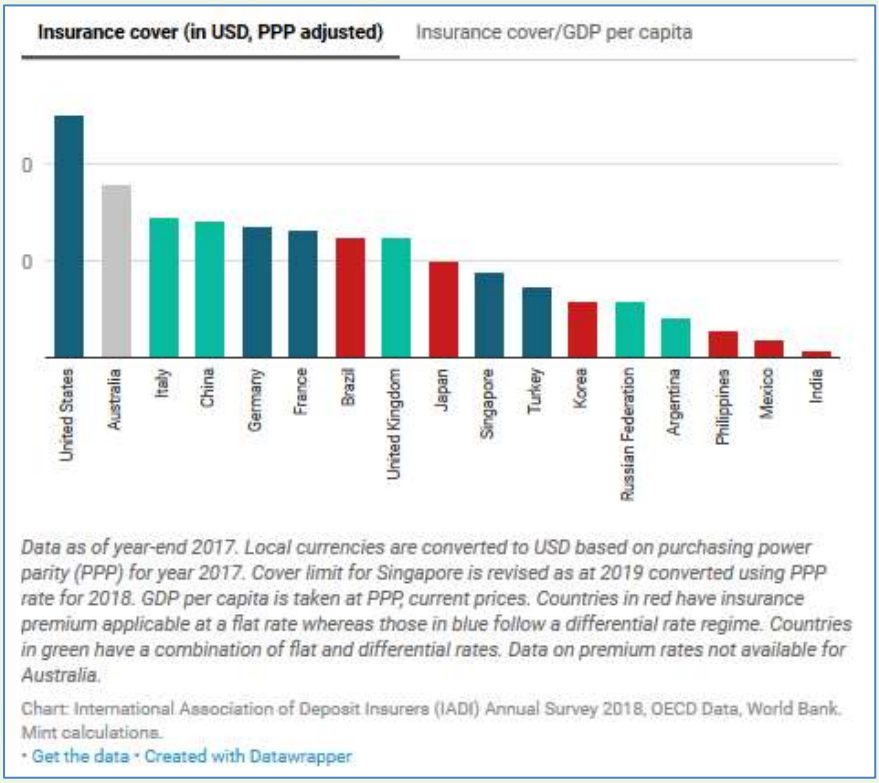
Source

Rethinking insurance on deposits – Mint – 16th December 2019

The crisis at the Punjab & Maharashtra (PMC) Bank, which left depositors high and dry, has led to a renewed clamour to raise the insurance cover for bank deposits in India. The government has signaled that the cover could be raised, partly to smooth the passage of a modified Financial Resolution and Deposit Insurance (FRDI) bill, shelved earlier because of depositors' concerns over the fallout of bank failures.

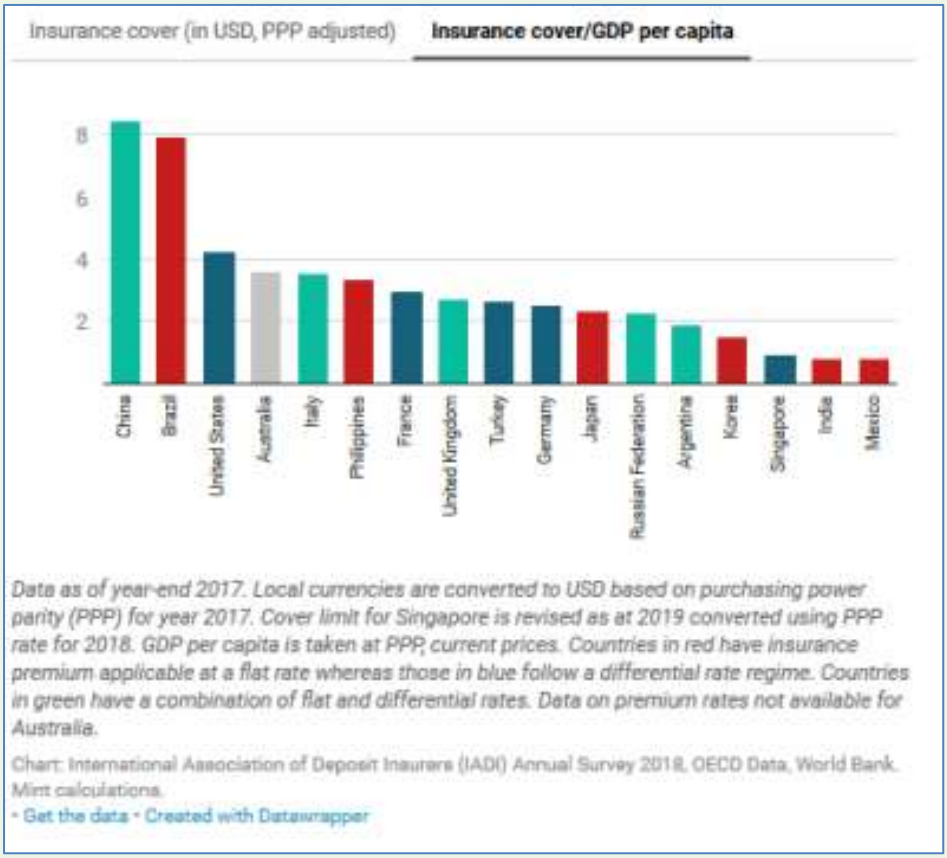
Raising the insurance cover may seem a sensible strategy to allay depositor concerns over the fallout of bank failures. Yet, the costs of such a move may outweigh the benefits, a *Mint* analysis of India's experience with deposit insurance suggests. A more cost-effective and prudent option would be to institute differential premiums based on riskiness of banks.

India is one of the few large economies around the world that has a uniform insurance premium for deposits across banks. At a deposit insurance cover of ₹1 lakh, India's cover also appears relatively low.



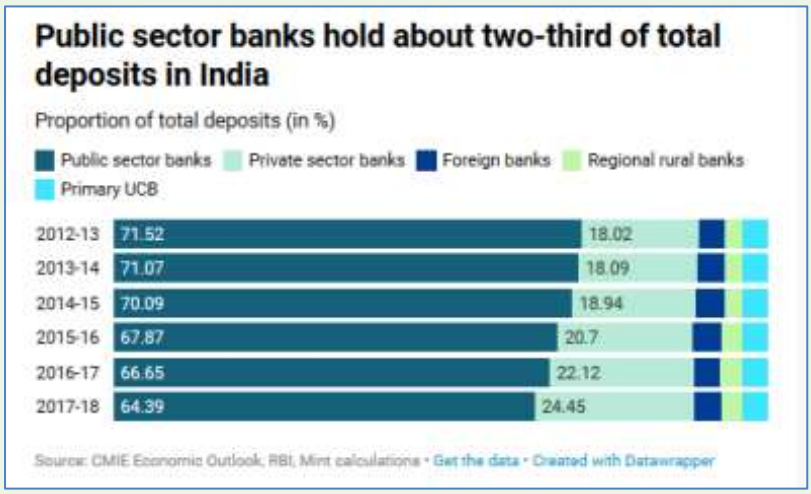
India's deposit insurance cover is the lowest among emerging and advanced economies

However, it is worth noting that India is also poorer than most other large economies. Benchmarks on insurance cover set by the International Monetary Fund (IMF) prescribe two main features. One, it should have a distribution that covers 80-90% of number of deposits, and 20% of their value. Data from Deposit Insurance and Credit Guarantee Corporation (DICGC) report 2018-19 shows India's limit covers 92% of all bank deposits and 28% of their value, in compliance with IMF's 80-20 rule.



Second, the IMF suggests that the cover should ideally be one to two times the per capita income of the country. On this metric, India's cover appears lower, with a 25% gap between the cover and India's per-capita income as of fiscal 2019.

But it is worth noting that unlike most other large economies, two-thirds of bank deposits in India are parked with the Public Sector Banks (PSBs). This is in contrast with private sector led banking models of advanced economies.



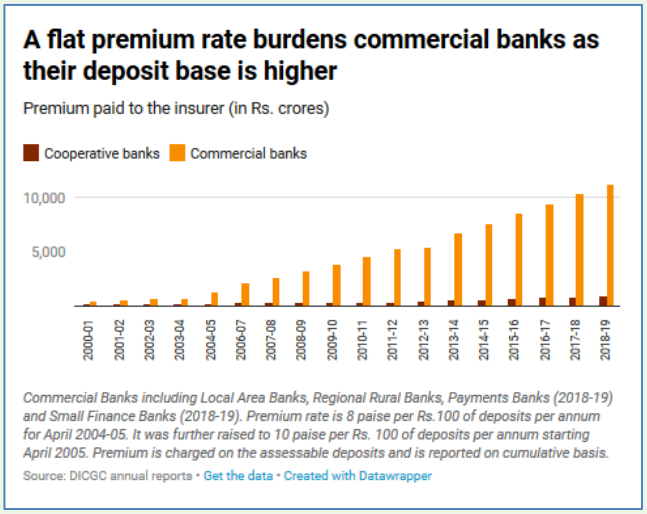
An explicit guarantee in form of deposit insurance becomes needless in case of PSBs, which are deemed 'too big to fail' and have the sovereign acting as their biggest insurer.

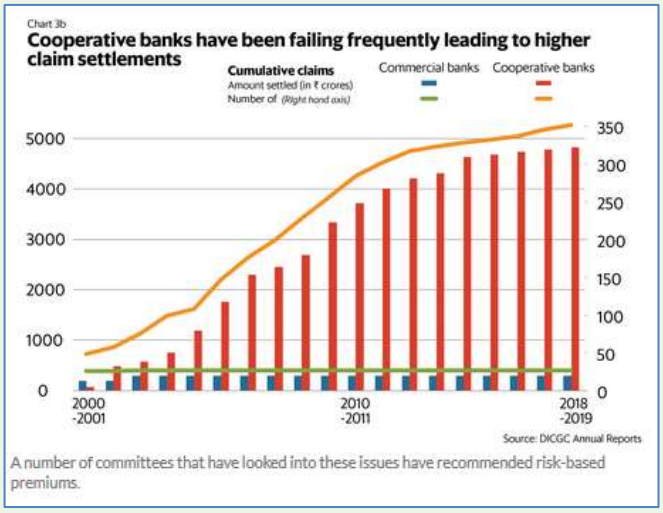
It is the cooperative banks, which regularly suffer and frequently fail due to lack of regulatory supervision, which need explicit guarantees. To bring cooperative banks within the sole purview of the Reserve Bank of India (RBI), proposals to amend the Banking Regulation Act also seem to be in the pipeline.

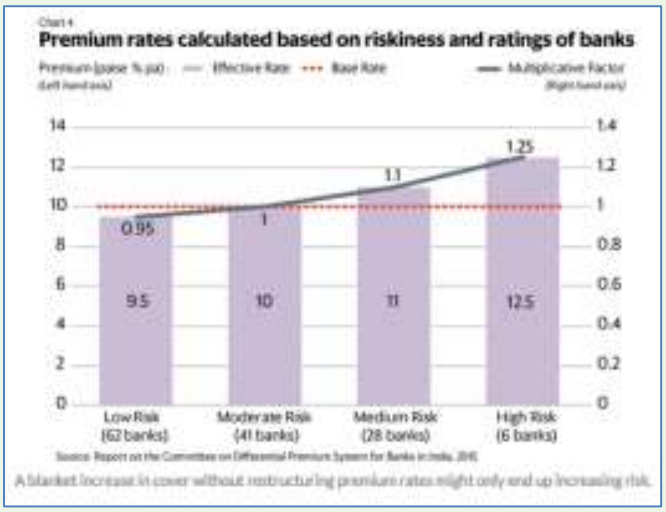
The rise in India's deposit insurance cover 25 years ago was triggered by the collapse of Bank of Karad, in 1992. While it may look tempting to treat similar sickness with the same old prescription, the hike neither cured repeated defaults, nor provided immunity to the depositors from the risk of losing their money. It is the pricing of the medicine (insurance premium) that needs a re-think.

At a flat 10 paise for every ₹100 of deposits, the deposit insurance premium paid by commercial banks is higher as their deposit base is bigger. A fair deal is ensured only when a low-risk highly rated well capitalized bank with a broad deposit base is charged a lower premium than a high risk lowly rated poorly capitalized bank with low deposit base. Absence of such a mechanism leads to perverse incentives for weak banks to keep taking risks so long as healthy banks are paying for their failure. This is what economists refer to as the problem of moral hazard, and this is what appears to have contributed to successive crises in cooperative banks.

In the past two decades, commercial banks have paid 13 times the premium charged to cooperative banks, data from the DICGC shows. In this period, no commercial bank has been allowed to wind up operations, while the cumulative claims settled for cooperative banks have risen from Rs. 72 crores to Rs. 4,822 crores. The burden of bad behaviour on the part of cooperative banks is being borne by the good banks, the state-backed banks, and ultimately by the taxpayer.







A number of committees that have looked into these issues have recommended risk-based premiums. The 2009 Rajan committee on financial sector reforms recommended a move to a risk-based premium while terming a 1 lakh cover as 'generous'. In 2015, the Singh committee ran a simulation for a sample of 87 commercial and 50 scheduled Urban Cooperative Banks (UCBs) by classifying them into low, medium, moderate and high risk banks to come up with different rates of premia for each category.

The simulation applied a graded premium rate based on the multiple of base rate, changing as per the risk-ratings of the banks.

Differential premia, based on failure probabilities of banks, is likely to minimize moral hazard and nudge riskier banks to reform. A blanket increase in cover without restructuring premium rates might only end up increasing risk.

(The writer is Surbhi Bhatia.)

TOP

Source

Should you insure that big fat Indian wedding? – Mint – 16th December 2019

Big-budget destination weddings are on the rise in India. According to a 2017 KPMG report, the Indian wedding industry is estimated to be about $40-50 billion in size, second only to the US, and Indians spend at least one-fifth of their total wealth on a wedding. If you are among those planning a big fat Indian wedding this season for yourself or your loved one, you wouldn't want to even imagine the possibility of an untoward incident. But it's always better to be prepared for eventualities, especially when a huge sum of money is involved. After all, you can't always have complete control over everything all the time. This is where buying a wedding insurance policy may come to your rescue.

“With more and more people opting for grandeur weddings, demand for destination wedding insurance has picked up. Earlier , HNIs (high net-worth individuals) and ultra HNIs considered buying wedding insurance but now even mid-budget-size wedding planners are showing interest," said Sanjay Datta, chief, underwriting, claims, actuary and reinsurance, ICICI Lombard General Insurance Co. Ltd.

What you get

A wedding insurance policy is essentially a type of event insurance which insures you against any monetary losses caused due to unforeseen events such as a natural disaster, fire, terror attack, riots, curfew, burglary (of jewellery) at the venue or even death of the bride, groom or their blood relatives. The policy kicks in if the wedding is cancelled or postponed due to one or more of these reasons.

The cover typically comprises three basic covers: fire, personal accident and liability. Fire insurance, as the name suggests, covers the insured against any monetary loss due to cancellation or postponement of the wedding due to fire and allied perils.

The personal accident cover will kick in if, say, the bride meets with an accident and the wedding ceremony needs to be postponed. Personal accident cover pays the sum assured in case of death, permanent total disability, permanent partial disability or temporary disability. “The sum assured for personal accident that we offer in wedding insurance varies from ₹1 lakh to ₹5 lakh or even higher," said Dutta. The insured person can choose the sum assured for the personal accident insurance part.

Damage to property or life of the guests due to accidents at the wedding venue is covered by the public liability part of the policy.

Apart from wedding insurance, you can take some additional covers to get overall protection. “You can buy personal accident insurance to cover your relatives, or a burglary insurance to protect cash kept in a safe at home during the marriage period," said Shreeraj Deshpande, chief operating officer, Future Generali India Insurance Co. Ltd. Remember that wedding insurance covers burglary only at the venue, so if the wedding is not happening at home, you may have to take burglary insurance separately.

While most insurers cover weddings under their event insurance portfolio, some have specific policies. Since this is a type of event policy, even if you buy the policy a month in advance, it’ll kick in only 24 hours prior to the wedding ceremonies. So if the wedding is cancelled before that, it may not cover the costs. In that case, you will have to bank on your individual policies such as personal accident, home insurance, life insurance cover and so on.

Bajaj Allianz General Insurance Co. Ltd covers weddings under its event portfolio. “The policy, typically, kicks in 24 hours before the start of customary ceremonies such as sangeet, mehendi and the wedding, details of which are mentioned in the proposal. You can buy the policy even a day before the ceremonies begin," said Sasi kumar Adidamu, chief technical officer, Bajaj Allianz General.

It is important to declare all the details to the insurer at the time of buying the policy. Such details may include information about the parties involved, the approximate number of people attending the wedding, a copy of the invitation, venue details on whether it’s indoor or outdoor and so on. Adidamu said policyholders should also take into account the cost of decoration, event management and catering, among others, while buying the policy.

What it costs
Wedding insurance policies aren't very expensive. You need to pay the premium only once as the policy expires after the event. On an average, for a sum insured of ₹2 lakh, the premium would be just about ₹1,000. Similarly, for a sum insured of ₹8 lakh, you would have to shell out about ₹4,000.

The premium rate is based on the range of coverage opted by the insured. The insured has to provide the sum insured against each section and the premium is fixed accordingly. "Since the policy is tailor-made to individual requirements, the cover could vary depending on the requirement of the customer. The approximate premium ranges from 0.5% to 2% of the sum insured, depending on the risk parameters," said Datta.

The exclusions
Just because you've bought a cover for your wedding doesn't mean any reason for cancellation or delay will be entertained. Wedding insurance policies come with a set of exclusions which typically include non-arrival of the priest, cancellation by entertainment artists, caterers, event managers or financial disputes between the families.

Also, remember that the insurer will not accept a claim if either the bride or the groom calls off the wedding. "Any information regarding the event, consequential loss of any kind, circumstance which the insured was aware of and was not disclosed to the insurer before the commencement of the policy period are some of the exclusions under the policy," said Adidamu.

The claims process
In case an untoward event leads to filing a claim, inform the insurer about the damages at the earliest. Depending on the nature of the claim, you will need to fill a form, lodge an FIR with the police and share a copy of the FIR with the insurer. You will also have to submit the details about the loss or damage and the quantum of claim you are making with all the necessary documents. Remember to keep all your bills intact.

The insurance company will then assess the claim and pay as per the terms and conditions of the policy.

Should you buy?
In India, awareness about the product is still low, but the demand is gradually going up as the average cost of weddings is going up. "We had issued nine wedding package policies in 2017, 15 in 2018 and this year till September we sold 23 policies. As per our observation, the policies are bought by executive professionals who incur heavy expenditure on weddings," said Deshpande.

One of the reasons why wedding insurance is not popular is that Indians don't like to believe or even imagine that anything could go wrong on the day of the wedding. "Wedding insurance isn't talked about because awareness is low.

However, as weddings become more and more expensive, people will understand the need for insurance. The bigger the wedding, more the reasons for you to consider buying a wedding insurance policy," said Shweta Jain, chief executive officer and founder, Investography, a financial planning firm.

You could also cover your wedding expenses by going the DIY (do-it-yourself) way. You can buy a combination of insurance policies. For instance, if you have a householder's policy and a personal accident cover, you could give wedding insurance a miss.

Householder's policy covers a house and all its contents against fire, burglary and natural disasters. Buying a combination of such relatively low-premium policies works best if the wedding is happening at home. So go for what suits you the best.

(The writer is Disha Sanghvi.)

TOP

Source

HEALTH INSURANCE

'I am fit and fine' attitude may prove costly; buy health insurance early - Business Standard – 20th December 2019

Youngsters who have graduated recently from college and begun working often ignore buying a health insurance policy. The attitude often is: "I am fit and fine. Why do I need health insurance?" Experts, however, say that the purchase of health cover should be the first step in a person's financial planning. Youngsters who have graduated recently from college and begun working often ignore buying a health insurance policy. The attitude often is: "I am fit and fine. Why do I need health insurance?" Experts, however, say that the purchase of health cover should be the first step in a person's financial planning. Many such youngsters tend to have an education or a car loan.

It then becomes all the more important why one should buy health cover so that an illness or an accident does not dent their finances drastically. Buying early also offers monetary benefits. Health insurers offer a no-claim bonus (NCB) in the form of an increase in the sum insured (usually around 10 percent for each year of no claim). Some insurers also offer an early-entry discount. "In Go Active, we offer a 10 percent discount throughout the life of the policy to customers who buy before 35," says Ashish Mehrotra, managing director and chief executive officer, Max BUPA Health Insurance.

(The writer is Sanjay Kumar Singh.)

TOP

Source

Health insurance premiums rise more than 20% for 4th year in a row - The Hindu Business Line – 19th December 2019

Health insurance segment in India has maintained a growth rate of more than 20 per cent in premium collection for the fourth year in a row.

In 2018-19, general and health insurance companies collected Rs. 44,873 crore as premium compared with Rs. 37,029 crore in 2017-18, registering a growth of 21.2 per cent, according to the latest annual report of Insurance Regulatory and Development Authority of India (IRDAI.

The general and health insurance companies issued about 2.07-crore health insurance policies (excluding those issued under personal accident and travel insurance), covering a total of 47.20-crore lives. In the total premium collection, the four public sector general insurers held a combined market share at 52 per cent in 2018-19, down from 58 per cent in 2017-18. In 2016-17, their combined market share was 63 per cent.

The market share of private sector general insurers continues to rise. Their total share increased to 24 per cent in 2018-19 from 21 per cent in 2017-18 and 19 per cent in 2016-17. The share of stand-alone health insurers also increased; it was 24 per cent in the last fiscal, up from 21 per cent in 2017-18 and 18 per cent in 2016-17.

Group segment leads

The group insurance business accounted for 48 per cent (Rs. 21,676 crore) of the total premium collection in 2018-19, followed by individual segment at 39 per cent (Rs. 17,525 crore) and government

business at 13 per cent (Rs. 5672 crore). When compared with 2017-18, group insurance business has maintained its share at 48 per cent, while the share of government business has risen from 11 to 13 per cent. Individual segment's share dropped to 39 per cent from 41 per cent. Both individual and group insurance businesses (other than government schemes) have doubled their premiums during the last five years.

Net incurred claims ratio (ICR) increased marginally in government and group insurance businesses during 2018-19.

Three-fourth or 76 per cent of lives were covered under the government-sponsored health insurance schemes and the balance one-fourth by group and individual policies issued by the general and health insurers. Standalone health insurers reported a loss of Rs. 298 crore in 2018-19 when compared with the loss after tax of Rs. 102 crore in 2017-18.

Maharashtra, Tamil Nadu, Karnataka, New Delhi UT and Gujarat contributed about 66 per cent of the total health insurance premium.

(The writer is G Balachander.)

TOP

Source

If you are an organ donor and already have a health policy, insurers can't deny renewal – Mint – 18th December 2019

Gurgaon-based Sonali Chatterjee recently took to social media platform Facebook to speak about how health insurers refused to issue a policy to her after she declared that she had donated a kidney in 2002. She was looking for a new policy as she was unable to renew the existing one.

While more people are now pledging to donate their organs after death, live organ donation is still in its nascent stage in the country. According to government-run National Organ and Tissue Transplant Organisation, in 2013, India had 313 deceased organ donors, which increased to 905 in 2017. But numbers on the live donation front look disappointing. According to a news report, for every 200,000 people waiting for a kidney transplant, only 10,000 are able to find a donor. Most kidney transplants are done through live donations.

If you are one of those few people who would like to go for organ donation, here are things you should keep in mind regarding your health insurance.

First, though many health plans cover hospitalization expenses for recipients of organs, only a few cover the donor because organ donation is a voluntary medical procedure. Very few insurers such as DHFL General Insurance and SBI General Insurance include hospitalization expenses for the donor as an add-on benefit but there's a cap on the cover and other restrictions.

Second, if you want to buy a fresh policy and are an organ donor already, then it's the insurance company's prerogative whether it wants to cover you or not. Some companies may decide to not sell you a policy because they may consider you a high-risk case.

Whether or not a policy will be issued to you also depends on the organ that you've donated. Insurers Mint spoke to said, in case of a liver transplant, because the organ regenerates itself, there's a higher chance of an insurance company issuing a policy. However, the chances of getting a policy reduces in case you've donated a kidney.

Third, and this works in your favour, an insurer cannot deny renewal of a policy to a donor. In fact, at the time of renewal, you don't even need to talk about any medical condition to your insurer though you may inform the insurer.

Renewal is a mere payment process which can happen online and, as per the Insurance Regulatory and Development Authority of India (Irdai) rules, insurers can't deny renewal. However, any delay over the permissible window for renewal may result in the policy getting lapsed. Policyholders, typically, get a buffer of 30 days to renew a policy.

Keep in mind that if you donated an organ before buying a policy and did not declare it to the insurer at the time of buying, the insurer can deny renewal if it finds out you hid the medical information.

However, if you made all the declarations before buying a policy and approached the insurer at the right time for a renewal, you can approach the insurance ombudsman for non-renewal. In case you don't get a satisfactory solution, you can escalate the issue to Irdai.

(The writer is Disha Sanghvi.)

TOP

Source

Ayushman Bharat asks for ₹7,915 cr in 2020-21 from Finance Ministry - The Hindu Business Line – 18th December 2019

The National Health Authority (NHA), which implements government-run cashless health scheme — Pradhan Mantri Jan ArogyaYojana (PM-JAY), popularly referred to as 'Ayushman Bharat', has sought ₹7,915 crore from the Finance Ministry in 2020-21. The Union Budget is expected to be announced on February 1, 2021.

PM-JAY provides an annual health cover of ₹5 lakh for close to 10 crore poor families in the country.

Since the launch of the scheme in September 2018 up till March 2019, up to 14.57 lakh patient claims were submitted under PM-JAY, of which 10.15 lakh claims were paid out. Since April 2019 till date, 46.76 lakh claims have been submitted, which is a three-fold jump over last financial year, of which 24.34 lakh claims have been paid out till date. According to statistics obtained from NHA, in 2018-19, ₹1,849.55 crore were released, out of which ₹1,723.66 crore was for implementation purpose and ₹125.89 crore was for administrative expenses. In 2019-20, till date, ₹1,053 crore has been released — ₹1,011.95 crore for implementation and ₹41.05 crore for administration purposes.

Businessline had earlier reported that NHA had demanded ₹9,000 crore last year, during the first year of the scheme and had been sanctioned close to ₹6,400 crore in 2019-20. Officials were expecting a downward revision in demand this year around too.

Lower funds were sanctioned last year, after the Ministry of Health and Family Welfare (MoHFW) had raised an objection saying that NHA budgets were eating into other schemes. Despite the Health Ministry's demand for ₹80,000 crore, only ₹62,398 crore were sanctioned for 2019-20, by the Finance Ministry.

Given that the health budget is unlikely to see a substantial increase, a tussle over the limited pool of funds within various schemes of the Ministry including that for PM-JAY is expected.

Senior officials said that in meetings with the MoHFW, the NHA officials were asked to pare down their revised estimates for PM-JAY in 2019-20 by close to ₹1,200 crore.

Conservative estimates

"The MoHFW officials requested us to send conservative revised estimates for expected expenditures up till March 2019 for the scheme. So we pared down our estimates to ₹5,200 crore, so that MoHFW can fill up the deficit elsewhere, for example, giving salaries to doctors of upcoming All India Institute of Medical Sciences (AIIMS)," a NHA official said.

The Health Ministry confirmed that AIIMS in Rishikesh, Bhubaneshwar, Raipur, Patna, Jodhpur and Bhopal were growing at a rapid pace and that earlier expenditure estimates submitted last year, have been upwardly revised.

"We have spent close to ₹4,250 crore towards AIIMS in 2019-20, in addition to ₹3,500 crore HEFA loan availed from Ministry of Human Resources and Development. While we were expecting a growth of 20-25 per cent last year, and had submitted conservative estimates to the Ministry of Finance last year, 70 per cent work at these institutions has been finished, so we need more funds," an official monitoring the Pradhan MantriSwasthya Suraksha Yojana (PMSSY) which commissions AIIMS said.

TOP

Source

A health cover women should go for - The Hindu Business Line – 17th December 2019

The woman of today is hard pressed for time. With household chores at one end and professional duties on the other, her health often takes a back seat.

There are increasing instances of health disorders, including hypertension and cardiac ailments, affecting young women, because of stress and lifestyle changes.

What is also worrying is that women are often not prepared to meet the medical expenses.

In a survey done by the Ministry of Health & Family Welfare in 2016, it was found that only one in five women in the age group of 25-49 in India was covered by any form of health insurance. Remember, without sufficient insurance, you may have to use the savings that have been set aside for your retirement or child's future.

Here, we review my:health Women Suraksha, a specialised critical illness (CI) health plan for women.

CI insurance basics

A CI policy is also a form of health insurance. How it's different from regular health insurance covers, called medi-claim plans, is that in CI plans, the benefit is fixed and defined.

At the first instance of the insured acquiring any of the listed illnesses under the policy, the entire sum insured (SI) is paid as a lump-sum irrespective of the cost of the treatment. Medi-claim policies, on the other hand, reimburse only to the extent of the hospital bill.

Serious aliments such as cancer, diabetes and heart conditions are covered under CI plans, which offer an SI that's far higher than regular medi-claim plans. The former are also more expensive, but offer a broader comprehensive cover for serious ailments. The other advantage is that you can use the money from the CI plans to pay your non-medical expenses or expenses that are not covered by medi-claim plans, such as cost of diagnostic tests and OPD treatment expenses.

What's on offer

my:health Women Suraksha is a defined benefit CI plan from HDFC Ergo that is specially designed for women. But before we dissect this product, you need to understand the necessity for a women-specific plan.

The regular CI plans in the market today cover only 10-20 critical illnesses and these mostly don't include those that are common in women, such as osteoporosis.

Also, many of the regular CI plans don't pay for expenses in the pre-cancerous stage (carcinoma in situ). There is an option to go for cancer/heart-specific conditions which may offer a more comprehensive coverage, including cover for beginning-stage cancer, and for heart conditions including angioplasty, but there is no policy which offers a combination of the heart and cancer cover and pays for other critical illnesses, too, such as end-stage liver failure and kidney failure requiring regular dialysis.

In HDFC Ergo's my: health Women Suraksha, there is an option to get a comprehensive cover for all these illnesses. It offers six different plans. You can opt for cover for cardiac ailments alone, or only for cancer or both, or a comprehensive critical illness cover that will pay for 41 chronic illnesses, including kidney failure requiring regular dialysis, end-stage liver failure, Parkinson's and Alzheimer's along with the cancer and/heart plan. There is also a plan that covers expenses on treatment for bodily injury arising from assault and burns.

Under the Cancer plan, expenses on treatment of cancer in the breast, cervix, uterus, fallopian tube, ovary, and vagina, among others, are covered. Under the Cardiac Plan, open chest CABG, heart valve repair, first heart attack of specified severity, and coma of specified severity are among a long list of health conditions that are covered. In the critical illness plan, there are two options — the 'essential' plan and the 'comprehensive' plan. It is in the latter that you get cover for 41 illnesses. The policy also offers add-on covers that include protection for pregnancy complications, complication in new-born baby (that includes Down's syndrome and surgical separation of conjoined twins), and loss of job due to voluntary resignation or termination from employment due to the diagnosis of any of the major illnesses or procedures.

Women aged 18-65 years are eligible for this policy. You can include your mother/mother-in-law, daughter/daughter-in-law and sister/sister-in-law in the policy if they are dependent on you.

Our take

All along, a woman who wanted a comprehensive health cover didn't have many options. It was the regular cancer/heart/CI plan that she had to buy. But HDFC ERGO's my: health Women Suraksha now offers a broader solution. It provides a very comprehensive cover under its cancer and cardiac plan. Its critical illness plan also covers 41 illnesses, including many chronic conditions where the treatment is expensive. Further, the Assault & Burn Injury cover is also essential, given the increasing risks women face in our society today.

We also like that the policy can include all women in the family under one cover. A woman in her 40s may have a teenaged daughter or sister/sister-in-law and mother-in-law, whom she can add to the policy by paying a single premium. Also, unlike most CI plans that have a 30-day survival clause for CI claims to be settled, in this plan, the survival period is seven days. Also, if a claim is made for any minor ailment, a 50 per cent discount in the premium is given for the next five years.

In the market today, the two insurers who offer specialised policies for women are Tata AIG and Bajaj Allianz. But Tata AIG's Wellsurance Woman and Bajaj Allianz's Women-Specific Critical Illness do not cover as many illnesses/conditions as HDFC ERGO's product does. While Bajaj Allianz's Women-Specific Critical Illness covers women-specific cancers, it has a long list of exclusions, too. Also, the maximum cover is Rs. 2 lakh. The insured has to survive 30 days after diagnosis of the disease for benefits to be payable. In Tata AIA's policy, cancer of specific severity is only covered; early-stage cancers are not covered. It excludes angioplasty, key-hole/laser surgery and pregnancy-related complications. It also has a 30-day survival clause.

The premium of my: health Women Suraksha is also affordable. The premium for a 40-year woman for an SI of Rs. 20 lakh — that is split as Rs. 5 lakh for cancer, Rs. 5 lakh for heart, Rs. 5 lakh for comprehensive CI cover and Rs. 5 lakh for cover of assault and burn injury — is Rs. 8,497 inclusive of GST (cancer cover - Rs. 1,853, cardiac cover - Rs. 1,145, comprehensive CI cover - Rs. 5,098, cover for assault and burns - Rs. 401).

(The writer is Rajalakshmi Nirmal.)

TOP

Source

Do you need a claim adviser for health plans? – Mint – 16th December 2019

Recently, the Insurance Regulatory and Development Authority of India (Irdai) issued a cautionary note, advising policyholders to beware of people or organizations posing as “claim advisers" and promising to assist them in getting an insurance claim. The authority said in the note that it had noticed that some entities were calling themselves “claim advisers" and offering their services to customers in getting a claim, particularly health insurance claims, even though no insurer had engaged such entities for such services. Irdai also clarified that policyholders who avail of such claim-related services would be doing so at their own risk, as such entities did not come under the regulator.

While policyholders should keep Irdai’s cautionary note in mind, a pertinent question to ask in this context is: why did the need for such advisers arise in the first place? Experts say that lengthy claims processes can sometimes be a problem, and harassed policyholders then seek assistance from other entities.

The claims process

“The claim process is often not smooth. There are delays and denial of claims without proper reasoning, which wear down claimants. Agents often mislead consumers while taking insurance, resulting in denial of claims," said S. Saroja, director, consumer advisory and outreach, Citizen Consumer and Civic Action Group, a Chennai-based citizens’ group.

While making a claim against a health policy, the policyholder, typically, has to deal with multiple entities—doctors, the hospital, the third-party administrator (TPA) and the insurance company. There can be a problem vis-a-vis any of the entities. “For health claims, one has to deal with the TPA. Delay in claim settlement due to reasons such as incomplete paperwork, excessive claim amount and non-disclosure could cause delays and other problems. Sometimes, TPAs even claim that the insurance company has not released the funds," said Lovaii Navlakhi, managing director and chief executive officer, International Money Matters Pvt. Ltd, a financial planning firm.

While experts agree that things are improving and processes are getting better, some issues still need to be addressed. “Health insurance claim logistics and communication have improved significantly as insurance companies have streamlined the process with email, phone and app interface," said Rohit Shah, founder and chief executive officer, Getting You Rich, a financial planning firm. “The settlement continues to be a challenge with disputed rejections and grey-area claims. Sometimes, one gets a feeling that the processes are designed to pay minimum claim, if at all. Health insurers in India have a very long way to go before they are seen as credible on whom clients rely," added Shah.

Do you need claim advisers?
Though Irdai's advisory was general in nature, it mentioned Sure Claim, which operates as a claims service advisory for health policies. "Since we have a very prominent presence in Bengaluru and we participate in events, some Irdai functionary would have observed our business," said Anuj Jindal, co-founder, Sure Claim.

Explaining the company's profile and what it does, he said, "We are an insurance claim advisory platform and there are no guidelines for regulation for a new-age Insurtech platform like ours. We help existing policyholders—receive inputs regarding their insurance eligibility, get their claims prepared by experts and get professional opinion on rejected claims," added Jindal. Sure Claim charges a consulting fee of at least ₹3,000 for assistance such as putting together all supporting documents, checking the fairness of the settlement and so on.

Other platforms that are providing similar claim advisory services include Bima Claim. While this may be a new concept in India, claim advisers, advocates and consultants are valid job profiles in developed countries.

However, financial planners believe that the claim process needs to improve and that the authority should ensure that a transparent system is followed by all insurers. "A policyholder is entitled to receive money on a legitimate claim. Ideally, he should not be required to spend money to claim insurance for which he has already paid premiums. The real problem is not whether a claim adviser is needed or not. It is that regulatory and judiciary governance around health insurance is very weak," said Shah.

Policyholders may be tempted to seek help in case their claim is rejected, but experts differ. "I don't think that the solution is to have claim advisers, or middlemen. This will create room for various other issues like corruption. Also, if they (claim advisers) are not authorized, it can be very risky," said Saroja.

Since these entities are not regulated, there may be ethical issues to deal as well. "If the claim adviser, who is a third party and not related to the insurance industry, gives wrong advice such as changing the papers or diagnosis, or masking a chronic condition, it won't be ethical," said Nayan C. Shah, managing director, Paramount Health Services (TPA) Pvt. Ltd.

While it is better to stick to the established process of claims, genuine assistance is always welcome. "When you or your family member is admitted in a hospital, the last thing on your mind would be trying and understanding or tackling the claims process. In such situations, genuine assistance is certainly welcome," said Deepak Yohannan, founder and CEO, Myinsuranceclub.com, an insurance web aggregator. However, it's best to take the help of your insurance company, TPA or the intermediary through which you bought the policy, added Yohannan.

To smoothen your claims journey, you have to be careful from the time of buying a policy itself. Go through the terms and conditions of a policy and don't hide any information, especially about your medical history. Before making a claim, keep your policy agent and insurer in the loop. Also ensure that you maintain the documents required for making a claim

(The writer is Ashwini Kumar Sharma.)

TOP

Source

You can now choose your TPA for your health insurance plan – Financial Express – 16th December 2019

In order to streamline the claim management processes in health insurance, the insurance regulator has now allowed policyholders to choose the third-party administrator (TPA) from the list of those engaged by the insurance company. In case the service of the TPA is terminated by the insurer, then the policyholder can choose another TPA. The policyholder will be allowed to change the TPA at the time of renewal.

In case a policyholder does not choose a TPA of his choice, then the company will allot him a TPA of its choice. However, where the insurer engages the services of only one TPA, the policyholder will have no option but to stick to that TPA. The regulator has underlined that based on health insurance product and geographical location of the policyholders, the insurer can limit the number of TPAs amongst whom the policyholder may choose.

How claims are settled

In health insurance, a policyholder's claims are settled either by a TPA or the insurer's in-house claims processing department. A policyholder needs to first inform the TPA in case of any claim. A TPA is an intermediary appointed by an insurance company to facilitate the settlement of claim. They will seek all the bills and documents provided by a hospital to process the claim with the insurance company. However, they are not responsible for any claims rejection as that is done by the insurance company.

During 2017-18, there were 27 TPAs registered with Insurance Regulatory and Development Authority of India (Irdai).

General insurance and standalone health insurance companies also have their own in-house department to settle claims. It helps policyholders as they can directly get in touch with the company for claim settlement and the turnaround time is quick. So, the efficiency in processing and settling claims is better if it is done in-house. Private insurers such as Max Bupa Health Insurance, Bajaj Allianz Health Insurance and HDFC Ergo General Insurance have in-house claims processing.

However, TPAs have their own list of network hospitals which make it easier for a policyholder to go for cashless treatment. The regulator's annual report for FY 2017-18 shows that non-life and health insurers have settled 1.45 crore health insurance claims and paid Rs. 30,244 crore towards settlement of health insurance claims. The average amount paid per claim was Rs. 20,793. In terms of number of claims settled, 71% of the claims were settled through TPAs and the balance 29% were settled through in-house mechanism. In terms of mode of settlement of claims, 49% of total amount of claims paid were settled through cashless mode and another 44% of the claims were settled through reimbursement mode. Insurers have settled 6% of their claims amount through both cashless and reimbursement mode.

Capital requirement

Irdai has mandated that the net worth of TPA should not fall below Rs. 1 crore during the period of registration. The TPA must have adequate technological capabilities, data security and human resources in place. Where TPAs maintain files, data and other related information pertaining to the settlement of claims in electronic form, maintenance of the data in physical form is not required. Before selecting a health insurance policy, one must check the features such as exclusions, waiting period, co-pay, sub-limits, incurred claim ratio. And before choosing a TPA, policyholders should check the claim settlement processes.

(The writer is Saikat Neogi.)

TOP

Source

Before expanding, need to consolidate: Ayushman Bharat CEO InduBhushan – Business Standard – 15th December 2019

The ambitious **Ayushman Bharat Pradhan Mantri Jan ArogyaYojna**(AB-PMJAY) was first launched in September, 2018 in Ranchi, Jharkhand. The scheme provided an insurance cover of Rs 5 lakh to 100 million 'poor and vulnerable' families identified by the socio-economic caste census of 2011. By December 2, 2019, PMJAY had covered over 6.8 million hospitalizations worth Rs 7,160 crore and has

issued over 67 million e-cards to beneficiaries. **Indu Bhushan**, CEO, AB-PMJAY and the National Health Authority (NHA), tells **Swagata Yadavar** what has worked and what hasn't. **Edited Excerpts**:

How has the first year of PMJAY been? What has been working, and what has not?
In the first year, the momentum has been quite good and we are quite pleased with the way the scheme has rolled out. We have to expand it; there is huge disparity amongst the states, because some states have started the scheme for the first time. When you have to create an ecosystem to start a new scheme, it takes time. This is what is happening in Uttar Pradesh (UP) and Bihar. Also, these states have poorer infrastructure to provide services.

The portability feature has proved to be quite handy. [Portability allows patients seek healthcare in any empanelled hospital anywhere in the country]. For example, 10,000 people have gone outside UP to Uttarakhand--most of them to Rishikesh AIIMS [All India Institute of Medical Sciences]. Many people are going to Delhi. Similarly, Bihar is sending people outside because they don't have health infrastructure.

In terms of recipient states, Delhi is the national healthcare provider and Gujarat and Maharashtra are other recipients in bigger states. We need to improve the performance of the scheme in the green-field states. We need to work on awareness generation and strengthen the supply of services in these states. For that we are working with NITI Aayog [the Centre's policy think-tank] to understand how we can provide incentives for new hospitals to come out in these places. In some cases, for states which are far away like North-East and some of the islands like Andaman and Lakshadweep, we are working to provide transport cost to the mainland--because it is the major cost component in these places.

We are trying to improve awareness in general, as well as provision and quality of services. We are also trying to get more and more hospitals on board. We have now also revised our packages. Earlier, some providers had indicated that rates were low and so we are working on that. Our aim is to get all the big hospitals to our scheme.

To ensure quality of services, we are working with the department of health research at ICMR [Indian Council of Medical Research] to develop standard treatment workflow. Our IT systems will ensure that those workflows are followed.

Does this take care of unnecessary treatments that happen in the private sector? Around 3,000 cases of fraud worth Rs 4.5 crore were discovered during audits, said AB-PMJAY annual report 2019.

We are building some checks and balances--like in hip replacement, we are putting in place boards that will examine whether those procedures are required. We are also working on cancer care so that the right amount of treatment is given--not over or under treatment. If the person needs chemotherapy, radiation, or surgery, that should be decided by qualified treatment provider. Similarly in cardiovascular disease, we have a system where they could scrutinize whether the person needs a stent or if the hospital has prescribed a stent to earn money.

Next is the detection and prevention of fraud and abuse. For that we are strengthening our IT system and when we find some patterns [of malpractice and fraud], we come down heavily on that.

Every week we share with states, the potential fraud cases based on our analysis of the data. We are also finalizing a company which will help us with forensic analysis and big data analysis and give us alerts that we can share with states. We are developing the capacity with the states so that they could do it themselves. Finally, we are improving our IT system and have come up with a tool called 'Zero', which will be more robust, more user-friendly, more secure and interoperable.

We provide those triggers, and many of the fraud cases have been detected. Till now, 300 hospitals have been suspended, we have claimed the money back and FIRs [first information reports] have been launched.

At an event in November 2019, Alok Kumar, senior advisor to Niti Aayog, spoke about a plan for health systems to cater to the middle class--which is currently not covered in any scheme. Are there any plans to broaden this pool of beneficiaries?
We are only one year old and right now we have to consolidate what we are doing before expanding. Our aim is to strengthen the ecosystem for providing services for health insurance.

Also, our database is very old. It is a 2011 database so we have to clean it up and exactly identify the people still left out and how to make them part of the scheme.

Once we have covered all the poor people, the call has to be taken by the government whether they want to expand and bring in [the middle class]. So the vision document that MrAlok Kumar had shared recently shows the long-term vision. But when we go to them, we want to be sure that we have a system and an ecosystem ready.

Is the addition of new beneficiaries being done by the NHA or through various government departments?
We are not adding new beneficiaries; we are only identifying beneficiaries who have been left out. That call [of adding beneficiaries], the government has to take.

So is a list being enumerated?
I would not say enumerated, but we are looking at the group of people who are being left out.

For example, we are working with other ministries: Like the ministry of labour is prepared to pay for all the construction workers and bidi workers, so we will include them. Similarly, we are looking to include workers of micro, small and medium enterprises [MSMEs] in collaboration with the MSME ministry. We have also signed an MOU [memorandum of understanding] with the ESI [Employees' State Insurance], and we are working with ESI to consolidate those workers.

Since PMJAY has the advantage of having a big pool, has it brought down the cost of medicines?
About the medicine cost, I don't know. In India, the medicine cost is quite low anyway.
Medicines comprise a bigger share of out of pocket expenditure. For example, 70% of household cost on health is on medicines.

Now, instead of the beneficiary paying of it, we are paying for that. But we have not conducted a study to show that the costs have come down but hopefully as the scheme becomes deeper, the cost will come down. Not only the cost of drugs and pharmaceuticals but also that of implants and devices should come down.

An October 2019 Federation of Indian Chambers of Commerce and Industry report said that the rates are not viable for private hospitals to make a profit or even survive and they are going through a slump. We have revised the rate and we have taken into account all the inputs that we have received from various industry associations.

Do you have insights about how it has improved care in rural areas?
It's been only one year so we can't expect a huge change. We are seeing some development in that direction and many district hospitals are getting more money. They are improving their infrastructure, they are bridging the gap.

We are also seeing that many private players are planning to expand their operations in tier-2 and tier-3 cities which may help in further expansion. Are the funds for the scheme enough? In 2019-20, Rs 6,500 was allocated to the scheme while it is estimated that Rs 10,000 crore is needed. They are more than enough — since the uptake of the scheme was not that much. We had not used the entire amount, so I think money has never been a problem for this scheme.

What are the challenges that you foresee?
There are huge number of challenges: How to reach the last mile, how to ensure the quality of services, how to ensure that no frauds take place and how to ensure IT system continues to work and there are no glitches.

We work on all these every day. We get feedback that due to connectivity, the services are not available in some places. We need to respond to that. In general, we get the feedback that many poor people are being missed out. Those are always there.

This scheme takes care of tertiary care, but what about secondary and primary care because that is where more people are affected? Catastrophic expenditure is for tertiary care, but a lot of it is paid out of pocket at the secondary and primary level.

We are hoping that once we have very strong health and wellness centres, they will take care of much of the primary and secondary care. The government system has to be stronger to provide free drugs and diagnostics. For tertiary and for catastrophic expenditure, we have PMJAY services.

(The writer is Swagata Yadavar.)

TOP

Source

PMJAY: Govt negotiates reasonable procurement prices for expensive medical devices – Mint – 15th December 2019

In a bid to make healthcare delivery more cost effective under Ayushman Bharat – Pradhan Mantri Jan ArogyaYojna (AB-PMJAY), government is negotiating lower procurement prices of medical devices and implants with the industry through Government e Marketplace (GeM).

The government is in conversation with the industry to ease out prices so that PMJAY scheme can prove to be cost effective for the government and more beneficial for the patients.

"We want to do collective purchasing and negotiate prices of some expensive devices and implants. PMJAY will negotiate reasonable prices for select implants and devices while assuring large volumes for packages that use them. We will offer these prices to our hospitals so that they can bring down costs," said Indu Bhushan, the Chief Executive Officer (CEO) of AB–PMJAY and NHA.

AB-PMJAY is the flagship scheme of Narendra Modi government, also dubbed as Modicare, and is detailed as the world's largest fully government-financed health insurance scheme. The scheme provides a cover of up to ₹5 lakhs per family per year for secondary and tertiary care hospitalization, to over 10.74 crore vulnerable entitled families (approximately 50 crore beneficiaries). PMJAY provides cashless and paperless access to services for the beneficiary at the point of service.

Currently, the public hospitals are authorized to use GeM. Indian medical devices manufacturers and their re-sellers are listed on GeM and they offer discounted products based on the defined payment terms, directly or through their authorized dealer network. The industry has been arguing that even private hospitals empanelled under PM-JAY may be authorized to procure under GeM, as a subcontracted facility of the government.

"Under PMJAY, the public healthcare is subcontracting service from private healthcare which is usually unwilling to buy on public healthcare defined L1 lowest price system as they additionally factor in quality, performance and service. The public healthcare system needs to move from lowest price basis to sustainable supply chain basis as without cash flow support and remunerative pricing the supply chain would be unable to sustain," said Rajiv Nath, Forum Coordinator- AiMeD - Association of Indian Medical Device Industry.

"As NHA is an autonomous body, it can define its own system for healthcare where quality, consistency of quality, service, performance and ready stock availability are critical needs. It should penalize suppliers with a poor track record of service and delivery and reward those with proven services as well as provide small offtake, trial order opportunities, to new entrants and startups," he said.

The industry, however, is looking forward for a centralized purchasing and said that the manufacturers will treat PMJAY as most preferred buyer and offer their deepest discount rates, as they would for a single large national tender in public healthcare, even though the individual procurement order will be relatively miniscule.

The industry representatives have proposed that manufacturers will be willing to offer these empanelled hospitals the opportunity to procure their devices at the discounted rates, below MRP, even for those patients being treated on same premises who are not being treated under PM-JAY package but some other healthcare plan or on patients own costs.

"The impact on the industry would be, that the prices of procurement of the medical devices for the scheme would go down but number of procedures and hence device requirements will dramatically go up because Ayushman Bharat has the potential to increase the overall consumption of device by covering many more people that did not have health care access before," said Nikhilesh Tiwari, Founder and Director, ColMed, an e-commerce company dealing in implants and medical devices.

"Hence, in the long run, it will benefit the overall Industry. These new advances will also continue make a significant contribution towards better industry sustainability enabling the production of affordable medical devices, faster and more efficiently, with less wastage, and real-time performance monitoring of production equipment," he said.

(The writer is Neetu Chandra Sharma.)

TOP

Source

Can Ayushman Bharat help tackle cancer burden in India? – Mint – 15th December 2019

With over 4.70 lakh cancer cases treated under Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana so far, the government is now looking at specialised screening services for cancer in health and wellness centres under the scheme.

As on 15 December, 2019 a total of 470,133 cancer cases have been treated under AB-PMJAY, according to the latest data available with National Health Authority (NHA), nodal agency for implementing the scheme. The number of cases treated under the medical oncology was 3,59,327, pediatric oncology was 17,421, radiation oncology was 76,444 and surgical oncology was 16,941, as per the NHA data.

"Oncology has been one of the most used tertiary specialities in PMJAY so far. However, we are reaching only a fraction of actual cases. Lack of knowledge, screening and cancer-care services have impeded the progress. With Health and Wellness Centres screening for major cancers, we should be able to treat more cases and should be able to get them early," said Indu Bhushan, Chief Executive Officer (CEO) of AB – PMJAY and NHA.

Ministry of health and family welfare is also exploring options to provide quality diagnostic services from certified laboratories for screening of diseases to beneficiaries of the scheme under a Public Private Partnership (PPP) model.

According to a working paper from NHA titled--early trends from Utilization of Oncology services: insights from AB-PMJAY-- Oncology comprised nine percent of claims submitted, and 34% of all tertiary claims submitted till July 2019 since September 2018 (the scheme's launch) across 26 States and union territories. Two States (Tamil Nadu and Maharashtra) generated 60% of all Oncology claims in the said period. "Noticeably, females are accounting for higher number of claims submission in all the age-categories as compared to men, highest in the age group of 45-50 years. Ovary, Breast, Cervix and Radical hysterectomy are some of the common cancer types among females; and Terminally Ill palliative, Colon Rectum and head and neck cancers are among males for which maximum claims are generated during the period," the working paper stated.

An estimated 2.25 million people in India live with cancer as of March 2018, according to the National Institute of Cancer Prevention and Research (NICPR). More than 1,157,294 new cancer patients are registered every year. In 2018, 413,519 men and 371,302 women died of cancer, according to the Indian Council of Medical Research (ICMR). That apart, 9.81% of men and 9.42% of women are at risk of developing cancer before 75 years of age.

AB-PMJAY is the flagship scheme of Narendra Modi government also dubbed as Modicare and is detailed as the world's largest fully government-financed health insurance scheme. As a considerable number of patients of various diseases including cancer don't have access to treatment either due to lack of finances or healthcare services, PM-JAY aims to reduce catastrophic expenditure for hospitalizations, and help mitigate the financial risk arising out of catastrophic health episodes, the government claims. As per the scheme, entitled families can use the quality health services they need without facing financial hardships.

The scheme provides a cover of up to Rs. 5 lakhs per family per year, for secondary and tertiary care hospitalization to over 10.74 crore vulnerable entitled families (approximately 50 crore beneficiaries). PM-JAY provides cashless and paperless access to services for the beneficiary at the point of service. To improve cancer screening and treatment, the NHA and National Cancer Grid (NCG), a government initiative to create a network of cancer centres, research institutes, patient groups and charitable institutions across India, recently signed a memorandum of understanding (MoU) to develop uniform standards of patient care to battle cancer under AB-PMJAY.

NHA and NCG will jointly review existing cancer treatment packages, pricing of services, standard treatment workflows covered under AB-PMJAY and plug in necessary gaps to ensure enhanced quality of cancer care. Both organisations will work on creating cancer services/package benefits based on priority setting tenets such as evidence of efficacy, value (cost-effectiveness), low harm, demand/ burden, medical necessity, and wide availability.

(The writer is Neetu Chandra Sharma.)

TOP

Source

CROP INSURANCE

Climate crisis hits insurance plan for crops - Hindustan Times – 20th December 2019

Narayan Amre, a soyabean grower in Maharashtra's Palghar, knew he was ruined when devastating rains in August washed away the entire crop on his four-hectare farm. "It's a 100% loss," he says. Some of Amre's losses will be covered by crop insurance, but it's unclear when compensation will be paid and how much losses, in value terms, will be accepted by the insurance surveyors, he adds.

Delayed payouts have dogged the Pradhan Mantri Fasal Bima Yojana (PMFBY), the country's flagship farm insurance scheme, since its roll-out in the summer of 2016. Now, there's a new risk to be hedged, insurance companies say — climate crisis-induced extreme weather events. Untimely rains and sudden drought have upended the farm insurance business, as loss-making insurers brace for an avalanche of

claims this year from 12 states that witnessed widespread summer flooding. Maharashtra is by far the worst hit, data show.

The Maharashtra government has sought, through a memorandum to the Centre, a compensation of ~412.74 crore for losses to small and marginal farmers alone, who hold 48.2% of the state's arable area.

"This year is going to be one of the most challenging. Unseen weather events, such as untimely rains, are complicating efforts to streamline PMFBY. We need better technology," a government official said on condition of anonymity.

Neither insurance companies nor farmers are happy. Contrary to an impression that insurance firms are making money while farmers are running around for payments, this person added that the insurance industry, already facing losses, could be staring at its biggest ever payouts in agriculture this year.

"In Maharashtra alone, we have received 5.2 million intimations of 100% loss in soybean," the official cited above said. Intimations refer to formal reporting by farmers of crop losses. Loss-ridden insurers are bracing for large claims also because the government in October 2018 enlarged the basket of risks to include untimely rains and post-harvest losses.

The state's rainfall patterns were unusual and unprecedented, "none of which could be factored in, while assessing risks", according to the official. Rainfall began a month late. Then, the districts of Dhule, Palghar, Thane, Nandurbar, Pune, Satara and Sanagli got 120% excess rainfall by August for the first time in 70 years, according to the India Meteorological Department (IMD). The state's 11 major dams overflowed, leaving 16 districts flooded.

"There has been, no doubt, an increase in extreme weather and also the variability. Short spells of heavy rains are increasing and that of moderate rains are decreasing," said Ajit Tyagi, a former chief of IMD. The PMFBY faces a double whammy. While on the one hand farmers complain about payment delays, on the other, insurance companies say their claims-to-premium ratio have been quite high even in good years and certainly higher than the global average.

Insurance works on the premise that insurers earn healthy revenues during normal, uneventful years, while paying claims only during adversity. An evaluation by the agriculture ministry, reviewed by HT, showed that this ratio for insurers participating in the PMFBY is around 81% since the scheme's launch. That's very high. Additionally, insurers pay 10-13% as administrative costs, including overheads such as re-insurance costs.

This has made the business model less lucrative than insurers thought it to be, leading to the exit of four firms from the PMFBY this year. These are Tata AIG General Insurance, ICICI Lombard General Insurance, Shriram General Insurance and Cholamandalam MS General Insurance.

"Of course, there are multiple reasons, but costs and weather patterns are the main reasons," said Madhukar Sinha, the executive vice-president of Tata AIG. "Three of the four years, since the launch of the scheme, were overall good years in actuarial risk evaluation. Yet the claims ratio, according to the companies, were high," the official cited above said. Globally, the claims ratio is 65%, the official added, citing insurers.

Nine states have seen very high payout ratios. For instance, Karnataka saw 137% during the kharif (or monsoon crop) season of 2016. Chhattisgarh saw a claims ratio of 452% in kharif 2017, while Tamil Nadu saw a claims ratio of 306% in rabi (winter crop) 2016-17. In India, while kharif falls within one calendar year, the rabi season is spread over a financial year. In kharif 2018, Haryana saw a payout ratio of 140%.

"Unpredictable weather patterns which are not part of forecasts are one of the biggest emerging risks for us," said an official of the state-run Agricultural Insurance Company (AIC), who asked not to be named.

For instance, in kharif 2018, Gujarat's drought pockets were not forecast. Insurance companies rely on customised commercial forecasts, but events are going unpredicted, he said. The biggest examples, the official from AIC said, were the excess rainfall in August-September period this year; in Kerala in 2018; and the drought in 13 districts of Tamil Nadu and 10 districts of Karnataka in 2018-19.

According to provisional data, gross premiums under PMFBY during 2018-19 were ~20,923 crore, while total claims amounted to ~27,550 crore. 2018-19 was predicted to be a so-called "good insurance year". The official cited in the first instance said the exit of four companies due to unexpected claims ratio has altered the "course of bidding", preventing the PMFBY scheme from striking better premium rates.

Under the PMFBY, farmers pay between 1.5% and 2% of the premium and the rest is shared 50:50 between the Centre and states. With fewer firms, premium costs for the government are projected to go up. "We need a fix. We are working on it," the first official added.

(The writer is Zia Haq.)

TOP

Source

Future farming: Leveraging data for crop insurance - Financial Express – 19th December 2019

With depleting resources, reducing land sizes and increase in input and labour costs, combined with uncertainties around weather and market prices, agriculture in India has become a profession that is more risk intensive. This makes crop insurance a very critical vehicle for mitigation.

The farming window is very restricted and delays in claim payments can often hinder a farmer's prospects for the next farming season. Often, insurance companies tend to dispute yield loss data sent by states. The Pradhan Mantri FasalBimaYojana (PMFBY), a government sponsored crop insurance scheme, was introduced to integrate multiple stakeholders on a single platform. Unfortunately, many processes related to the government schemes are manual, leading to delays in claim payments.

This is where Artificial Intelligence (AI) and Machine Learning (ML) can help augment the processes related to the current crop insurance schemes, both in preventing the claim delay and in reducing the timeline in claim settlements.

Monitoring crop growth using IoT platform/GDD Model: As soil temperature influences crop emergence, ambient temperature is a crucial factor for crop development. Growing Degree Days (GDD) model uses hyperlocal temperature, humidity to estimate the growth and development of plants during the growing season. Field deployed IoT sensors data such as ambient temperature, soil moisture, and relative humidity can be ingested real-time into an AI/ML platform to perform spatiotemporal analysis and develop a GDD model to predict estimated crop growth and yield at farm level.

Weed control: Computer vision could aid in precision spraying which can help bring down the amount of chemicals that are sprayed on crops and reduce the herbicide expenditures.

Soil health monitoring: Though the government came up with a Soil Health Card (SHC) scheme, Indian farmers have not been benefitting. Deep Learning solutions could help identify potential defects and nutrient deficiencies in soil. Complex algorithms help correlate foliage patterns with certain soil defects,

plant pests and diseases. The image recognition capability could help identify possible defects through images captured by a user's smartphone camera.

Drones and computer vision for crop analysis: Drones in agriculture could be pursued for soil and field analysis, planting, crop spraying, crop monitoring, irrigation, and health assessment. The device will leverage computer vision to record images which will be used for analysis. Algorithms are used to integrate and analyse the captured images and a detailed report on the health of the crop can be provided.

Satellites for weather prediction and crop sustainability: ML could be deployed in connection with satellites to predict weather, analyse crop sustainability and evaluate presence of diseases/ pests.

Imagery for crop cutting experiments (CCE's): Crop insurance norms require four crop cutting experiments at every village which translates into over 7 million experiments across India just to estimate yields. Deep Learning (Image Analytics) can help to reduce crop cutting experiments and deliver speedy claim settlement. Freely available Field Collector Software Development Kit (SDK) is a perfect solution for getting real-time ground data for risk assessment supported by geo-tagged images, farm details such as acreage, sowing date, calculating damage area, etc.

The above technological enhancement would lead to:

- Speedier claim settlements
- End-to-end transparency in claims process
- Reduce fraudulent claims
- Gain farmers trust and confidence for more insurance participation
- Proactive insurers and government agencies to deal with contingencies
- Automate processes saving time, money and labour.

(The writer is Anthony Devassy.)

Source

TOP

Nashik farmers sowing seeds of own insurance firm - The Hindu Business Line – 17th December 2019

To get a good insurance cover that will assure them compensation for crop loss due to natural disasters, farmers of Nashik plan to launch their own crop insurance company.

Nasik-based Sahyadri Farmers' Producer Company, with over 8,000 marginal farmers as its members, has taken a lead for the insurance company initiative.

"For the last one year, we have been working on launching farmers' own crop insurance company. We will take the proposal to Maharashtra Chief Minister Uddhav Thackeray, and by next year, we will be in a position to launch our venture," Vilas Shinde, Chairman of Sahyadri, told Business Line.

"Farmers are unsatisfied with the existing crop insurance companies. There are various issues, including loopholes in implementation, lack of transparency and data manipulation. Farmers are not confident about these companies, which have turned rich by collecting premiums from farmers. The only way is to have our own company," he said. Shinde is confident that once farmers have ownership, there would be no scope for fraudulent practices.

Sahyadri is connecting with other farmer-producer companies on the idea and is confident of raising capital.

"Farmer-producer companies will invest in the insurance company. About 51 per cent shares of the company will be held by farmers, while 49 per cent could come from a private player or the government," said Shinde.

Major challenges

Convincing all farmers to join the venture and to win the confidence of private investors are the major challenges before Nashik's farmers. Shinde said that farmers are working on the details of the insurance model to fit it into the framework of the Insurance Regulatory and Development Authority of India (IRDAI).

In recent times, unseasonal heavy rainfall and frequent droughts have destroyed crops, making farmers vulnerable. "We have to find a solution to our problem. Natural disasters are frequent these days and insurance companies have never settled in full.

"We can't expect the government to pitch in with aid every time our crop is destroyed. We must have a reliable insurance company owned by farmers," says grape farmer Ganesh Kadam. Ganesh is confident that once farmers have ownership, the insurance company would run efficiently and the affected farmers would get immediate compensation.

A few months ago, crop insurance companies in Maharashtra paid compensation of Rs. 1-5 to farmers who had lost their crop to natural disaster. Insurance companies in the market are making a mockery of farmers, says Rajan Kshirsagar of Maharashtra State Kisan Sabha.

He alleged that in 2018-19 more than 1,230 farmers ended their lives in Marathwada, and at the same time, insurance companies made a profit of Rs. 1,237 crore from this region. "The insurance companies got Rs. 1 crore profit after every farmer suicide in Marathwada. There are many glitches in the scheme. The insurance companies don't even have a mechanism and the manpower to assess the damage caused to the crops," alleged Kshirsagar.

Bablu Jadhav, a farmer from Nashik, said that farmers have to take control of farming from sowing to insurance and only then will agriculture become a profitable venture. He is confident that the farmers' insurance company will start a new era in the agriculture insurance sector.

(The writer is Radheshyam Jadhav.)

TOP

Source

Malfunctioning server halts crop insurance regn – The Times of India – 15th December 2019

Farmers from delta region have appealed to the state and the Union governments to extend the last date for filing applications for insuring their crops under Pradhan Mantri FasalYojana (PMFBY) scheme, citing a malfunction in Common Service Centres (CSC) server.

The farmers said they were not able to finish the process in given time as the server was down. However, agriculture officials instructed the district authorities to clear all the backlog applications pending within a stipulated time to help farmers.

As against 20 lakh people last year, around 13 lakh farmers have filed their applications to insure their crop in the state and the number could go up to 16 lakh, they said. "As there is a good monsoon and steady flow of water in rivers and canals, the number would go up. The farmers are also willing to file applications this year also," said Swamimalai S Vimalnathan, secretary of Thanjavuristrict Cauvery Farmers Protection Association, Thanjavur.

"Loanee farmers will automatically come under the purview of crop insurance cover. However, non-Loanee farmers have to file their applications on their own, either in cooperative banks or e-service centres. Because of a server problem, thousands of farmers did not file applications," he said.

As there was a precedent to extending cut-off date for crop insurance till December 31, the state government should request the union government to extend the date, he said.

State agriculture department officials said that the Centre's crop insurance portal in CSC has not been functioning for the past 3 days across the state because of a technical problem. However, it was set right on Friday night itself, they said.

"Rabi is the main season in which around 90 per cent of total enrolment under Pradhan Mantri Fasal Yojana (PMFBY) is covered in Tamil Nadu so far. Because of the non-functioning of server, the non-Loanee farmers faced difficulties in enrolment in which the cut-off date is December 15, 16 and 20, 2019. So, we have requested to extend the cut-off dates for enrolment as per the operational guidelines of PMFBY," officials assured.

(The writer is D Vincent Arockiaraj.)

TOP

Source

IRDA rejects risk pool proposal for crop insurance - The Economic Times – 14th December 2019

The national insurance regulator has deferred the central government's proposal to create a 'risk pool' for claim settlement under its crop insurance scheme aimed at diversifying the risks for insurers and lowering the cost of reinsurance.

Instead, the Insurance Regulatory and Development Authority of India (IRDA) has asked the government to continue with the scheme for at least seven years to assess the results before making any change, a senior agriculture department official said.

This has limited the scope of any major change in the Pradhan Mantri Fasal BimaYojana (PMFBY) launched in 2016 to provide financial assistance to farmers in the event of any crop loss due to weather vagaries.

"The risk pool model can be implemented only after getting a go-ahead from IRDA as first it (regulator) has to come up with guidelines and framework," the official said.

Under the proposed risk pool format, it is proposed to create a government-owned agency that will have the mandate to fix crop premiums and payouts. "The participating insurance companies would be restricted only to administrative functioning against a fixed charge," the official said.

"This would eliminate the misnomer that private insurance companies are making money from this scheme. Companies will be given fixed charge and the entire risk will be transferred to the agency."

At present, insurance companies retain 25% of the risk and premium, and transfer the remaining 75% to reinsurers who underwrite the risk of insurance companies and generate revenues by reinvesting the insurance premium.

Under the 'risk pool' model, three-fourths of the premium will go into the pool — to be managed by the proposed government agency — that would act similar to reinsurer, while the insurer will retain 25%. Also, claims will be settled in the same ratio, with the insurer paying one-fourth and the rest coming from

the pool, the official said. “Any surplus generated will remain with the pool for providing cushion to losses incurred due to heavy payment in case of massive crop damages.”

In the existing system, insurance companies operating in states where incidences of crop damage are low get away with surplus while those operating in damage prone states suffer losses, the official said. This ‘uneven system’ has forced at least four insurers — ICICI Lombard Tata AIG, Cholamandalam MS, and Shriram General Insurance — to exit this business.

(The writer is Ritual Tiwari.)

TOP

Source

MOTOR INSURANCE

How to use NCB of old car insurance to reduce new car policy premium - The Economic Times – 19th December 2019

You can use the no claim bonus (NCB) earned on the comprehensive insurance policy of your existing or old car to reduce the premium payable when you buy comprehensive insurance for a new car. All it requires is some planning and it's worth it because if you have a 50 percent NCB you can get that much discount on the huge Own Damage (OD) insurance premium (Saving of approximately Rs 9, 700 on Rs 7.75 lakh of car's IDV (insured declared value)) normally payable on buying a new car. There are two scenarios in which you can make use of it.

1. If you have earned NCB on your old car which you sell and then buy a new car: In such a situation you can retain the NCB on the comprehensive motor insurance policy of your old car even after you sell your car and transfer the insurance policy to the car buyer. You can then use the retained NCB (a certificate is issued) when buying a new comprehensive motor insurance policy for your new car and take a huge discount on the premium payable.

2. If you have earned NCB on an existing car and want to buy a new car but retain the old/existing car: In such a situation, you can transfer/sell your old car to a family member who would then be the new owner of the old car. You can then retain the NCB and use it to get a discount on the insurance premium of the new car that you buy. You cannot use the NCB earned on the old car to get a discount on the premium paid for a new car policy as long as you own the old car.

What is NCB?

NCB is the benefit that accrues to the insured/policyholder if no claims are made in a vehicle insurance policy during the policy period. NCB is earned for each claim-free year, starting from 20 percent and increasing up to a maximum of 50 percent over a claim-free time period of 5 years. It is basically a discount that can be claimed on the OD portion of the premium payable on the renewal of the vehicle insurance policy by the insured.

How is the NCB claimed on new car insurance policy?

Sajja Praveen Chowdary, Head-Motor Insurance, Policybazaar.com explains, "For instance, if you purchase an insurance policy for a brand new Maruti Baleno, the authorised dealer will offer you an insurance policy (1-year OD +3-year Third Party) which is expected to be in the range of Rs 30,700 for Rs 7.75 lakh of IDV with 0 percent NCB. However, if you utilise the maximum 50 percent NCB, this premium can get reduced to Rs 21,000-a saving of Rs 9,700. The reduction is not 50 percent of the full Rs 30,700 because NCB is only applied on OD premium."

NCB is given to the car policy owner, not the car
The NCB is given to the insurance policy owner and not to the insured vehicle. Therefore, the NCB cannot be passed on to another name, that is, to the new car owner. So, if you (seller) are migrating to another country and have sold the car to some other person, you can only transfer the policy to the buyer along with the car, provided you have informed the insurer. Kapil Mehta, CEO, SecureNow.in said, "Since the NCB cannot be transferred but the policy can be transferred to the new car owner, the NCB will be zero for the new car owner."

You would have claimed the NCB discount on the OD part of the insurance premium when renewing the car insurance policy for another year. However, when you sell the car and transfer the policy, the new owner is not entitled to the NCB which you had used to get discount. Therefore, the new car owner will have to pay the insurer the amount of NCB discount earlier obtained (on pro-rata basis) for the balance of the policy period.

According to IRDAI website, "The insurer can charge a nominal fee for the transfer of insurance policy along with pro-rata recovery of NCB from the date of transfer till policy expiry. It may be noted that transfer of ownership in a comprehensive insurance policy has to be recorded within 14 days from date of transfer failing which no claim will be payable for own damage to the vehicle."

However, Mehta said that the new car owner also has the option to buy a new insurance policy. "It is not necessary for you to get the policy transferred to the new car owner's name," he said.

For how long the first car owner can retain the NCB?
After selling your car, you can retain your NCB for maximum 3 years after the issuance of the reserving letter (also known as NCB transfer certificate) by the insurer. Chowdary said, "You must apply for an NCB transfer certificate to the insurer along with necessary documents related to the sale of existing vehicle, Form29/30, as soon as you vend the car. Also keep a copy of last insurance policy with you." He said, "The insurer will provide you with the NCB transfer certificate which can be used anytime up to next three years on purchase of another car comprehensive policy with any insurer (need not be the same insurer who gave you the NCB transfer certificate)."

Thus, the NCB transfer certificate acts as proof for carrying forward the discount on premium when buying a new comprehensive insurance policy for a new car. Along with the certificate, you also need to submit a copy of delivery note received for sale of old car and a copy of new car booking form to the insurer to avail NCB on a new insurance policy.

Can you transfer the NCB of a bike to a car?
You can transfer NCB of your old car insurance policy to a new car insurance policy when you are selling your old car or have sold your old car. However, you cannot switch vehicle types to transfer the NCB. Gurdeep Singh Batra, Head- Retail Underwriting, Bajaj Allianz General Insurance said, "Simply, you cannot transfer NCB of the bike to the car. NCB transfer is allowed on the same class of vehicle only, that is, private car to private car, taxi to taxi or two-wheeler to a two-wheeler."

(The writer is Navneet Dubey.)

TOP

Source

10 changes IRDAI has proposed in 2019 to make motor insurance a simpler product – The Economic Times – 19th December 2019

The insurance regulator has been busy at work in 2019 laying the groundwork to make motor insurance a simpler product.

The Insurance Regulatory and Development Authority of India (IRDAI) has proposed various measures throughout the year, which if becomes law, will benefit policyholders.

Here is a look at 10 such IRDAI recommendations and how it can impact you.

1. The sum insured calculation for private cars made simpler

As per a proposal, "For brand new private car up to 3 years, the sum insured shall represent the current day manufacturer's listed price of the vehicle insured including value of all accessories fitted thereon by the manufacturer and adjusted by age-wise depreciation to arrive at the sum insured as per new depreciation table suggested." Further, the regulator recommended, "A new sum insured option for brand new private cars where 'Return to Invoice' add-on is a part of basic cover."

What it means for you

For new private cars for up to three years, the sum insured will be based on the on-road vehicle price, manufacturer accessories, as well as road tax/registration.

Naval Goel, CEO, PolicyX.com said, "This simply means the Insured Declared Value (IDV) will remain the same for 3 years (also no depreciation will be applied), so in this case, you will get a higher sum insured value for the car compared to what you would have gotten after depreciation for the 2nd and 3rd year. However, after the 4th year, the entire depreciation will come into effect. This also means that you will have to pay the higher premium for the second and third year, but in case of a total loss it is beneficial to the policyholder," he said.

In the case of theft, you can get a replacement of the insured vehicle with a new vehicle of the same variant, make, model, specifications and colour, subject to availability. You may also get basic insurance on the new vehicle as Return to Invoice' add-on will become a part of the basic insurance cover.

2. Clarity on renewing standalone own damage policy

The regulator has recommended that for standalone OD cover, expiry of the cover should not be later than the expiry of the liability policy. Also, all the details of the liability policy (including name, policy number and period) should be captured in the OD policy schedule.

What it means for you

Currently, if you buy a standalone OD policy after few months but not along with the long-term insurance policy, then in such a case, the standalone OD policy expiry date will not match with the third-party insurance expiry date.

This issue will get resolved once this proposal is passed and hence, the insurer can issue the standalone OD policy on pro-rata basis assuring that the expiry date of the standalone OD policy does not exceed the third-party cover and ends on the same date when third-party insurance is expiring.

Since insurers are required to mention details of long-term third-party insurance in the standalone OD policy, it can also become easier for them to offer standalone OD policies on pro-rata basis, where if one opts to buy one with a third-party policy cover after few months or so.

3. Your driving habits will determine policy premium

The regulator has asked the Insurance Information Bureau of India (IIBI) to form and manage a central repository of telematics data, where data from various sources can flow to create a common pool.

What it means for you

With the help of telematics, you will not have to a pay huge premium based on the insured declared value (IDV) of the vehicle, the engine capacity, geographical zone, car make and model. Rather it will be based on your driving habits.

"You may soon get an option to customise the cover during policy tenure and pay the premium accordingly," said Sajja Praveen Chowdary, Head- Motor Insurance, Policy bazaar. The technology will also help in roadside assistance and vehicle tracking.

4. Standardised grid for no claim bonus (NCB)
IRDAI has recommended a standardised NCB grid for long-term motor insurance policies.

What it means for you
Currently, for long-term policies, every insurer has defined its own NCB slabs which are a daunting task for a customer when he/she wants to move from one insurer to another to avail NCB benefit.

Goal said, "Long term motor policy is mandatory only for third party premium whereas NCB is applied only on the "Own Damage" premium. So, the NCB process remains the same and should not affect the customers. In case of bundled long -term insurance products, you will get the benefit of NCB as OD cover is issued for an annual term, however, if you go for a longer-term comprehensive policy, in that case, you will lose out on NCB."

Those who have an annual policy, the NCB on renewal ranges from 20-50 percent for them.

5. Surrender registration certificate to get theft claim
The regulator has recommended that in all cases of Total Loss /Constructive Total Loss Claims and theft claims, the Registration Certificate (RC) of the vehicle shall be cancelled and the claim shall be settled only after the insured surrenders such cancelled RC. The policy shall be cancelled without return of premium.

What it means for you
Chowdary said that this, when seen in conjunction with the new Motor vehicle act rules/fines, will ensure that fraudsters/racketeers will find it difficult to operate on stolen vehicles. He said, "It eradicates the possibility of stolen vehicles finding a place back on the roads to an extent. As a result, this will help reduce losses for insurers and in the long run, will see the benefit come back to customers in the form of lower premiums."

6. Compulsory Deductibles will now be Standard Deductibles
IRDAI has not only recommended to change the name of 'Compulsory Deductibles' to 'Standard Deductibles' but also has recommended that there shall be no waiver of the standard deductibles and has suggested a revised deductible ruling.

What it means for you
Less ambiguity is always better for customers and hence, the standard deductible will reduce ambiguity between policies. Chowdary said that now the deductible will get linked to the vehicle's value which is a fair pricing mechanism. "An increment on second claim onwards in deductible means people who don't drive carefully are bound to shell out more on deductibles from their own pocket at the time of claim and thereby promotes careful driving to an extent," he said.

7. Vehicle age-based depreciation rule for claim settlement
The regulator said, "Vehicle age-based depreciation has been recommended for partial losses to make it completely objective and remove all ambiguity and subjectivity in claim settlement."

What it means for you
Currently, various parts such as glass, fibre, plastic have fixed depreciation charges irrespective of the age of the vehicle. For instance, currently, a 50 percent rate of depreciation is applied to rubber, plastic parts, tyres and tubes, batteries, etc., irrespective of taking the vehicle's age into consideration. The insurer straightaway deducts 50 percent of the amount when it comes to settling the claim for these products.

Goel said, "The earlier depreciation rules for different parts of the vehicle used to confuse the customer. The new depreciation rule has come like a sigh of relief for the layman as well as for the agent. Now, a standard grid has been proposed for depreciation on all parts (in case of partial losses) which will be based on the vehicle's age and accordingly, the depreciation rate will be charged at the time of settling the claim." He said, "The standardisation of depreciation calculation at the time of claim settlement is going to remove lots of complexities from the product also."

8. Insurance for passengers
The IRDAI has recommended that all the occupants travelling in motor vehicles shall have Rs 25,000 medical expenses coverage arising out of an accident to the insured vehicle covered under the basic policy and proper premium for this shall be charged by the insurers.

What it means for you
It is always nice to have such coverage but, it will end up making the vehicle owner's motor insurance costlier.

Animesh Das, Head of Product Strategy - ACKO General Insurance said, "Earlier there was no coverage for the passengers travelling in the vehicle within the base policy. Though this may increase the cost of insurance, we believe vehicle owners will value the benefit more than the price increase. It should be evaluated whether this benefit should be kept optional or part of the base policy."

9. 'Named Driver' insurance policy
The recommendation of 'Named Driver policy' as an option for private car and two-wheeler policies is a good move taken by the regulator. The details of the driver may be incorporated in the policy schedule.

What it means for you
Das said, "This move will solve multiple issues faced during the course of the policy cycle, like claims, renewal, ownership change etc. It will also help insurers to avoid fraud claims."

Chowdary said this is also good from a risk management perspective. It also opens up a way determining the price basis driver-related risk and number of people driving the vehicle like it is done in western markets. "Right pricing of risk can bring down pricing for good drivers."

10. Separate third-party premium category for electric vehicles
This year, a separate third-party insurance category for electric vehicles (EVs) was issued. Further, to increase the sale of EVs, the third-party motor insurance premium for electric vehicles are issued at a discount of 15 percent.

(The writer is Navneet Dubey.)

Source

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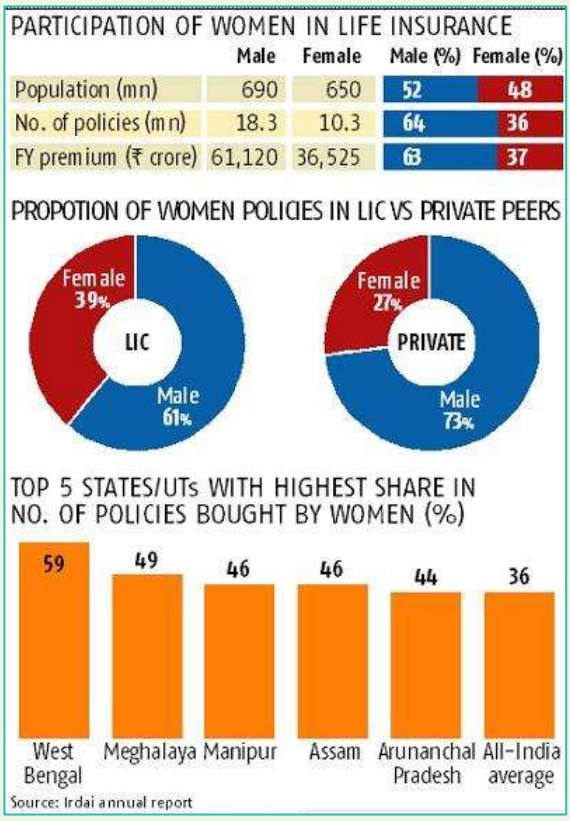
SURVEY & REPORTS

Women's share in life insurance policies is 36% in FY19: Irdai report – Business Standard – 20th December 2019

Women comprise 48 per cent of India's population but their participation in life insurance is lower than that of men. In 2018-19 (FY19), of 28.6 million policies sold by the life insurers, women have subscribed to 10.3 million, Irdai's annual report for FY19 revealed.

The share of women in terms of number of policies is 36 per cent, higher than what it was in FY18 at 32 per cent. Similarly, share of women in the first-year premiums was 37 per cent in FY19, as against 32 per cent in FY18.



(The writer is Subrata Panda.)

TOP

Source

India is tenth largest life insurance market - Deccan Chronicle – 17th December 2019

Globally, India ranks 10th in terms of life insurance and 15th in non-life insurance in terms of premium. India is among the few countries with high growth rates for both life and non-life insurance.

In the global insurance market, India has a share of 1.92 per cent. In the life insurance segment, the share is slightly higher at 2.61 per cent and the country ranks 10th among 88 global markets, a study by Swiss Re finds.

India's inflation-adjusted real life premium grew 7.7 per cent in 2018 against the global growth of 0.2 per cent. The growth rate was higher than that of advanced countries, emerging markets and the Asia-Pacific.

The real premiums in non-life grew stronger at 14 per cent against the global average of 3 per cent. With 1.1 per cent share in the global non-life insurance business, India was ranked 15th largest market. India's growth was higher than 1.9 per cent of advanced markets, 7.1 per cent of emerging markets and 6.4 per cent of Asia Pacific countries.

Driven by emerging markets, global life insurance premiums are expected to grow faster in 2019-20 and above the annual average of 10 years. Non-life premiums too are likely to grow higher than the historical average.

Unlike other markets, India's insurance business is heavily dominated by life, with a share of 73.85 per cent. Non-life accounts for 26.15 per cent share.

Globally, life contributes for 54.30 per cent and non-life 45.70 per cent. While life has a penetration of 2.74 per cent, for non-life it is 0.97 per cent. The life insurance penetration has been declining since 2009 when it stood at 4.60 per cent. At the end of March 2019, 70 insurers were operating in India, of which eight are public insurers and 62, private insurers. There are 24 life insurers, 27 general insurers, 7 standalone health insurers and 12 re-insurers.

(The writer is Sangeetha G.)

TOP

Source

Was govt's proposal to allow EPF-NPS switch good for you? – Mint – 16th December 2019

Earlier in 2019, the labour ministry proposed certain changes to the Employees' Provident Fund (EPF) Act, including an option that allowed members to switch from EPF to the National Pension System (NPS). However, last week, the government decided to junk this provision because the two instruments serve different purposes in terms of the benefits they provide. In withdrawing the option, has the government robbed investors of an opportunity to take more equity exposure for their retirement corpus? Disha Sanghvi asked four experts if such portability could have benefitted investors in any way

Such a shift could have facilitated better planning
Sumit Shukla, Chief Executive Officer, HDFC Pension Management
Retirement planning is a must for every individual and the kind of instruments you choose plays an important role. The proposal to have the choice to transfer your corpus from EPF to NPS was a progressive reform and could have helped investors plan their retirement better.

The transfer would have given more flexibility to EPF subscribers in terms of investment in equity, choice of asset class, portability, and others. Also, in NPS, the entire investment performance of fund managers is monitored and tracked, giving investors a choice to move between funds and managers.

The tax treatment in both products is EEE (exempt-exempt-exempt) but the limitation of 40% mandatorily going from NPS to annuity products would have been a deal breaker. If 40% annuity taken from NPS is also made tax-free, then such a transfer would have been seamless.

The government should also bring all the pension products under the Pension Fund Regulatory and Development Authority.

Not allowing the switch is like taking a step back
Rituparna Chakraborty, Co-founder and executive vice-president, Team Lease Services
Large mandatory deductions from salary like EPF, EPS and ESI (Employees' State Insurance) are perceived as poor products because they offer rotten service, entail high costs and have no competition.

As recourse, we have been recommending providing employees three options: a) to contribute their share of PF (Social Security Code Bill 2019 has legitimized this) or not; b) to contribute to ESI or to an independent scheme approved by the Insurance Regulatory and Development Authority of India; c) to contribute to EPS or NPS.

We should end the sham of EPS; it has an estimated ₹50,000 crore funding deficit and is unsustainable. We should revert to the pre-1995 situation where the 12% employer contribution went into a defined contribution account and allow employees to pay their 12% contribution to EPF or NPS.

The move to scrap the idea of allowing employees the choice between EPF and NPS is like taking a step back into the past and being held hostage by EPFO.

With NPS, you can opt for higher equity exposure
Lovaii Navlakhi, Managing director and chief executive officer, International Money Matters
We live in an age where portability is the norm, not an exception and where consumers are free to choose their service provider based on cost and convenience. Imagine telling a landline user that he can't switch to a cellphone because he already has a communication device.

New products introduce new features and the latest technology. Why can't users benefit from those? The cost of managing these come down with scale and NPS has the benefit of being set up with low costs.

But with life expectancy rising, beating inflation and making sure your money does not run out before you do, requires exposure to equity. Why should a 30-something not be allowed to have more than the 15% allocation to equity that EPF contributions are restricted to? For those with an eye on the future, accepting newer products and opening closed doors is natural. While the powers-that-be worry about protecting their turfs, they ignore the reality that the ground is being pulled from under their feet.

Low-income group prefers guaranteed, safe returns
Kuldip Kumar, Partner and leader, personal tax, PwC India
While presenting Budget 2015-16, then finance minister had announced that employees could choose between EPF and NPS. Subsequently, the labour ministry came up with a draft Social Security Code (SSC), 2019, which provided an option to EPF subscribers to switch to NPS. The detailed rules were to be notified later.

But after dissent from various quarters, the government dropped this proposal from SSC.

One may argue that by not providing such an option, the government is denying the opportunity to individuals to better their returns as NPS provides the option to allocate funds in various investment modes. In NPS, returns are based on performance and not guaranteed. However, EPFO has been consistently giving better returns on accumulated PF balances and benefits such as family pension, benefits on permanent and total disability, among others, especially to the lower-income group for whom safety of money and returns are important factors.

(The writer is Disha Sanghvi.)

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Source

Here's how you can withdraw your EPF corpus online – Mint – 16th December 2019

If you are a salaried employee who makes regular contribution towards the Employees' Provident Fund (EPF), we recommend you stay put until it's time for you to retire because it's more of a retirement product.

However, if circumstances look grim and dipping into your EPF corpus is your only option, you may have to go for it. Note that the Employees' Provident Fund Organisation (EPFO) allows full withdrawal of funds only if you've been unemployed for at least two months. But, it does allow partial withdrawal for select expenses such as weddings and medical emergencies.

"Over the past few years, the EPFO has gradually made withdrawal and claim settlement process a lot easier, convenient and less time consuming for salaried individuals. The launch of twin facilities in the year 2017, one of online withdrawal facility and the other of single claim form has significantly contributed towards making EPF withdrawal a speedy and less cumbersome process in comparison to the physical application method as well as submission of three different forms for the purpose of final PF settlement, pension withdrawal and partial withdrawal respectively," said Naveen Kukreja, chief executive officer and co-founder, Paisabazaar.com.

In 2017, the EPFO introduced a simplified one-page claim form which can be used for partial as well as complete withdrawal. Until 2017, partial withdrawals required the investor to submit documents to prove why she was withdrawing. This has now been junked. This has been made possible after it became mandatory to link the Universal Account Number (UAN) with Aadhaar and bank account number. "The

one page claim form replaced the then existing forms required for final PF settlement (form 19), pension withdrawal benefits (form 10C) and partial withdrawal (Form 31)," said Kukreja.

WITHDRAWAL PROCESS

Note that you can use the online withdrawal claim facility only if your Aadhaar is linked with your UAN. Also, remember that only those subscribers whose UAN has been linked with their Aadhaar and bank account number can do away with the need to get employer's attestation for withdrawal, and can directly submit the claim form to the EPFO. For those whose details are not seeded in UAN, they would have to get the employer's attestation before submitting the composite claim form (Non-Aadhaar) to the EPFO.

But before submitting the withdrawal application, couple of pre-requisites need to be factored in. "Firstly, the UAN needs to be activated and the mobile number used for activating the UAN should be in working condition. Secondly, UAN has to be linked with your Aadhaar, PAN and bank details along with the IFSC code," said Kukreja.

Once you have the pre-requisites covered, you can simply login to the UAN portal of EPF and fill the composite claim form and submit it. Also, Online Members' Act of preferring the advance claim online would be taken as her self- declaration for having applied for the same, hence doing away with the need to give any supporting document submitting online EPF withdrawal request. In case of partial withdrawal, you will have to mention the purpose for which you are withdrawing along with the amount. Post submission of your online withdrawal form, money is generally credited to your bank account within 10-15 days.

If you've contributed for less than five years —either with one employer or more and have transferred your EPF account from the previous employer—the maturity corpus is taxable. You'll have to submit proof of PAN and form 15G or 15H to avoid TDS, if applicable.

"The introduction of a single claim form has facilitated a speedier and less cumbersome withdrawal process for the investors. Instead of submitting three different forms, investors are required to just submit a composite form, hence doing away the need to separately fill and submit different forms," said Kukreja.

(The writer is Disha Sanghvi.)

Source

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IRDAI CIRCULARS

Gross direct premium underwritten for and up to the month of November, 2019 is available on IRDAI website.

Source

TOP

GLOBAL NEWS

Japan: Enticing products, aggressive cost savings needed in life market – EY – Asia Insurance Review

Younger consumers (millennials and Generation Z) of life insurers in Japan are migrating to new sales channels, such as co-registered agents, rather than meeting with tied sales representatives, notes the international professional services firm EY. In its 2020 Japan Insurance Outlook report, EY says that these customers need to be identified and approached with more enticing products.

In addition, consumers' needs are shifting away from death protection and toward life protection (medical, income, etc). Thus, life insurers are seeking to quickly develop and launch new products and added-value services to boost revenue.

However, it has been difficult to launch new savings products and other types of offerings in the prevailing unfavorable economic environment, including a lingering low interest rate.

As technology advances and non-insurance competitors (such as other financial services companies) enter the industry, it is more important than ever for life insurers to create ecosystems with Insurtech. Feeling both cost and competitive pressures, incumbent life insurers are looking to the cloud, artificial intelligence (AI), and other technologies to replace inefficient legacy systems, enhance operational agility, and improve their data and analytics capabilities and infrastructures.

Challenges

Nearly 90% of Japanese households carry life insurance policies. However, the volume of in-force policies has dropped precipitously since reaching a peak of JPY1.5tn ($13.7bn) in1996. One reason for the drop is that the workforce population hit its peak in 1997 and has been declining ever since. In addition, the unit price of premium per person has been decreasing due to continuing low interest rates, as well as a low birthrate and increasing longevity. EY says that the industry must adopt more aggressive cost-saving programmes and increase business efficiency if it is to thrive in the face of an ageing population, low birthrate, and persistent low interest rates.

Inflexible legacy systems are a significant challenge. The core systems that support the business still run on mainframe computers. As a result, insurers have accumulated an enormous number of out-of-date IT assets that are resource- intensive and costly to manage and maintain.

Imperatives for life insurers

The report says that the imperatives for life insurers are:

1 Focus on highly profitable products with current customers and develop new products, value-adding services, and sales channels suited to diverse customer needs (eg, giving advice on health, finance, mental support, ad hoc insurance).

2 Consider how "human plus digital" channels should play in the market and develop targeted models and road maps to maximise customers' lifetime value.

3 Prepare for a future in which insurance products are available on platforms like Amazon by acquiring, partnering with or creating InsurTech players and platforms to execute key strategies and drive innovation.

4 Embrace AI, the cloud, advanced data analytics, and automation to improve.

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Source

China: Regulator to introduce classification system for insurance agencies and brokers - Asia Insurance Review

The CBIRC is preparing a classification system for insurance intermediaries, that is expected to be introduced in 2020.

The classification system will grade insurance intermediaries according to one of four categories: A,B,C or D, with A being the best and D the worst grade. The CBIRC will fine-tune its supervision of insurance intermediaries in line with their rating, reported Beijing Business Today.

The criteria to be used in classification include corporate governance, compliance management, business quality, operating scale, number of years in operation, registered capital, frequency in changes of shareholders and disciplinary action imposed, if any.

Intermediary channels are important because they contribute over 80% of the insurance industry's premiums.

Under the proposed system, some intermediaries will not be eligible to carry out online Internet insurance business. For example, insurance intermediaries with an 'A' rating will be allowed to work with third-party distribution platforms; those with a rating of 'B' will be allowed to operate only their own Internet platform business; those with a rating of 'C' or 'D' will be barred from online insurance business.

Statistics show that at the end of 2018, there were 2,647 insurance professional intermediaries in the Chinese market, including five insurance intermediary groups, 240 national-level insurance agencies, 1,550 regional-level insurance agencies, and 499 insurance brokerage companies. In addition, there are 32,000 indirect insurance agencies (ie, these are entities that operate a principal business and sell related insurance on the side, like tour companies which distribute travel insurance).

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Source

Australia: Superannuation industry urged to focus on improving insurance outcomes - Asia Insurance Review

The Australian Securities and Investments Commission (ASIC) continues to push the superannuation industry to lift its game across insurance, with the regulator urging the sector not to leave the vulnerable behind.

To this end, ASIC has released a report on the superannuation industry's progress in improving consumer outcomes in relation to life insurance provided through superannuation, that is held by approximately 12m Australians. It covers the industry's implementation of the Insurance in Superannuation Voluntary Code of Practice that was introduced on 1 July 2018.

The Code sets standards of practice with the aim of improving industry practices in benefit design, claims handling and communications to members. 70% of superannuation trustees are adopting the Code in whole or part but full implementation is not due for completion until 30 June 2021.

ASIC commissioner Danielle Press said, "We recognise that there is significant change occurring in relation to insurance in superannuation. In this dynamic phase, it is important that superannuation trustees remain focused and committed to improving outcomes for members."

In the report, ASIC observes that some improvements in practices are being introduced as a result of adoption of the Code by a significant number of trustees. However, further work needs to be done to achieve the high industry standards consumers expect.

"We identified a number of inconsistencies in implementation of the Code, some relating to fundamental aspects such as which members are covered by the Code, the controls around balance erosion, and calculation of timeframes for claims processes. Also, trustees are continuing to leave vulnerable members

behind – they need to have better defined policies and processes for those with unique needs," Ms Press said.

ASIC also plans further work looking at issues relevant to consumer outcomes in relation to insurance in superannuation.

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Source

Thailand: Crop insurance premiums likely to increase next year - Asia Insurance Review

Nat CAT in 2019 led to the claims loss ratio in Thailand reaching 200% and indicate the possibility of crop insurance premiums increasing in 2020, reported local publication Bangkok Post citing figures from the Thai General Insurance Association (TGIA).

A total of THB3bn has been paid out this year for crop-insurance claims with a loss ratio registered at 150% which is the highest in the past four years excluding the 2011 flood disaster when claims were as high as 700% according to TGIA executive director Kheedej Anansiriprapha.

He also said that the TGIA will be monitoring claims from Nat CAT closely until mid-2020 and an upward revision of crop insurance premiums is highly possible but that also depends on discussions with reinsurers.

Although the TGIA has the bargaining power to negotiate with reinsurers, data collection and updated plantation statistics are still needed as the crop insurance scheme has only been effective for four years. Thailand is one of the top five countries for crop insurance business in Asia.

Crop insurance in the country currently covers 1600 sq km for farms and expanding insurance coverage to cassava is being considered since this crop has plantation area of about 14,400 sq km.

In 2019, total premiums for crop insurance under government projects are valued at THB2.4bn ($79.5bn) covering 48,000 sq km of plantation area which mainly comprises rice crop insurance.

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Source

Cambodia: Bancassurance to uplift insurance sector - Asia Insurance Review

Grand China Life Insurance and Chief (Cambodia) Commercial Bank have entered into a bancassurance partnership to develop the growing insurance sector in Cambodia.

According to a report from local publication Khmer Times citing Chief Commercial Bank CEO Dr Soeung Morarith, the insurance industry in Cambodia has been undergoing rapid development and its growth will be fuelled by the new partnership.

The bank will advise clients on suitable insurance products, said Grand China Life Insurance CEO Yu Li Qun.

While Chief (Cambodia) Commercial Bank is a Hong Kong-based bank which was inaugurated and received a commercial bank licence in July 2018, Grand China Life Insurance started its operations in the country in March 2018 and its founding partners are from Macau and China.

The insurer offers products such as personal whole life insurance, retirement insurance, personal accident insurance, critical illness insurance, group life insurance and others approved by the government. Insurance penetration in Cambodia is reported to be under 3% which is relatively low.

According to a report from the Insurance Association of Cambodia, there were 12 general insurers and eight life insurers operating in the country as of 2018. The future for the insurance sector appears promising amidst positive economic developments.

Dr Soeung said that Cambodians are reporting higher incomes which has enabled them to spend more on products and services including insurance. Cambodia's national income has raised over the last two decades, he said. It reached $1,548 in 2018 from $830 in 2010 and $288 in 2000.

At the same time, he sees that the significance of insurance is now understood better by Cambodians with revised laws and responsible regulatory agencies.

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