Insurance Institute of India
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INSUNEWS

- Weekly e-Newsletter

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• Quote for the Week •

"Kind words can be short and easy to speak, but their echoes are truly endless."
Mother Teresa

INSIDE THE ISSUE

Life Insurance

Traditional plans dominate approved life products in 2015 - Financial Chronicle – 4th April 2016

The insurance industry still does not seem to be very sure about demand for Ulips and participating life products. As per the data by regulator Insurance Regulatory and Development Authority of India, traditional, non-participating life insurance policies dominated the list of products that received approval in 2015.

Of the total number of life insurance products that received approvals in 2015, 82 per cent were traditional products and only 18 per cent were unit-linked plans (Ulips). The ratio favoured traditional among both public Life Insurance Corporation and the private players. As much as 81 per cent of the approved products of private insurers were traditional plans.

Ulip sales are vulnerable to the vagaries of the market and the Ulip investors have gone through this in the past few years. Though regulatory changes were effected in 2010, sales of Ulips continue to be depressed.

"I believe purchase is dependent on the buyer and seller and everybody wants to sell a product that the sellers are comfortable with. More than a good product, we have to see who is buying it," said R M Vishakha, managing director and CEO of India First Life Insurance. India First's portfolio of products is with equal number of Ulips and traditional products.

"Ulips as such are superior products, but time horizon and risk appetite are important factors while investing in Ulips. After 2010, Ulips have also become extremely competitive with lesser commissions. But many insurers go by traditional plans as volatility in the markets can fret investors. Before selling investors have to be educated about the risks involved in Ulips," said Manoj Jain, CEO of Shriram Life Insurance.

"Insurers which have the backing of banks and large bancassurance channels are seen pushing Ulips better compared those with agency-driven distribution. As we target the bottom of the pyramid, 95 per cent of our products are traditional policies. But some companies have more Ulips in their portfolio," he added.

IDBI Federal Life too is heavy on traditional plans, but has plans to have a balanced portfolio a few years down the line. The current share of Ulips is 7-8 per cent and it is expected to move up to 20 to 30 per cent.

"The awareness level about ULIP products is lower in the Indian market and stock market movements in the past few years have not been conducive for the Ulip investor. There are higher chances of misselling among the uninformed. Ulips are long-term products and investors should not be worried about the short-term stock movements," said Vighnesh Shahane, whole time director and CEO of IDBI Federal Life Insurance.

Insurers also have been slow in terms of filing participating products, which accounted for just 15 per cent of the products approved. In case of private insurers the ratio between participating and non-participating was 14:86.

"In case of non-participating products, they are more specific and the returns are guaranteed and declared upfront. When an insurer is selling a ULIP during times when markets are volatile, he will also have to provide explanation to the purchaser,' said Vishakha.

Source

Health Insurance

Steep rise in diabetes claims in 2015-16: insurance firms - Financial Chronicle – 6th April 2016

Claims related to diabetes and complications arising out of this condition are on a sharp rise. An increasing number of diabetes incidences and higher purchase of health cover have contributed to the rise in claims, especially in metros. Star Health and Allied Insurance witnessed around 200 per cent growth in the number of claims under its diabetes safe insurance plan in 2015-16 compared to the previous year. In 2014-15, the claims had grown by 48 per cent.

SBI General Insurance has seen over 100 per cent growth in diabetes-related claims in 2015-16. Max Bupa saw 62 per cent rise in the number of claims under its diabetic specific product and 23 per cent rise in diabetes claims among those who had taken a general health cover in 2015.

Claims related to the complications arising out of diabetes grew by 100 per cent, finds Star Health. These complications were pertaining to nephropathy, neuropathy, retinopathy and heart problems. SBI General found that amputation, diabetic foot treatment, diabetic retinopathy, incision and drainage of abscess, coronary angiography- bypass were the common procedures claimed for by policyholders. The diabetes-related claims received by Bajaj Allianz too were pertaining to hyperglycemia, diabetic retinopathy, diabetic nephropathy, diabetic neuropathy and diabetic foot.

The average diabetic claim amount rose from Rs 53, 739 in 2014 to Rs 60, 838 in 2015, found out Max Bupa. The average claim size was Rs 53,000 for Bajaj Allianz, growing by almost 10-12 per cent over the last two years. According to a survey by Future Generali, customers do understand that healthcare costs have risen. They, however, don't go for regular health check-ups and prefer to visit the doctor only when they are unwell.

"Among the various lifestyle disorders, diabetes is one illness which has become a major concern for people living in metros, tier-II and III cities. A quick look at some of the available figures clearly indicate that diabetes is assuming endemic proportion in all age and social groups," said Ashish Mehrotra, MD & CEO, Max Bupa Health Insurance.

However, metro cities accounted for major share of diabetes related claims as the penetration of health insurance is better in those cities. ICICI Lombard found that highest number of diabetes related claims came from Mumbai (27 per cent) and was followed by the national capital region at 22 per cent. Almost 60 per cent of the claims come from top 10 cities. For Max Bupa, the highest number of claims -- 68 per cent -– came from Delhi in 2015.

Claims data from different insurers show that the age bracket of 45 to 60 years saw the highest increase in diabetes related ailments. Max Bupa reported 45 per cent increase in diabetes claims under the age bracket of 46-60 years. Star Health saw 139 per cent growth in claims from those above 50 years and this is the age group which has made largest chunk of claims.

The claims from men were higher than women. Men accounted for 64 per cent of the claims, according to SBI General. However, among men 67 per cent of claims were reported after the age of 50 years whereas for women it was higher at 74 per cent. Of the total claims received by Bajaj Allianz last year, majority of the claims (62 per cent) were reported by men. "At SBI General, we analysed our claims data of last three financial years and found out that men are more prone to diabetes in early age as compared to women. The data also depicted rise in the claim amount as the claimants grew older," said Mick Miller, SVP Claims- SBI General Insurance.

Source

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Health insurance to see standardised rates, niche products – Business standard – 2nd April 2016

Health insurance policies may soon may not only have easier servicing and newer types of products, but standardisation will fill the loopholes that lead to hospital overcharging.

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

Rohini will help avoid duplication since every hospital will have one unique identity number. It also has a hospital self-service portal for fresh enrollment, addition/deletion or amendment of already registered details. Also, alerts would be sent to Insurers and third party administrators for any changes in the registry.

Motor and health insurance form the biggest chunk of business for non-life insurance companies and standalone health insurers specialise in this space. However, with the absence of a health regulator, malpractices including over-charging by hospitals, no standard rates for procedures lead to troubles for health customers.

However, going forward, insurance companies are looking at making the products more customer friendly by offering products across income segments and also reduce waiting period.

A senior industry official explained that there would be products coming into the market which reduce the waiting period for pre-existing diseases to as low as one year. "Pricing will be made accordingly for products which have reduced waiting period," he added.

For easier access, insurance companies have already taken baby steps including having own third-party administrators (TPAs) teams to assist policyholders in processing health claims, health cards for cashless policies and overseas medical insurance.

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

While the problem of hospitals overcharging insurance customers does continue, insurers are trying to make some amends to it. In the past, consumer activists had sought pre-packaged rates for ailments but hospitals argued that this is not viable.

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

Further, public can choose the hospitals based on their location preferences, specialities, empanelment of hospitals with insurance companies. Insurers said that this would be beneficial for customers who travel to other cities for treatments.

Insurers are also taking unique steps in this space. Private general insurance company ICICI Lombard has launched 'Health Advisor' which is a search registry for hospitals, treatments available and the costs for the same. Launched with information about 10 cities, this facility is available for all customers.

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

Bhargav Dasgupta, MD & CEO, ICICI Lombard General Insurance said that this would help customers in taking informed decisions. The company collated feedback from a large set of customers to build a this platform, where more hospitals will be added in due course.

This portal is an open access platform that can be availed of by consumers through a website for this purpose. Using this platform, a customer can compare cost of treatment for a particular ailment among hospitals and also compare quality of care for a particular ailment among hospitals.

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

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

Source

General Insurance

Renewal premium remains flat despite hike in motor, CAT covers - The Economic Times – 3rd April 2016

Despite a hike in catastrophic and third-party motor cover, general insurance industry is not laughing their way to the banks as premium for other segments remains flat if the renewals are any indication. The general insurance industry has renewed around Rs 75,000 crore business on April 1, the first day of the new fiscal year 2016-17, at the previous year's premium levels, says market sources.

United India Insurance Chairman and Managing Director Milind Kharat said normally, around 80 per cent of our business gets renewed on April 1. Market leader New India Assurance said there has been a premium hike of 10-15 per cent in fire portfolio due to higher premium charged for natural catastrophic risks but "the rates have remained flat in segments like marine and health insurance which are the larger segments for the industry."

"The premium for natural catastrophic risk has gone up because of higher losses the industry has suffered in last three years on account of a series of natural disasters," New India Assurance chairman and managing director G Srinivasan told PTI.

According to National Insurance Company Chairman and Managing Director Sanath Kumar, "there has been an agreement among insurers that the catastrophe cover should go up, in the aftermath of regular such perils striking the country, the last one being the Chennai floods." "This increase, to the extent of 50 per cent has already come into effect. Since this category is only a portion of the total property premium, the effect would not really affect the customers," he said.

The pricing, especially in group health insurance and properties have remained soft for some time. We do not see any sudden escalation in this. This is influenced by the continued softening of reinsurance market and also intense competition in the domestic market. The regulated pricing for the motor third party segment has been seeing regular increase. Still, the segment is not contributing to any profits, Kumar said.

With several catastrophes happening in the country during the past three years - Uttarakhand floods, J&K floods, Hud-Hud cyclone, Chennai floods - and certain other catastrophes in other countries like Nepal, the catastrophe pricing may be constrained and has risen, Kharat said.

"In the light of the unusual number of natural calamity events that have plagued the country in recent years and the losses incurred therein, we will see a revision in the pricing for such covers," Bajaj Allianz General Insurance managing director and chief executive Tapan Singhel said.

A recent report by Allianz Global said the country's exposure to floods is very high and that Mumbai and Kolkata are amongst the top 10 cities by assets exposure to coastal flooding. "The domestic general insurance industry has not seen any correction in pricing since de-tarrifing and we do not see an immediate change in the near future as well.

"The idea behind de-tariffication was to bring in healthy competition, however, over the years it has led to a price war which will not be sustainable for the industry in the long run. The need of the hour is to bring in rationalization," Singhel said.

Source

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New motor premia in FY17 – Business Standard – 3rd April 2016

Your motor insurance premium will increase from April 1. One reason is the rise in third-party motor premium. According to guidelines issued by the Insurance Regulatory and Development Authority of India (Irdai), third-party motor premium for private cars with engine capacity less than 1,500 cc will increase by 40 per cent. For cars with higher engine capacity, it will increase by 25 per cent. Third-party motor premium is regulated by Irdai and revised yearly, based on inflation and claims. Third-party insurance covers the owner from third-party liability arising out of accidents and is mandatory for all motor vehicles. While it is possible to buy only third-party cover, it is not advisable.

Another reason for the rise in premia is the increase in service tax, on account of the Krishi Kalyan Cess, introduced in this year's Union Budget. The 0.5 per cent cess will increase the service tax rate to 15 per cent. The premium will depend on the model, year of manufacture and whether it is diesel, petrol or CNG. It varies from city to city.

A basic motor insurance will include third-party and own-damage coverage. This will offer protection in case of accidents, theft or damage to the car due to natural reasons, etc. In addition, a host of add-on covers are optional and can be bought at additional cost. Some of these are zero depreciation, roadside assistance, engine protector, key and lock assistance, etc. Select based on requirement.

Source

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India: More terrorism insurance being bought – Asia Insurance Review

A rise in global political uncertainty has led to increased purchases of political violence insurance by Indian companies. These policies are bought by firms that have investments in foreign markets and thus are exposed to such risks.

Mr Ketan Kale, Practice Leader-Credit, Political & Security Risk, JLT Independent Insurers Brokers, said that Indian firms are increasingly coming forward to insure their assets globally, especially in regions such as West Asia and Africa. While proposals for covers in volatile markets are not denied, premiums are comparatively much higher — by as much as 100-600%, reported Business Standard.

JLT Independent recently offered such a policy to a pharmaceuticals client for Yemen. It was a US$10-million cover for political violence.

Mr Sanjay Datta, Chief of Underwriting & Claims at ICICI Lombard GIC Ltd, said that there had been good demand for these products. “Capacity is not a problem since we have a terrorism pool in place. This pool size may increase to INR20 billion (US$302 million) from INR15 billion.”

He was referring to the Indian Market Terrorism Risk Insurance Pool which was established in April 2002. All non-life insurance companies of the country and GIC Re are members of the pool.

Threats from Islamic State militants, the Syrian conflict, violence by Boko Haram and the migrant crisis in Europe are among the risks worrying companies at present.

Source

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Reinsurance

Lloyd’s to apply for reinsurance branch in India - The Hindu Business Line – 1st April 2016

Lloyd’s, the world’s specialist insurance and reinsurance market, on Friday announced that it plans to apply for a reinsurance branch based in Mumbai following IRDAI’s publication of the regulations governing the Lloyd’s market earlier this week.

Lloyd’s has a century-long relationship with India as a provider of offshore reinsurance. An onshore branch will provide Indian reinsurance brokers with local access to Lloyd’s underwriting expertise and innovative reinsurance solutions for complex and specialist risks, including agriculture, infrastructure and disaster management.

‘Unique benefits’
John Nelson, Chairman of Lloyd’s, said: “As an international insurance and reinsurance market, Lloyd’s can bring unique benefits to India.

“We believe Lloyd’s presence will contribute to the development of a more diverse reinsurance market, which is fundamental to the stability and future growth of the Indian economy.

“Lloyd’s will also help to position India as a centre for insurance, reinsurance and associated services.

“Whilst there are elements in the published regulations which may impact the ability of our market to perform to its full potential in India, we are nonetheless pleased that the regulatory framework has now been published, enabling us to submit an application for a reinsurance branch.”

Lloyd's recently announced the appointment of Shankar Garigiparthy as its new Country Manager for India starting April 1. Garigiparthy has over 23 years experience, most recently leading regulatory relationships for Lloyd's in Singapore and across South-East Asia.

Source

Arun Agarwal, General Representative for Lloyd's in India since 2011, continues in his role supporting Shankar and providing expert guidance and counsel to Lloyd's.

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Survey & Reports

Low priority given to buying health insurance: survey - Mint – 6th April 2016

People across all age groups in India do not prefer buying health insurance because of high premiums, according to a recent health survey by Future Generali India Insurance Co. Ltd in which a total of 1,082 respondents participated. The study revealed that while people do understand that healthcare costs have risen, they don't go for regular health check-ups and prefer to visit the doctor only when they are unwell. Most feel that treatment and hospitalisation expenses are too high at the time of treatment of any critical illness, however they don't consider buying health insurance.

Source

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IRDAI Circular

Source

IRDAI issued circular regarding extension for uploading of status of KYC related details for insurance policies on Insurance Transactions Exchange (iTrex) to all insures & IRs.

Source

IRDAI issued circular regarding clarifications on guidelines on cross border reinsurers to all CEOs/CMDs of insurance companies / GIC Re.

Source

IRDAI released the circular regarding IRDA (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2002 to all insurers.

Source

IRDAI issued notification regarding Insurance Regulatory and Development Authority of India (Registration of Indian Insurance Companies) (Seventh Amendment) Regulations, 2016.

Source

IRDAI issued circular regarding non-compliance of award of Insurance OMBUDSMAN to CEOs of all insurers.

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Global News

Australia: Farmers turning more professional towards insurance – Asia Insurance review

Farm insurance is being approached in a more business-like manner by all sectors of the agricultural industry from lifestyle block owners to mid-sized family farming enterprises or corporate agricultural ventures, says Mr Mark Allison, Managing Director of Elders Insurance, one ofAustralia's largest regional and rural insurers.

Family farms have become bigger, with increasingly expensive plant and livestock risks which have to be professionally managed, according to an article in Land & Stock, quoting Mr Allison. "Most family farms are adopting much greater professional financial transparency as part of their planning," he said.

In addition, industry-wide attention on the need for multi-peril crop insurance risk management is indicative of new levels of thinking around farm insurance.

"I'm not sure where the multi-peril insurance agenda will end up in Australia because we don't have access to the sort of underwriting power provided by government in the US," Mr Allison said.

But he noted there seems to be recognition by governments and many insurance industry players of a need for a better platform to support and promote longer term weather risk management strategies and build production confidence.

In light of greater risk management awareness among farmers, Elders has bought back a 10% stake in its own Elders Insurance Underwriting Agency (EIUA), that it had sold to QBE in 2014.

The purchase took place as the federal government last week announced a A$20-million (US$15 million) funding programme to help about 8,000 farmers participate in the programme by covering half the setup costs, up to a maximum of A$2,500. The Managing Farm Risk Programme enables grain farmers to protect themselves against a list of 19 separate perils including drought predominantly, but also frost, heat stress, disease and fire.

Source

It is expected to provide the catalyst for many more farmers to take out multi-peril crop insurance as a self-help measure rather than look to the government for support when they hit a rough patch due to drought and other problems.

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China: 80+% of 2015 online non-life sales via insurers' websites – Asia Insurance Review

Non-life insurers in China collected CNY76.836 billion (US$11.85 billion) in premiums from online sales in 2015, an increase of 52% over the previous year. More than 80% of the sales were made through non-life insurers' own websites. A total of 49 out of 71 non-life insurers use the online insurance channel for distribution.

Third-party online insurance sales platforms attracted CNY6.35 billion in premiums or 8.3% of the total online non-life premiums, reported the Securities Daily. Around 9.7% of total online premiums were received through mobile apps. The market share of third-party online insurance sales platforms and mobile apps has been rising. In 2014, the two channels accounted for 5% each of total online non-life premiums, according to data from the Insurance Association of China.

Source

Auto insurance accounted for the lion's share of online non-life premiums, amounting to CNY71.6 billion or 93.2%of the total.

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Singapore: Cyber insurance mart forecast to grow by 50% this year – Asia Insurance Review

The cyber insurance market in Singapore is forecast to grow by 50% this year as more businesses look to mitigate the high reputational and financial risks associated with cyber breaches, according to AIG Asia Pacific Insurance (AIG Singapore).

As Singapore gears up in its drive to be the world's first Smart Nation, new interconnected technologies and increasing automation mean a rise in threats of cyber attacks and sabotage for all companies.

AIG Singapore's Head of Financial Lines, Ms Lai Yen Yen, said: "While cyber attacks grow in size, volume and sophistication, defensive methods and technologies have not seen a corresponding evolution, potentially costing businesses millions in the event of a cyber breach."

Research undertaken by AIG revealed that two-thirds of public companies in Asia surveyed acknowledged cyber insurance to be increasingly important in the future, although only 9% of these companies were covered by cyber insurance.

Ms Lai said: "Over the past three years, AIG Singapore has seen a seven-fold increase in inquiries about cyber insurance policies. We predict this strong demand from Singapore companies will continue over the next five years. Based on what we have observed, less than 10% of Singapore companies hold such insurance, but we forecast that the number of companies taking up cyber insurance will accelerate to 40% by 2020."

AIG Singapore expects strong demand for cyber insurance to continue from finance and technology companies, and new demand to emerge from healthcare companies. The insurer also forecasts cyber risks in 2016 to range from both internal and external factors, including lack of data encryption, increased use of malware, and outsourcing to third party providers.

"Not only do data leaks result in financial losses including compensation payouts and regulatory investigation, but reputational damage and loss of consumer confidence can also have a long-term impact on a company's bottom line," said Ms Lai.

"The profound impact of a cyber attack means risks of this nature are starting to rank in the top three exposures of any business, regardless of the industry or size. Our research in 2014 showed that 42% of companies were concerned about loss of reputation, and 33% were concerned about protecting against financial loss."

Ms Lai added: "More companies are approaching insurers to seek protection for their business and improve their risk mitigation frameworks. For example, AIG Singapore's CyberEdge® policy can help a company in the event of a cyber breach by getting crisis consultants and legal advisors involved quickly to help mitigate the exposures."

Small and medium businesses (SMEs) are also not immune to cyber risk, and the growing recognition of SMEs' vulnerability has prompted the Infocomm Development Authority of Singapore to launch security starter kits. Building on these efforts, AIG Singapore launched a CyberEdge® insurance product for SMEs in March 2016 to get these enterprises started on cyber protection.

Source

AIG has been providing cyber security protection since 1999, and was the first insurer to launch insurance cover against cyber attacks in Singapore in 2012.