Insurance Institute of India
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INSUNEWS

- Weekly e-Newsletter

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● Quote for the Week ●

"Time is free, but it's priceless. You can't own it, but you can use it. You can't keep it, but you can spend it. Once you have lost it, you can never get it back."

– Harvey Mackay

INSIDE THE ISSUE

Insurance Industry

The fintech disruption in insurance – Mint – 3rd April, 2017

Insurance in India, as it is the world over, has remained a traditional industry with little innovation. While product innovation is largely governed by regulation, there are other aspects of the business that will dramatically change, or even be disrupted, by technology and 'new marketing'. The two major areas of customer experience (and profitability for the companies) in insurance are underwriting of risks and the sales process. Both areas are inefficient and will improve with progress the fronts of technology and new marketing. Let us examine these.

Before purchasing a policy

Intelligent and customised fact-finding: In the bygone era, when customers searched for insurance, they mostly relied on the agent. Today 60% of buyers search on the internet before buying any product. In this fact-finding process, the new marketing will play a role. It is already playing a role to inform and educate the customers. Several initiatives have been launched by the Insurance Regulatory and Development Authority of India (Irdai), and various insurance companies, for customer education but they primarily aim at hygiene matters such as: 'Don't fall prey to wrong selling.' New marketing, on the other hand, will inform and educate the customers about buying the right product, the right amount of insurance and also navigate them through the process. Currently, several websites (including those of insurance companies) claim to do all of these but the quality of their content is poor to average and it also contains too much jargon for the common people to be comfortable with.

Insurance aggregators and comparison websites have been well-established for over 5 years now. There are also websites that provide calculators and guides to aid the decision-making. These will become more refined and sophisticated.

I also expect more such resources coming out in 2017 and beyond, which would offer customized suggestions (such as robot advisories) and simple few-clicks-processing of policy applications. The one who will simplify and clear the jargon jungle around product features, will win people's attention and business. This new marketing can take-off the way digital payments took-off: exponentially.

Credible sources of information and advice are rare. Most of the sites are there to sell, sell and sell. But customers are not stupid and hence are not making purchases quickly. They verify, double check or worse, postpone their decision. However, customers can become loyal fans if given proper facts and guidance to helping them before purchasing the policy. Companies with clear direct to customer (D2C) strategies will succeed. An effective D2C strategy will employ technologies and tools to deliver the right product to the right customer segment at the right time. The days of hard-selling, pushy salesmen are over.

Better pricing and risk coverage: The insurance business is acquired through brokers, dealers, and agents or groups of agents. This means that insurers do not build the detailed data on their end-consumers, to whom they provide covers for risks to motor, life, health or property. This leads to a one-size for all approach. This is set to change with the advent of analytics in business. We already see this in the retail lending industry.

The growth and robustness of data from credit bureaus gives confidence to credit underwriters (banks and lenders) and also provides bargaining power to customers with good credit score. The same should become a reality in the future, even if the beginnings are crude, for insurance underwriting. Initiatives have been taken in this regard but given the size and heterogeneity of India's geography and customer base, this will take time.

With growing penetration of insurance, there is an opportunity for insurers to collaborate and develop models to jointly to tackle the masses and the lower-income segments. Customers have to learn that they will pay an extra premium for risky behaviour such as poor health and bad driving habits. Conversely, good customers can expect better pricing, and will get it too.

Better Service Platform

Companies will try to be closer to the customer: The industry needs to move from managing complaints and grievances, to providing excellent service. This can be done through: ongoing survey techniques, use of technology for easy customer access, and by proactively providing information on the policy to the customer. But challenges exist. Online renewals are still less than 20% of total policies. If a customer was sold the right product in the first place, then the only reason she will lapse a policy is if she is unsatisfied with the service. Unfortunately, the latter happens too often—in the general insurance space during the claims process, and in life insurance because of poor (or even lack of) response from the agent.

Companies need to listen to the customers on a regular basis. In line with this, a rapid adoption of social media as a service platform is taking shape globally. I see an increasing number of insurers trying to upgrade their service infrastructure and make their procedures more convenient.

Source

Rajiv Jamkhedkar is founder and managing director of Serengeti Ventures Pvt. Ltd.

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Life Insurance

With digital identities, the need for physical forms is waning – Mint – 3rd April, 2017

Sandeep Ghosh talks about how fintech can improve customer experience and also allow greater control over insurance distribution.

How has fintech improved the buying experience of life insurance customers? Is there a greater control over distribution?

Insurance being a regulated industry, the requirement of documentation from the customer was humongous. Customers needed to provide proofs for KYC (know your customer), financial capability and insurable interest; to name a few. With the advent of technology and availability of digital identity, this requirement for documentary evidence in the physical form is slowly waning. Fintech has played a major role in this. There is immense value in this process for insurers as well, as the large element of fraud risk is eliminated When a customer is authenticated electronically. It also results in operational efficiency.

We expect the next leap in customer service to be through chatbots.

For a distributor, too, technology has brought forth great value. For instance, the automated need analyser ensures need-based selling. This not only improves the productivity but also gives the insurer more control on distribution.

In the near future, adoption of fintech initiatives like face recognition and smart contracts through blockchain will only improve this control.

Technology also helps us ascertain customers' health and lifestyles; thereby enabling differential pricing.

Will this year see an even greater focus on protection plans, as the industry is focussing on profitability and the protection products come with the highest margins?

Yes, this year will see an increased focus on protection plans, not only due to the margins but because protection remains the primary objective of an insurer. There is a growing tendency to buy adequate insurance and companies are trying to create more awareness about the significance of protection. Also, with the interest rates *in India moving down, protection products will gain even more focus and we should continue to see higher growth, particularly in this segment.*

Claims is an area that needs more attention. What are insurers doing in this direction?

Once a claim is intimated, insurers now proactively call claimants to explain the requirements for settling it. In fact, there are now dedicated claim handlers to personally assist the claimant in filling up the forms and understanding claim requirements.

Insurers have now launched programmes to help claimants in time of distress. We recently launched a grief support programme in which a claimant can call a specialist for emotional counselling, legal opinion on Will or even financial planning.

Last year saw mergers and listings in life insurance. Will consolidation and listings increase this year? How true is it that companies without a bank partner are finding it hard to survive?

Life insurance has a longer gestation period. So while all Indian promoters have a strong financial background, it depends on their priorities. They have been involved in insurance only for 5-15 years and only those promoters who understand the nature of this business will stay long term. So yes, more consolidation is expected. The industry has also seen the exit of major foreign insurers. But globally, consolidation in insurance sector is common. India will also see a consolidation phase.

Source

While having a bank partner will strongly support volumes in the short run, insurers without bank partners will take slightly longer to stabilize, given the lower insurance literacy in India and high attrition of agents. Insurers without a bank partner will be successful in the long term if they are patient and keep doing the right things.

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General Insurance

Agriculture Insurance Corporation on anvil – The Tribune – 31st March, 2017

The state government has set the ball rolling to tackle the crisis in farm sector in earnest.

Apart from asking officials concerned to prepare a proposal to set up Punjab Agriculture Insurance Corporation, the process has also begun to give legal status and restructure the Punjab Farmers Commission.

For value addition in farm produce, a proposal is being prepared to set up Agriculture Production Board under the aegis of the PAU, Ludhiana.

Sources said that a committee has been set up to evaluate debt in farm sector and to waive it in a planned/phased manner. The committee has been told to submit its report within 60 days. The Agriculture Department has been made a nodal agency for follow up action in this regard.

To stop the auction of the land of debt-ridden farmers, a law would be enacted. The department has been told to bring the draft of the Bill in its next meeting with the Chief Minister.

With case of Agriculture Insurance Corporation, sources said, the previous government had rejected the Pradhan Mantri Fasal Beema Yojana because its parameters were not suitable for its farmers. Former Chief Minister Parkash Singh Badal had personally requested PM Narendra Modi to amend certain parameters of the scheme but the Centre did not oblige.

Convinced of the need to provide insurance cover to the farmers, the government is now preparing a proposal to set up its own corporation.

For promoting drip irrigation, the state would give 80 per cent subsidy to the farmers. Likewise, those who would use solar power for operating tube wells and other farm activities would also get 80 per cent subsidy. Provision would also be made to make direct payment of subsidy to farmers.

Sources said that legal status was being given to Farmers Commission to make this body effective. Its main job would be to assist the Agriculture Department to improve the productivity at the farm level and to provide guidance for diversification in farm sector.

Source

Besides, commission would conduct studies on marketing of various farm products and reforms which could be introduced in the sector.

Back

CONSUMER AS KING - Insurer cannot deny claim 30 days after survey report – The Times of India – 3rd April, 2017

A survey report is not binding, and the insurance company has the right to decide whether or not to settle a claim. If this decision is not taken within 30 days of the survey report, the insurance company is bound by the surveyor's recommendation.

Case Study: Madan Lal Gupta and Ram Krishna Khandelwal had taken policies from National Insurance to cover their respective stocks in trade against risks of burglary and house break-ins. During the subsistence of the policies a super cyclone hit Odisha on October 29,1999. Miscreants took advantage of the cyclone to loot the stocks in the factory . Photographs revealed that mobs lifted the entire sound stock, leaving just empty cartons. This was reported to the police on November 3, 1999. The insurance company was also intimated, which appointed surveyors. The preliminary surveyor did an inspection on November 4,1999. Subsequently, the final surveyor reported that there was forcible entry which was evident from broken shutters of the godowns. There was 2ft water in the godowns, damaging the stock. The surveyor observed that loss due to looting was covered under the policy while the loss due to flooding was not. So he bifurcated the loss attributing 15% to flooding and 85% to looting. As per the survey report of July12, 2000, the net claim payable was quantified at Rs 10,47,635. Instead of processing the claim of the survey report, the insurance firm sought additional documents from the insured. Though these were submitted, the claim was not settled on the ground that it had been referred to the corporate office. After persistent follow-up, the company replied on December 12, 2002 that the claim was repudiated as the loss was not due to theft but due to flooding which was not covered under the policy.

Gupta and Khandelwal filed complaints before the Orissa State Commission. Their contention was that the claim should have been paid as loss was due to theft and dacoity.

National Insurance contended that the claim cannot be sanctioned merely on the basis of the survey report. As the policy did not cover the risk of flooding, it argued that the claim was rightly rejected. The State Commission concurred with the insurance firm and dismissed the complaints. Aggrieved, Gupta and Khandelwal filed separate appeals. The National Commission observed that the insurance firm's stand that loss occurred due to floods was contrary to the findings of its surveyor who concluded that exposure of the premises due to cyclone made the place vulnerable and miscreants had looted the goods.

The National Commission also indicted the insurance company for flouting statutory provisions of Protection of Policyholders' Interests Regulations framed by the insurance regulator. Under Regulation 9, the insurance firm has to process a claim and either accept or reject it within 30 days of receipt of the survey report. Where the claim is to be rejected, reasons have to be recorded in writing and communicated to the insured within this period of 30 days.

The Commission noted that in this case, the survey report was of July 12, 2000 while the repudiation letter was issued on December 12, 2002 after over two years without communicating the reasons for rejecting the claim. . Accordingly , the National Commission set aside the order of the State Commission, and directed that the claims be settled as assessed by the surveyor.

Conclusion: An insurance firm cannot refuse to settle a claim recommended by the surveyor after a lapse of 30 days.

Source

(The author is a consumer activist and has won the Govt. of India's National Youth Award for Consumer Protection.)

Back

Bring more crops under insurance cover, Centre tells State govts – The Hindu – 3rd April, 2017

The Union Agriculture Ministry has written to the States, prodding them to extend insurance cover offered under the Prime Minister’s Fasal Bima Yojana (PMFBY) to a larger number of crops this year.

“We have sent letters to all the State agriculture departments proposing that they increase the number of crops notified for insurance and the area covered. We want to create some pressure so that coverage increases and we

reach 40 per cent of cultivated area this year from the present 30 per cent," Ashok Dalwai, Additional Secretary, Agriculture Ministry, told BusinessLine.

Although the PMFBY provides for insurance coverage for all kharif, rabi and commercial crops, only those crops get covered that are notified by the States. "Many States exclude crops such as sugarcane, tobacco and some other high-value commodities to keep their subsidy burden low, as they have to shell out half of it. We pointed out to the States that increased coverage would ultimately benefit their own farmers. When the Centre is willing to increase its allocation, so should the States," another official pointed out.

The PMFBY, which replaced the older National Agricultural Insurance Scheme (NAIS) and the modified NAIS last year, has already increased insurance coverage to 30 per cent of the crop area compared to about 22 per cent under the older scheme in the previous year, according to the Agriculture Ministry. The target is to expand coverage to 50 per cent by next year.

The scheme seeks to provide comprehensive insurance to farmers against the vagaries of nature at very low premia — of 2 per cent of the insured value for kharif crop and 1.5 per cent for the rabi season. For commercial crops and floriculture, the premium is 5 per cent. The rest of the premium charged by accredited insurance companies is shared by the Centre and States. The average insured amount under PMFBY has also increased to ₹1,41,000, compared to ₹63,000 under the older scheme because of the provision that the amount insured can't be lower than the scale of finance to be determined by the district technical committee, the official added.

Source

Back

Big data helps insurers know their customers better – Mint – 3rd April, 2017

G. Srinivasan, chairman and managing director, New India Assurance Co. Ltd, talks about what listing of public sector general insurance companies means for the industry and customers, and how technology can help.

Public sector insurance companies have been given a go-ahead to list in the stock market. How will this bring focus on underwriting profits and on containing expenses?

The focus on underwriting profitability is irrespective of the listing of insurers. The market is extremely competitive and entry of new participants adds to the heat in the market. There are also issues relating to motor third-party segment, where the awards are increasing; but the pricing is not keeping pace with claims. The health portfolio, which is fairly big now, has issues of medical inflation and lack of regulatory controls on providers. Listing will certainly bring all these issues to the fore and make companies do all that is necessary to improve underwriting performance.

Changes to health insurance regulations have allowed insurers to pilot test products.What sort of health insurance products can one expect?

The idea of a pilot product is to make insurers test various possibilities. So, whether insurers want to design a product for a particular illness or for a particular event or duration, it's possible to pilot test these products to gauge the market response.

Insurers need to file the product with the regulator and the approval can take about 3 months. If there are any changes to the policy, the product has to be re-filed. But now the insurer can first test the product, alter it the way she wants and then get it approved. Innovations are already happening. For instance, geography-based pricing is already used.

How has fintech improved the buying experience?

Fintech is playing a very important role in ensuring better customer connect, service and insurance distribution. The insurance sector is in early days (of using fintech) and much will happen in the days to come.

Customers can now buy insurance policies online anytime and use Web aggregators for comparison. The online platform has added to customer convenience in a big way. About 14% of our policies are sold online. Big data and use of health apps can help insurers understand their customers better, which will help us underwrite and price health insurance policies better. And we can use fintech to promote wellness programmes and make sure the policyholders keep a healthy lifestyle.

Fintech will boost the whole preventive care aspect of health insurance and we will see more of wellness programmes being launched.

Turnaround time for claims settlement remains a problem area for health insurance. How can fintech help in this aspect?

Health insurance claim settlements have been substantially speeded up. Technology will definitely play an important role.

But technology alone can't help if there is no standardization, as claims go through several entities—from hospitals, to third-party administrators and then to the insurers.

And each entity has its own system of disseminating information.

Source

Standardization of information would facilitate faster turn around time in a big way.

In fact, this is something that's actively being discussed at various forums but we have not made progress to the extent we would have wished.

Back

Your house and car are valuable. Be smart while insuring them – Mint – 4th April, 2017

As far as insurance is concerned, your money box is not complete if you don't have home insurance or a comprehensive car insurance policy. Although car insurance for a new car is usually bought with the car, there are smart ways of bringing home a good policy. Read on for tips on buying home and car insurance policies.

Home Insurance

A householder's package policy bundles the basic fire insurance along with other covers. Fire insurance covers the structure of the house and its contents from fire and allied perils like lightening, storm and cyclones.

"Perils like earthquake are not included and you need to pay extra, so make sure you include that and other types of natural catastrophes as well," said Sanjay Datta, chief, underwriting and claims, ICICI Lombard General Insurance Co. Ltd.

Additionally, the packaged policy also insures the contents against burglary, and electrical and mechanical breakdown.

Buy the policy on a reinstatement basis, which, in the case of the structure of the house, pays for the cost of reconstruction and pays the full amount for the contents without deducting any depreciation," added Datta.

If you live in a flat and in a housing society, then get the society to insure the structure of the entire building, instead of a stand-alone policy, said Deepak Yohannan, founder and chief executive officer, Myinsuranceclub.com. "What gets paid is the cost of construction. This is pointless for a flat owner who cannot construct the house if others don't," he explained. You can also look for a policy based on an 'agreed value' for flat dwellers. Agreed value factors in the cost of the area as well. So, in the event of a loss, if you choose to take the agreed value then the ownership of your house is transferred to the insurer. You can then take the amount and buy a new house, instead of waiting to reconstruct the older house.

Home insurance can also be bought online. According to M. Ravichandran, president, insurance, Tata AIG General Insurance Co. Ltd, it's important to go through the add-ons and buy what's needed.

"Don't get bogged down by listing every item in the house. Machinery and electronics come with a warranty and can be repaired if under annual maintenance. Insure the big-ticket purchases and valuables and make sure you buy add-on covers such as public liability and rental accommodation covers for the period that the house is getting repaired," Ravichandran added.

Car Insurance

Due to the mandatory nature of car insurance, everyone buys insurance while buying a new car.

As per the law, insurance for third-party liability is mandatory for all plying cars. However, what you typically buy at the car dealership is a comprehensive policy, which contains a cover for own damage as well. This insures your car for damages and theft too.

But don't blindly settle for what the dealer offers you. Shop around for a better rate or a better deal. Then look at the add-on covers.

"Add-on covers—such as return of invoice—pay the entire value of the car without depreciation and are recommended for new and expensive cars. Engine protect or even zero depreciation covers should be looked at," added Ravichandran.

You can also reduce the premium outgo by transferring your no-claim bonus from the previous car when you go to buy a new car.

Lastly, according to Yohannan, make sure when you renew your car insurance policy, and don't compromise on the insured declared value (IDV). This is the value that the insurer will pay if your car is completely damaged or stolen. It is calculated based on the invoice of your car minus depreciation.

Source

"Even as the IDV is fixed, depending on the make, model and age of the car, insurers allow policyholders to decrease the IDV by 10-15% in order to lower the premium. But this is not advisable because at the time of claim it can set you back much more than what you gain by reducing your premium outgo," added Yohannan.

Back

India: Truckers strike over auto 3rd -party liability premiums – AIR – eDaily – 5th April, 2017

An ongoing strike by truck owners over compulsory motor third-party liability insurance premium hikes is set to intensify, even after IRDAI said that it would form a committee to consider reductions in the premiums.

IRDAI said that the committee would be formed, during talks with motor transport representatives in Hyderabad on Monday, reported Indo-Asian News Service.

"There was no commitment on the part of the Insurance Regulatory and Development Authority of India (IRDAI) to reduce the hike in third party premium rates for trucks," All India Motor Transport Congress' Vice President, South Zone, PV Subramani, told the news agency.

"The IRDAI said they would form a committee to consider reduction. We felt this would consume lot of time and hence decided to intensify our strike," he added. The strike started on 30 March ahead of the premium increases of up to 40% which took effect from 1 April.

Third party liability premiums for automobiles are decided by the IRDAI, while all other premium rates are decided by insurers.

Sources said bodies such as All India Motor Transport Congress (AIMTC), All India Conferation of Goods Vehicles Owners Association (ACOGOA), and South India Goods Agents Association (SIMTA) demanded that the premium hikes be suspended and that they should be allowed to go through the data to assess the justification for such a hike. The truckers' associations also demanded that IRDAI should stop deciding premiums for motor third party insurance and this should be deregulated as with premiums for motor self-damage insurance.

Source

According to Mr Subramani, around 650,000 trucks are off the roads in the southern states and the business loss per day is around INR40 million (US$616,000).

Back

NHB to come up with revised property insurance plan soon – The Pioneer – 5th April, 2017

Have you ever thought of your home or property insurance if it is damaged by tree-falling on your house or flood or severe earthquake or any other kind of natural disasters? If yes, you may probably need to get separate policies to cover that kind of damage as housing finance regulator National Housing Bank (NHB) is soon coming with new revised property insurance scheme to protect your house or property.

The NHB is currently studying the existing system of property insurance whether it is viable for the customers in the country or not. Very few people know that property insurance covers only the construction cost of the property they own, but they are not aware of the fact that they can claim the damage of their own home or property.

Confirming the development, NHB Managing Director and Chief Executive Sriram Kalyanaraman said, "We are currently reviewing if the existing system of property insurance is viable for the customers or not. We have also roped in Hyderabad-based Administrative Staff College of India (ASCI) to conduct a study on this topic and they are likely to submit their final report in five months' time."

Even though the NHB is not a regulatory body for insurance like Insurance Regulatory and Development Authority of India (IRDAI), Kalyanaraman is still hopeful that the NHB can always take up this issue with prior consultation with the insurance regulator so as to make home or property insurance more useful for the customers. "The NHB is interacting with stakeholders like housing finance companies (HFCs) and insurers as well for the study. The idea is to know from customer's perspective if the insurance product is useful or not," he said.

When asked about the details of the scheme, the official said, "The scheme is under study and it will be out after the review reports come to us. Our effort is to make more popular for property owners in the country. We hope they will get more benefits than the existing ones which have been offered by insurance companies."

At present, home or property insurance is a completely banking product in India. Insurance providers too are not lacking in their sob stories. However, insurance brokers are of view that many home insurance schemes come with inflationary clauses keeping in mind the increasing prices of resources, land and related labour cost. "Due to rising number of natural calamities and personal accidents, the claims have increased manifold. And since the firms tend to bear the lion's share of the claim expenditures, it makes sense to them to levy bigger premium amount," said an insurance broker.

The general insurance industry has sought tax benefits for insurance for property against the natural disasters. The industry, through the General Insurance Council, has expressed concerns about low penetration of property insurance and sought tax relief so that people are motivated to buy these products.

Meanwhile, the NHB is working on a complete revamp of its residential housing index or 'Residex' and new indices such as rental index and building and construction material index. "We we are likely to come up with revamped Residex over next three years' horizon. The new Residex will be having both evaluated value and registered value of a house as well. NHB is also working on two more indices which include rental index and building and construction material index," he said, adding that the company has roped in the realty research firm Liases Foras for providing the valuable inputs.

Source

As of now, Residex is available for 26 cities. The company is expected to add two more cities very shortly and take it to 45 cities over next couple of years. "Besides, we are also working on automation of refinance which may take less than a year now to complete," he said, adding that the NHB has roped in various State Governments for rationalisation of stamp duty too.

Back

For rabi 'late-comers', it may be a long wait for insurance payout – The Hindu – 4th April, 2017

The suffering of farmers from the drought-hit southern States appears far from over. Poor harvest aside, they now have to deal with a possible delay in settlement of claims under the Pradhan Mantri Fasal Bima Yojana (PMFBY) for rabi (October-December 2016).

The Centre's move post demonetisation, to extend the PMFBY premium payment date, has led to uncertainty in the claim settlement process. The cut-off date for premium payment that was originally set as November 30 (for paddy) was extended to December 15.

This has led to re-insurers questioning the basis of claims, given that some of the policies were issued to farmers after the severe drought condition in the region became apparent. The rainfall was 60 per cent lower than LPA in the southern peninsula during the north-east monsoon, resulting in a sharp fall in acreage under paddy and other key crops in Tamil Nadu, Karnataka and Andhra Pradesh.

Private general insurance player ICICI Lombard has covered 3 lakh farmers across 10 districts in Tamil Nadu — Coimbatore, Cuddalore, Kancheepuram, Salem, Sivaganga, Nilgiris, Thirunelveli, Thirupur, Thiruvallur and Thiruvannamalai.

"The reinsurer has requested claim admission for insured farmers up to the original cut-off date as per PMFBY guidelines. We are in discussion with the Centre and State government along with the re-insurer to work out a solution which is fair to all parties concerned for coverage up to the extended date" said a company spokesperson. Once the yield data is available, insurers may start to settle claims for farmers who signed up for the policy within the first given cut-off date. Others may be in for a long wait.

Government data show that 14.9 lakh farmers from Tamil Nadu were covered under PMFBY in Rabi 2017. A good number of these farmers signed up in December for the policy, say insurance companies.

Source

Re-insurers want the government to bear the loss of farmers who took up policies during the extended period. A source from one of the re-insurance companies, who spoke on condition of anonymity, said: "The policy has been issued to farmers after knowing that the area has gone into a severe drought. This is against the basic principle of insurance where the risk cover is only for an uncertain event. So, we have requested the government to bear the loss on account of farmers who came in late."

Back

Link vehicle insurance with PUC paper: EPCA – The Times of India – 5th April, 2017

More than three out of every four vehicles in Delhi do not have a pollution under-control certificate. Among the few who do get their vehicles tested, an overwhelming 95% across Delhi NCR manage to pass the test, which makes a mockery of the pollution under control (PUC) programme.

These and other disturbing facts -which have a direct bearing on air pollution in the region -have come to light in an audit of pollution checking centres in Delhi-NCR by the Environment Pollution Control Authority (EPCA), conducted at the behest of the Supreme Court. EPCA recommends, the annual insurance of vehicles be linked with PUC certificates as a way to ensure 100% compliance with pollution norms in Delhi-NCR. Apart from abysmally low compliance levels and poor testing standards, the EPCA audit also found that data on vehicles undergoing PUC tests was not being properly maintained and there was hardly any monitoring of rules.

The report, which is in the draft stage and is now being expanded to add more towns, shows a shockingly low compliance rate for PUC testing in the NCR towns studied till date. The report cites data supplied by Delhi transport department for the period November 2016 to January 2017, which says 1.37 million PUC tests were conducted. The total number of vehicles in Delhi was 6.47 million as on August 2016.

Taking into account the number of BS-IV and pre BS-IV vehicles, as well as the break-up of two, three and four-wheelers, the report says, "The number of PUC tests to be conducted per quarter should be at least 5.91 million." The compliance rate is thus a dismal 23.2%. "A large number of vehicles in Delhi, around three out of every four vehicles, remain outside the PUC testing network," the report concludes.

That's not all. The testing methodology too was found to be lax, which has resulted in low fail rates across NCR. While the failure rate -the number of vehicles failing the emission test -is 4.69% overall, it's a spectacularly low 0.49% in NCR towns of Uttar Pradesh. In fact, in UP, the failure rate of two-wheelers is only 0.39% and that of four wheelers, 0.59%.

Incredibly, 43.92% of vehicles tested, which were pre Bharat Stage IV, had smoke density values between 0-10 HSU -which makes these vehicles super clean in terms of emissions. Pre-BS-IV vehicles are allowed smoke density values up to 65 HSU, while for BS-IV it is 50 HSU. Only 1.14% of BS-IV vehicles were found to be in the 50 HSU range.

In Delhi, the testing quality was hardly any better. The fail rate for diesel vehicles in Delhi was a meagre 1.61% while for petrol vehicles, it was 5.18%. Only 4.65% of vehicles running on a different fuel failed the emission test. Delhi's PUC data showed nearly all diesel vehicles tested were below 50 HSU. More than three-fifth of diesel vehicles had smoke density values that were as less as 60% of the norm set for BS-IV vehicles. Shockingly, 20% of the 12 lakh petrol vehicles whose data was shared had zero carbon monoxide values, while 88% of two and four-wheelers apparently meet the stringent standards for hydrocarbon emissions.

Few state governments seem to have adequate data, not even a cumulative list of the percentage of vehicles complying with PUC rules. The draft report says that in most NCR towns, data-keeping is purely manual. Records of the number of vehicles tested, registration details and year of manufacture are maintained although actual tested emission levels of both diesel and petrol vehicles is not available in most districts.

As the draft report says, "Poor quality of PUC databases has restricted the scope of this assessment."

The report finds a number of other lapses, including ill maintained equipment, lack of documentation on calibration of equipment as well as fake certificates. It recommends standardising periodicity of PUC certificates; introducing automatic online network of transmission of PUC data to a central server to minimise interference and allow for proper analysis and strengthening inspection of PUC centres for quality control. It also suggests overhauling the emission tests and tightening norms for diesel vehicles.

Source

Ironically, EPCA had in 2003 carried out a similar exercise for the Supreme Court, which had revealed systemic problems with the PUC programme. The draft audit report states: "The new assessment shows that while several of the systemic problems have continued, newer challenges have emerged." The EPCA has now asked for more data from the various state governments, as well as broadened the scope of the study by auditing more NCR towns, said an EPCA member. "The report will be finalised and completed by end of April," the official said.

Back

India: Auto 3rd -party liability premiums hiked by up to 40% - AIR – eDaily – 3rd April, 2017

The insurance regulator has increased third-party liability premium rates by up to 40% across various categories of motor vehicles for the new financial year which began on 1 April.

The increases are lower than previously envisaged. In an exposure draft issued on 3 March, IRDAI had proposed an increase of up to 50% for certain categories of vehicles.

"After examining the comments received from various stakeholders, the Authority has revisited the premium rates," Yegna Priya Bharath, Chief General Manager (Non-Life), IRDAI, said.

The quantum of increase varies widely depending on the category of vehicles, such as two-wheelers, private cars, goods carrying vehicles, trailers and others.

IRDAI decides the pricing for third-party liability motor policies which are mandatory for all vehicles running on Indian roads.

There is no hike in the premium rates for private cars with an engine capacity of less than 1,000 cc as well as two wheelers with an engine capacity of less than 75 cc.

The premium for cars with 1,000-1,500 cc engines is 40% higher at INR3,132 (US$48.32). The increase is also 40% for bigger cars and SUVs (above 1,500 cc). The premium for two-wheelers in the 75-150 cc category is up by 16% to INR720, and for those in the 150-350 cc by 40% to INR970.

Source

The premium rate for trucks of less than 7.5-tonnes (gross vehicle weight) in the public carrier segment has not changed. For trucks in the private carrier segment, there is a marginal increase for sub-7.5-tonne trucks, while for others the increase is in the 5-40% range.

Back

Insurance hike to spike transport cost – The Times of India – 30th March, 2017

Prepare to shell out more to commute, be it by personal car or public transport. A hike in insurance premium, announced on Wednesday, will lead to a rise in cost of all commodities with the Insurance Regulatory and Development Authority (IRDA) bringing in up to 50% increase in premium for car, bikes, buses and trucks.

Private bus operators, lifeline to 65% city commuters, threatened to go on strike if they fail to get the fare revised after meeting the transport minister on April 1.

The goods transport sector is going for an indefinite strike from April 1. "We hope all of the 3.5 lakh trucks in Bengal keep off the road. We demand rollback of the unilateral decision of IRDA. This would lead to the collapse of the transport sector that has somehow managed to withstand the successive assault of diesel price hike," said Mahinder Singh Gill, president of Federation of West Bengal Truck Operators Association, the biggest body of truck operators in the state.

"We are already in a hand-to-mouth situation due to massive increase in cost of operation. Many have left the trade. But we are still operating as our commitment is to the society. The state government has refused to raise the fare. After profuse bleeding, the trade will have a natural death," said Tapan Bandyopadhyay of joint council of bus syndicate. He, along with representatives of seven other associations, will meet the transport minister after an agitation in front of the Paribahan Bhavan.

The diesel price hike by Rs 13 per litre in last six months in eight installments has proved to be a body blow for the transport sector. The steep hike in premium could be a death knell for lakhs of trucks and buses in Bengal. "We sincerely want the state government to raise the fare so that the trade can survive. If the government does honour our demands, we don't have to go on strike," said Bandyopadhyay.

General insurance companies are not too happy with the extent of revision in the third-party (TP) motor insurance rates. The TP portfolio, a loss-making proposition for all the insurance companies, is regulated by IRDA. The average loss-ratio for the industry is as high as 130%, which implies for every Rs 100 income, expense is Rs 130. The IRDA started revising TP rates every year from 2013.

A former official of National Insurance Company said most of the insurers are not very happy because premiums have not been revised proportionately. "Most of them feel the premium in the commercial category should have been more," he added. Rakesh Jain, CEO of Reliance General Insurance Company, pointed out the largest category of vehicle, the under-1000cc category, has been spared despite the inflation factor.
"The chances of break-even will be less," he added.

Source

Back

General insurers begin New Year on a strong footing – The Financial Express – 5th April, 2017

With 10-30 per cent hike in the premia for certain categories of corporate cover, the general insurance industry renewed over Rs 1 trillion worth of policies on April 1. April 1 is the time for most renewals for large customers and mega policies. The industry closed 2016-17 at Rs 1.23 trillion, up from around Rs 96,000 crore in 2015-16. "Fire and group health insurance premia have gone up by an average of 10-30 per cent. Motor third-party premium has gone up as per Irdai advices," G Srinivasan, chairman and managing director of New India Assurance told PTI. State-owned domestic reinsurer GIC Re also had a productive April 1 renewal season in the new fiscal. By and large, it has been able to maintain its market share by meeting half of the reinsurance needs of the domestic market.

"Some segments have seen a price hike like catastrophe risks. Pricing is driven by experience of the accounts and the underlying exposures," Alice Vaidyan, GIC Re chairperson said adding, "accounts with consistent losses have seen some premia increases across risk and catastrophe cover."

Driven by PM's Fasal Beema Yojana, the market has grown significantly by about 25 per cent in 2016-17 and with the sustained momentum for crop insurance coverage, similar growth can be expected in 2017-18 as well, she said.

The industry has been able to increase premia for select segments like property insurance, by 10-15 per cent due to firming up of prices.

National Insurance has been able to secure all the renewals, its chairman Sanath Kumar said, adding that they have been able to re-price group health insurance and hike some property policies where there have been frequent losses.

According to Kumar, prices have been flat across the base in some industrial segments like power and chemicals, while loss-based revision has happened in certain others. GIC Re continues to be the bulwark of support for non-life insurance business, Kumar said and observed that so far foreign reinsurers have not been aggressive.

Agreeing with Kumar, Srinivasan said it is early days for new reinsurers from overseas as they are yet to become fully active. Tapan Singhel of Bajaj Allianz General Insurance said renewals by corporates, especially property and group mediclaim continue to be volatile. He said they are hopeful that in the current fiscal, the industry will look at pricing more rationally and work towards creating superior underwriting, service capabilities. "Pricing had seen some unreasonable lowering since

"Pricing had seen some unreasonable lowering since detarrification which was unviable for the industry," AV Girija Kumar, officiating chairman of United India Insurance said, adding some price correction has already happened.

Reliance General has been able to retain almost all of its clients for the current fiscal too. "We've retained almost all of our clients and we are expecting reasonable growth in premium in the current fiscal," Rakesh Jain, Reliance General chief executive said. Liberty Videocon has seen prices going up by 5-15 per cent, its CEO Roopam Asthana said.

Source

Back

Health Insurance

Insurance coverage of TB negligible in India – Financial Chronicle – 30th March, 2017

Although India carries a huge burden of tuberculosis (TB), only a miniscule number of patients are covered by insurance as health insurers have not yet penetrated to the economic classes, which register a higher incidence of the disease.

As per World Health Organisation data, India has the highest incidence if TB with 2.2 million out of the global 9.6 million cases in 2011. This number was revised to 2.8 million in 2015.

It, however, claims TB account for less than five per cent among most of the health insurers. In case of Star Health and Allied Insurance, it is just about five per cent. TB makes for one per cent of the total health-related claims of Bajaj Allianz General Insurance and in case of United India Insurance too it is very small percentage of the total health claims.

"Health insurers largely cover upper class, middle urban and middle rural population. The incidence of TB is higher among the lower strata of rural and urban masses, which is not covered by them. A lot of affected people are treated as out-patients and hence that too goes uncovered. Insurance companies come in to the scene when other complications arise out of TB and require hospitalisation,' said S Prakash, executive director, Star Health and Allied Insurance.

The central and state governments along with other agencies have been working on TB control programmes, but the insurance sector has not been involved in these programmes.

According to C R Vijayan, general manager, Health, United India Insurance, TB in India has not reached to a level where any agency has asked the insurance companies to devise a product. "If there is a demand, we will look into it,' he said.

Though states like Bihar, MP and West Bengal are among states reporting higher prevalence of the disease, eastern and central region together account for less than six per cent of the total claims of Star Health. Health insurance penetration is lower in these regions.

Further, the insurance coverage has not been growing commensurate to the growth in the incidence of the disease. Over the last three years, the number of claims reported at Bajaj Allianz for TB and related ailments has grown at 2 per cent CAGR. However, the average claim size has grown by 7 per cent in the past three years. The average claim size for TB at Bajaj Allianz ranges between Rs 34,000 and Rs 38,000.

Source

The incidence of TB among men has been historically high compared to women and it has been growing year-after-year. Men accounted for 51.08 per cent of TB claims of Star Health which grew by 2.16 per cent in 2016-17, while claims made by women de-grew by over two per cent.

Back

Govt mulls health insurance cover for weavers under ESIC – Deccan Chronicle – 2nd April, 2017

The government is considering a proposal to bring handloom and powerloom weavers under the health insurance scheme of Employees State Insurance Corporation (ESIC).

The move will provide health insurance cover and facilities through ESIC to around one crore weavers. Besides, it would also cover around three crore dependents of the weavers insured under the scheme.

Labour Minister Bandaru Dattatreya had assured a Member of Parliament and weavers at a public function that the government will evaluate the proposal to include handloom and powerloom weavers under the ESIC scheme. Rajya Sabha MP from Andhra Pradesh Ananda Bhaskar Rapolu has asked the minister to expedite the proposal.

"I pray for your expeditious consideration to extend the ESI coverage to weavers of both handloom and power loom, unorganised individuals and societies and master weavers...," Rapolu said in the letter to the labour minister.

At present, there are over two crore insured persons covered under the ESI scheme.

The scheme covers a population of around 8 crore including the insured persons and their dependents. The medical care under the ESI scheme entails primary, secondary and tertiary medical care with no cap on individual expenditure.

Source

The contributions under the ESI scheme are related to the paying capacity as a fixed percentage of the workers' wages, whereas, they are provided social security benefits according to individual needs without distinction.

Back

Buying health insurance? Here are 4 tips you must know about – The Financial Express – 3rd April, 2017

Buying a health insurance can be a difficult task. Here are four factors that you must consider before finalising the cover.

Network hospital coverage

While selecting an insurance policy, check how many hospitals are included under the insurer's hospital network. Make sure that the hospital you are most likely to visit is covered in this list.

Claim settlement ratio

Look at the claims settlement ratio (CSR)—the percentage of the total claims the insurer settles. Look for an insurer that has a high CSR as such insurers settle a high percentage of claims and pay out a good amount.

Waiting period

Insurance policies don't become active the instant you buy them. They specify a time frame after buying the policy during which you cannot claim any insurance benefits, known as the waiting period. They are of three types: initial waiting period, pre-existing ailment waiting period and disease-specific waiting period.

Pre-existing waiting period exempts the insurance company from settling a claim for an ailment you had before buying the policy. The length of this waiting period depends on the pre-existing disease one is suffering from and can be anywhere from a month to a few years depending on the product that you might be evaluating. The disease-specific waiting period is for two years but the period might depend on your age, depending on the plan you are evaluating. It applies to a list of diseases that you will receive with the policy.

Waiting period is important is maternity cover. In such cases, the waiting period is two to five years, but some covers offer a waiting period of just nine months.

No claim bonus

Most insurers give an incentive if you don't make a claim (sometimes even allow you to make a small one) during your policy term. This incentive is called no claim bonus and is offered when one renews the policy. While selecting a health insurance policy, look at the maximum no claim bonus period and the no claim bonus rate. Your cumulative bonus will be higher if these two are high. Accumulated NCBs may get reduced when you claim, however, some plans offer guaranteed NCB benefit that has accrued for claim free years.

Source

The writer is chief innovation and marketing officer, Bharti AXA General Insurance.

Back

Know the health insurance policies you really need – Mint – 4th April, 2017

Health insurance is important but does this mean you need several policies or you buy anything that passes off as health insurance? We spoke to experts for answers and this is what we got. For most people, the health insurance portfolio shouldn't have more than a basic health insurance policy that pays for hospitalization, a top-up policy to enhance this cover and a critical illness policy to supplement income in case a serious ailment leaves you without a job or there are additional expenses.

Start with basic cover

A basic health insurance policy is also called an indemnity policy. It pays for hospitalization expenses including pre- and post-hospitalization costs. "Make sure you buy a policy with fewer restrictions even if the sum insured is small," said Mayank Bathwal, chief executive officer, Aditya Birla Health Insurance Co. Ltd. "Restrictions in the form of sub-limits on room rents, on specified medical conditions, co-payments or waiting periods may mean that you get health insurance cheaper, but the impact of all these restrictions can be severe at the time of claim. As long as you can afford it, avoid these restrictions," he added.

You should also avoid unnecessary add-ons; it also helps reduce costs. "Some add-ons are consumer specific. So buy a policy where you can opt out of these if needed. For instance, OPD (out-patient department) benefits in India are still not efficient, as the premiums are close to the benefit paid. So, if you opt out of OPD, you can reduce your premium outgo," said Bathwal. Families should consider floater plans. These are cost-effective. Such policies consider the entire family as one unit; so whoever makes a claim, the sum insured reduces by that much for the entire family in the year. "Since most insurers now offer the restore feature—where the sum insured can be restored even after a claim is made, for the rest of the family members—floater policies have become meaningful. But if you have a very senior citizen or a person with a pre-existing ailment, it's better to get individual insurance for them," said Mahavir Chopra, director, health, life and strategic initiatives, Coverfox.com.

How much do you need?

You can use a top-up policy to be adequately insured. A top-up is a regular indemnity plan that covers hospitalization costs but only after a threshold limit, known as deductible, is crossed. So, use your base health insurance policy to make a claim up to the deductible amount, and a top-up plan for payments over that. The deductible feature of a top-up plan makes it cheaper because it reduces the liability of the insurer. Higher the deductible, cheaper is the top-up plan. "A person can consider a basic cover of Rs10 lakh and with that as the deductible, a top-up cover of about Rs20 lakh will come cheap," said Chopra. "A high sum insured is recommended, as then you don't have to keep reviewing your cover," he added. Read more about top-up plans here: bit.ly/2lSfwOh.

Get a critical illness plan

What if a serious ailment leaves you high and dry? Defined benefit policies play an important role here. Consider a critical-illness plan that pays a lump sum upon diagnosis of critical ailments. "The big worries are cancer, heart conditions, diabetes and liver conditions. So a good critical illness plan should cover these and complications arising out of diabetes at the very least," said Antony Jacob, chief executive officer, Apollo Munich Health Insurance Co. Ltd. Read more about these here: bit.ly/2nbAASQ.

Buying health insurance is important, but what is equally important is to ensure that there are no shocks at the time of claim. Remember that these policies come with a waiting period clause on pre-existing ailments. "When shopping for a health insurance policy, use the opportunity to get a full health check-up done, even if the insurer doesn't insist on one," said Jacob.

Source

This way, there won't be any confrontation on pre-existing ailments at the time of making a claim.

Back

Parental claims key driver of group insurance claims – Financial Chronicle – 5th April, 2017

Survey finds 60 per cent firms offer parental health cover. Firms control rising claim outgo via employee-sponsored parental cover

A majority of companies which offer group insurance policies to their employees are seeing a steady increase in claims. Parental claims account for the largest chunk of such claims, finds a study.

The companies have seen an incremental increase in the number of claims ranging between 10 per cent and 40 per cent, finds a survey done by Bajaj Allianz General Insurance. Of this, 38 per cent claimed that they were witnessing a 30 to 40 per cent rise in claims every year, 22 per cent saw the claims rising by 20 to 30 per cent and the remaining 40 per cent witnessed an increase less than 20 per cent.

This increase made a large number of companies hike spend on group mediclaim policies year after year.

"There is a sizeable increase in the number of claims and the claim value as people covered under each group is going up. Medical inflation is rising by 8 to 11 per cent along with the medical advances and awareness among people,' said Dr Prakash, senior executive director, Star Health and Allied Insurance.

Across all firms, parental care was found to be the key driver under the group mediclaim policy as 60 per cent of the surveyed organisations offer parental health cover. Other major reasons for rising claims were maternity care and treatment for lifestyle related diseases.

According to the data from Marsh India Insurance Brokers, parent claims form 58 to 65 per cent of overall medical claims. Maternity claims range from 23 to 25 per cent and critical illness/chronic conditions account for around 12 per cent of the claims, said Sanjay Kedia, country head and CEO, Marsh India Insurance Brokers.

Top four measures introduced by firms to curtail the increased claims outgo are wellness and healthcare plans, co-pay options, employee-sponsored parental cover and deductibles and sub-limits.

"Companies have adopted different measures to control claims in different categories, ie., parent, maternity, and critical illnesses. Policies have lock-in period for parents' enrollment and co-pay on claims to ensure better healthcare consumerism. Restrictions on cost variations through sub-limits for non-life threatening surgical procedures like joint replacements, cata-ract, etc. and voluntary structure with subsidised rates for better sustainability is also being explored by many companies,' said Kedia.

Similarly, in case of maternity claims, review of hospitals used and negotiating package rates and implementation of various pregnancy care programmes to improve normal to c-section ratios will help bring down claim amount. Several companies are introducing wellness programmes, discounts on out-patient treatments, screening and awareness initiatives to tackle lifestyle diseases.

Source

'Insurers have to identify groups as per their risk profile, avoid anti-selection, underwrite the risk appropriately and price it accordingly. When the industry starts doing this, the loss ratio will come down from the current levels of 120 per cent," added Prakash.

Back

Regulations

India: Actuarial panels appointed by regulator – AIR – eDaily – 4th April, 2017

The insurance regulator IRDAI has named two panels of actuaries -one for life insurers and the other for non-life - to whom insurers can turn for services.

Each panel of actuaries will serve for three years till 31 March 2020.

There are nine actuaries appointed to the non-life and health panel. They include one from Singapore and two others from the UK. On the life panel, there are four actuaries.

The panels are set up, given the shortage of actuaries in India. If insurers are unable to hire an actuary who satisfies the qualifications set out by IRDAI, they can use services of any actuary on the panels.

Source

The panels can be consulted on estimation of reserves, solvency margins and the vetting of products to be launched by insurers.

The actuaries were selected following an invitation in February by IRDAI for an expression of interest from individual actuaries and actuarial firms.

Back

IRDAI reluctant to roll back hike in motor third-party premium – The Hindu – 4th April, 2017

The protest against the steep hike in motor third-party insurance premium for goods carrying vehicles is set to intensify.

Irked by the refusal of the Insurance Regulatory and Development Authority of India (IRDAI) to roll back the hike in premium even after six days of the truckers' strike in South India, transporters are gearing up for a nationwide strike from April 8.

"The hike in premium has been decided on the basis of a certain well-defined formula after proposing the same in an exposure draft before notifying the final rates. The regulator is not willing to roll back the hike now," a senior IRDAI official told BusinessLine here.

The representatives of the All India Motor Transport Congress (AIMTC), South India Motor Transport Association (SIMTA) and All India Confederation of Goods Carrying Vehicle Owners Association had met the IRDAI team on Monday to seek a reduction in premium, but in vain.

As there are many stakeholders in the mandatory motor third-party cover, a decision on roll-back cannot be forced by strikes. "This has been conveyed to the transporters," the official said.

According to the new rates which came into effect from April 1, the premium for goods carrying vehicles went up by over 40 per cent with varying rates depending on their load. For instance, the premium that was earlier in the range of ₹15,365-24,708 had gone up to ₹23,047-37,062.

Why the hike

According to Puneet Sahni, Head — Product Development, SBI General Insurance, hike in motor third-party cover premium was necessary due to a variety of factors.

"While it is true that the hike is substantial, it is unavoidable as the category has a claims ratio of 150 per cent. Even after the hike, the losses will be around 100 per cent," he told BusinessLine.

Further, there has been an annual increase of 14-15 per cent in the awards being given by the motor accident tribunal, which is causing higher payouts from the insurers. Protests over hike in third-party premium rates are not new. Three years ago, there were similar protests by truckers in Chennai and Coimbatore when the premium rates were proposed to be hiked. But now that the new premium rates have already come into effect, it is unlikely the IRDAI will heed to pressure, say experts.

Source

Back

Pension

India: Retirement readiness of population is at nascent stage – AIR – eDaily – 31st March, 2017

India's state of "retirement readiness" and awareness of retirement investing are at a nascent stage. With a young population base of nearly 300 million+ people under the age of 35 in India, the stage is well set for raising awareness and promoting disciplined retirement savings schemes to enable retirement income security for all Indians, according to Mr Luis Valdes, President of CEO, Principal International, a global retirement and insurance solutions provider.

"Increased awareness of core retirement metrics such as target "Income replacement ratios" and saving "contribution rates" for retirement early on in life is only starting to get some attention at this point across the broader working population in India," Mr Valdes said in an interview with Businessworld.

He said that while India's retirement planning systems have seen increased traction over the past two or three years, they are still at a nascent stage. Vast sections of unorganised and self-employed individuals do not have access to retirement savings vehicles.

To make the population more more retirement ready, the government could spell out very clear taxation policies for retirement savings solutions for the long haul. Giving retirement solutions suitable tax incentives for both contributions and withdrawals at retirement is key, he said.

The government could also permit the mutual funds industry to operate notified portable "defined contribution" retirement schemes with suitable tax benefits to offer more choice to employers and employees, and to drive innovation in the retirement savings market. Other financial market initiatives such as having a deep and vibrant debt market are also important.

Mr Valdes added that the government and the investment industry have an opportunity to work together to build a solid and robust multi-pillar pension system with various providers and solutions with the active participation of specialist private companies.

Source

Back

Several age-old schemes, including EPFO, ESIC, will cease to exist; here's why – The Financial Express – 31st March, 2017

Once the proposed omnibus Labour Code on Security and Welfare (LCSW) comes into force, several age-old schemes – including the provident fund, pension and insurance schemes run under the EPF Act, 1952, and the sickness benefit scheme under the ESIC Act, 1948 – will cease to exist in their present forms. Also, organisations including EPFO (along with its board of trustees), ESIC and the director-general of welfare will be dismantled and *merged into a new structure, comprising a National Social Security Council and Central and state Boards that would oversee and regulate all social security funds and schemes in the country.*

According to official sources, all the assets and funds under the 16 extant social welfare schemes would be divided among the Social Security Funds (SSFs) to be set up in each state. While the EPF corpus consisting of 17 crore subscriber-accounts will be divided among SSFs proportionate to both the subscriber bases and fund sizes, EPFO funds under pension and insurance schemes, being "pooled funds", will be devolved to the state boards solely on the basis of the number of subscribers in each state, they added. The SSFs – and their respective scheme funds – will vest with the respective state boards.

Of the 34,000-strong workforce of EPFO and ESIC — which is divided equally between the two, the Grade A officers will remain with the NSSC/Central Board while others will be deputed to the state boards, where they are currently posted, while being central government employees.

"The reorganisation won't require any change in state laws," a labour ministry official said. When asked if the proposed recast won't require the states' consent, he said state governments have been involved in the formulation of the new structure and have favoured the plan. "They (states) will have more discretion under the new structure," he added.

A host of other welfare programmes currently run by the Centre — and implemented with the help of states — will also be subsumed in the new structure, along with the respective administrative machinery. These include the schemes for maternity and unemployment benefits and schemes for the disabled. Sundry welfare funds — some of which funded by specific cesses — such as those for iron ore/manganese ore/chrome ore workers, building and construction workers, audio-visual workers, bidi workers, etc, — will also collapse into the proposed SSFs.

Source

Back

EPFO defers decision to invest more in ETFs – Financial Chronicle – 30th March, 2017

Trustees of retirement fund body EPFO on Thursday deferred the discussion on the proposal to increase investments in ETFs to 15 per cent, from the current 10 per cent of investible deposits, in 2017-18.

However, the Central Board of Trustees (CBT) agreed in principle to cover around 62 lakh volunteers of Anganwadi, Asha and mid-day meal workers under the social security scheme run by the Employees' Provident Fund Organisation (EPFO).

Besides, the trustees also decided to allow all banks including private ones to collect contributions from employers and make payments to employees in addition to SBI, nationalised banks and payGov platforms on a pilot basis.

On being asked about a decision to further enhance the equity investment cap of the provident fund money, Union labour minister Bandaru Dattatreya said the matter was not discussed at the CBT meet.

"The proposal was not discussed. We will discuss it in the next meeting to be held in 15-20 days," Dattatreya, who chaired the trustees' meeting, said.

The EPFO can invest 5 to 15 per cent of its investible deposits into equity or equity linked schemes as per its investment pattern.

However, the EPFO wanted to deliberate on the proposed move of raising its investments in ETF in the meeting of its apex decision making body CBT.

Taking cautious steps, the retirement fund body had decided to invest only 5 per cent of its investible deposits of around Rs 1 lakh crore every year into stock market in August 2015.

The body was so conscious that the trustees and government top brass on board of the CBT chose exchange trade funds for their venture into the stock market.

The EPFO has invested Rs 18,069 crore in the ETFs till February 18, 2017 and yielded a return of 18.13 per cent on these investments.

During the 216th special meeting of the CBT here, the body has decided to extend Employee Enrollment Campaign till June 30, 2017.

The campaign aims to enroll left out employees and provides incentives to employers in the form of waiver of administrative charges, nominal damages at Re 1 per annum and waiver of employees share if not deducted.

"The CBT took note of the extension of employees' enrollment campaign (EEC) by the government for additional three months beginning April 1, 2017," the EPFO statement said.

In an important decision, the statement said the CBT recommended to the central government to consider issuing a notification for extending social security benefits to the volunteers of various schemes workers i.e. Anganwadi, ASHA, mid-day meal workers under the ambit of EPFO.

The board of trustees, it said, has also decided to allow banks to collect contributions from employers and make payments to employees in addition to SBI, nationalised banks and payGov platform through direct net banking services.

Source

This introduction is expected to bring down the cost for employers for transactions and will facilitate more options for employers/employees to transact with the EPFO. For collection of contributions through aggregator, competitive bids may be called for from all banks, it said.

Back

Govt may hike salary threshold to Rs21,000 for mandatory PF coverage – Mint – 6th April, 2017

The Union government is likely to walk a middle path and increase the wage threshold from Rs15,000 to Rs21,000 for mandatory provident fund coverage instead of the Rs25,000 proposed by the Employees' Provident Fund Organization (EPFO), said at least two government officials, on the condition of anonymity.

The Rs21,000 cap will help bring in over six million more employees under the social security net without putting a strain on the government exchequer.

While EPFO plans to increase the wage threshold to Rs25,000, considering the financial implications for the Central government, the labour ministry is almost ready to moderate the hike in the wage threshold to Rs21,000, said the two government officials.

Once it's formally passed by the central board of the EPFO, organized sector employees drawing a monthly salary up to Rs21,000 will come under the mandatory coverage of the EPFO which provides PF, pension and insurance to its subscribers.

Right now, all workers drawing a monthly salary up to Rs15,000 are covered mandatorily under EPF and the Employees' Pension Scheme (EPS) social security benefits. Employees earning above this threshold join EPFO voluntarily.

Every month, salaried workers contribute 12% of their salary to EPF and the employer matches the sum. From what the employer contributes, 8.33% goes into EPS, which offers pension for life post retirement. The government contributes 1.16% to the pension kitty of every PF member whose salary is under the wage threshold. When the initial plan to hike the EPF wage ceiling was mooted last year, post the implementation of the 7th Pay Commission, the Central government "sought clarifications" on how much will the increase in wage ceiling impact the government exchequer and whether this will "entail additional contribution" by employers as they pay 3.67% of the basic wage for EPS, as per labour ministry documents reviewed by Mint.

"The ministry did its calculations and found increasing the threshold to Rs25,000 will cost the central government Rs6,750 crore per year and increasing to Rs21,000 will take it to Rs5,659 crore per year," said the first government official quoted earlier.

Increasing the threshold to Rs25,000 will effectively mean that the Central government will have to spend Rs2,708 crore more than what it is doing now, and capping the threshold at Rs21,000 will result in an extra cost of Rs1,617 crore, as per government documents.

The second labour ministry official quoted above said that since the wage threshold for employees' state insurance run by ESI Corp. has been hiked to Rs21,000 in recent months, "it makes sense for hike in the PF threshold to be at the same level."

Source

The EPFO hiked the wage threshold from Rs6,500 to Rs15,000 in August 2014.

The EPFO manages over Rs8.5 trillion retirement fund, and currently, has an active subscriber base of over 37 million.

Back

EPFO rate must be cut upward of 50 points, Finance tells Labour – The Indian Express – 6th April, 2017

AFTER QUESTIONING the tenability of an interest rate of 8.65 per cent for subscribers of the Employees' Provident Fund Organisation (EPFO) for 2016-17 in February, the Finance Ministry is now learnt to have written to the Labour Ministry recommending a possible cut in the rate upward of 50 basis points.

In February, the Finance Ministry had sought clarifications from the Labour Ministry, mainly pertaining to the EPFO's ability to pay an interest rate of 8.65 per cent and the payouts to be made in case of inoperative accounts. In its reply, the Labour Ministry had justified the payout.

In its latest missive recommending a reduction in the EPF interest rate, the Finance Ministry has again questioned the tenability of interest payouts by the retirement fund body, especially with regard to the liability of the central government in case the EPFO is unable to provide for the payments.

"A reduction in interest rate has been recommended to the Labour Ministry as we need to be certain about the financial performance of the EPFO. Otherwise, if there is a default by EPFO on its interest payment, then as per law the central government shall be liable and that is what has been questioned by the Finance Ministry," said an official.

Last December, the Central Board of Trustees (CBT) of the EPFO had recommended an interest rate for 2016-17 of 8.65 per cent, the lowest in four years, for nearly 17 crore of its subscribers. As per general practice, the decision of the CBT, the governing body that manages the fund and is chaired by the Labour Minister, needs an approval from the Finance Ministry.

Labour Minister Bandaru Dattatreya had in February said that both the ministries are on the same page regarding the rate. "The Labour Ministry and the Finance Ministry (view) is the same. There is no difference on 8.65 per cent rate of interest on EPF. It is in the process and I will pursue it personally," Dattatreya had said.

When contacted, a member of the CBT of EPFO confirmed the recommendation of the Finance Ministry for reducing the EPF interest rate, while another member said he was not aware of the development. The Central Provident Fund Commissioner, EPFO, and officials of the Finance Ministry did not respond to requests seeking comment.

Both the ministries were embroiled in a tug of war regarding the interest rate last year as well, after the Finance Ministry had approved a lower EPF rate of 8.70 per cent for 2015-16 even though the Labour Ministry had announced a rate of 8.80 per cent. After several protests by trade unions, however, the Finance Ministry reverted to the initial announcement of 8.8 per cent rate for 2015-16.

The Finance Ministry has been asking the Labour Ministry to bring the EPF interest rate in alignment with other small savings schemes as it continues to be the fixed income instrument with the highest return. The Finance Ministry has cut interest rate for all small savings schemes by 10 basis points for April-June, except interest rate on savings deposits which has been retained at 4 per cent.

Source

According to calculations presented at the December meeting of the CBT, retaining the interest rate at last year's 8.8 per cent would have resulted in a deficit for 2016-17 at Rs 383.82 crore. At a lower interest rate of 8.7 per cent, there would have been a marginal surplus of Rs 69.34 crore. At 8.65 per cent, the rate proposed by the CBT, the projected surplus for 2016-17 was pegged at Rs 295.91 crore.

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In New Employees' Pension Scheme, government to bear employers' contribution of 8.33% under Pradhan Mantri Rojgar Protsahan Yojana – The Financial Express – 6th April, 2017

The government will now bear employers' contribution of 8.33% of basic pay to the Employees' Pension Scheme (EPS) for new employees under the Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) even if new posts are not created by the firm.

Under the scheme — launched in Budget 2016-17, disbursement of funds under it commenced in August last year — only "new employees" of salaries up to `15,000 per month added to a defined reference base have hitherto been eligible for the benefit. In other words, the benefit has been available only for new posts created. "The condition *that the eligible employer must have added new employees to the reference base of workers in order to avail benefits under the scheme has been removed," said a senior EPFO official.*

The new employee is defined as one who had not worked in any EPFO-registered establishment or had a universal account number in the past, i.e. prior to April 1, 2006. The reference base used thus far has been the number of employees against whom the employer has deposited the 12% (3.67% EPF + 8.33% EPS) of basic salary with EPFO as on March 31, 2016.

The incentive, the government feels, will incentivise the employers to recruit unemployed persons and also add informal workers on their payrolls. Under the current plan, PMRPY, aimed at encouraging regular employment of unskilled and semi skilled workers, will exist for three years, i.e. till 2019-20. The annual outlay for the scheme is `1,000 crore.

Giving an illustration of the change in rules, the official said, "suppose, one entity has 100 employees as on April 1, 2016 and as on April 1, 2017, it has 110 people, even as 10 have resigned or retired, it would have got benefit for 10 people only as per the earlier order and not for the 20 new recruits. Now, the firm can avail benefits for all those 20 people it has inducted."

The PMRPY scheme has not yielded the desired result.

— employers have claimed benefits for only around 40,000 employees as yet. The EPFO hopes that "lakhs of" new employees will come into its fold as many employers will avail the opportunity.

Source

Under a special package for the textile and garment sector unveiled by the Modi government in June 2016, the government will bear the entire 12% employer's contribution to the retirement fund for the first three years against 8.33% for other sectors under the PMRPY.

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Circulars

Source

PANEL OF ACTUARIES – Circular Ref: IRDA/ACTL/MISC/MISC/074/03/2017 dated 31st March, 2017

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Survey work in Crop Insurance Department – Circular Ref: IRDA/SUR/MISC/CIR/72/03/2017 dated 31st March, 2017

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Training and the exams in Crop Insurance Department for Surveyors – Circular Ref: IRDA/SUR/MISC/CIR/71/03/2017 dated 31st March, 2017

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Information to be submitted as part of the Annual Actuarial Valuation and related reports submission – Circular Ref: IRDAI/ACT/CIR/GEN/075/03/2017 dated 31st March, 2017

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Information to be submitted as a part of the Annual Actuarial Valuation and Related Reports submission – Circular Ref: IRDAI/ACT/CIR/GEN/070/03/2017 dated 31st March, 2017

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Report on Persistency rate and Renewal rate – Circular Ref: IRDA/ACTL/CIR/ARA/073/03/2016-17 dated 31st March, 2017

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Global

South Korea: Govt hypes insurance discounts for the healthy AIR – eDaily – 31st March, 2017

People who are non-smokers or who have normal blood pressure will be able to get discounts on their health or life insurance premiums, emphasises the government.

The authorities are focused on spreading the word about the benefits offered by private insurance companies that healthy people can enjoy, after learning that a mere 1% of insurance customers actually take advantage of the benefits, reported Korea Bizwire citing a report released by the Financial Supervisory Service (FSS). The goal is to get more people to be insured.

The "discounted premium for healthy bodies" policy offers discounts to health insurance customers who meet a number of prerequisites, with the discount rate being 4-5% for men and 1-2% for women. Those on a whole life insurance programme can slash their premiums by up to 14.7%.

Critics point out that insurance companies are too passive when it comes to promoting their discount policies for healthy clients. In addition, measures like requiring existing policyholders to go for a further medical checkup can be off-putting to the customers.

To tackle the issue and revitalise the insurance market, the FSS is simplifying the application process and additional checkups previously required to receive discounts.

Source

In addition, insurance companies will now have to explain to new clients about the discounts available to healthy people so that more of them can enjoy the benefits, according to the FSS.

Back

Singapore: Guidelines issued on online distribution of life policies with no advice – AIR – eDaily – 3rd April, 2017

Financial services regulator, MAS, has issued guidelines, which took effect on 31 March 2017, that say that a direct life insurer may offer all types of life policies on the online direct channel with no advice provided. MAS says that the guidelines set out the Authority's expectations on the safeguards that direct life insurers should put in place for such distribution.

Before a direct life insurer offers a specific life policy online, it should first determine whether it offers an equivalent Direct Purchase Insurance (DPI). If an equivalent DPI is currently available, the direct life insurer should also make available that DPI on its online direct channel, says the guidelines.

The Authority has not required all direct life insurers to offer DPIs online, recognising that not all direct life insurers have an online platform for the distribution of life policies. However, where a direct life insurer has an online platform to distribute life policies, it should also offer the equivalent DPI online to its clients.

The guidelines call for the provision of key information including product information and full policy wordings of the relevant life policy. The direct life insurer should also obtain the client's acknowledgement that he has: read and understood the benefit illustration and product summary, including any coverage exclusion; completed and disclosed fully and truthfully all the information requested in the proposal form and any supplementary questionnaire(s); declared all pre-existing medical conditions in the proposal form; and reviewed all existing life policies that he owns, or is in the process of applying for and declared his current financial situation.

The direct life insurer should highlight to a client any conditions, including special exclusions or additional premium loadings imposed by the direct life insurer as a result of underwriting the policy application. Where the client intends to purchase a life policy with a conditional acceptance, the direct life insurer should require the client to acknowledge that he has read and understood these conditions before purchasing the life policy. Examples of conditional acceptance include instances where the direct life insurer's acceptance of a client's policy is contingent upon exclusion of the client's pre-existing medical condition or there is additional premium loading imposed by the direct life insurer due to the client's pre-existing medical condition.

Tools

A direct life insurer should encourage its clients to use the Insurance Estimator and Budget Calculator before buying a life policy via the online direct channel. This will enable the client to (a) calculate the amount of life insurance coverage the client would need, so that the client may determine if the life policy meets his protection needs; and (b) check if the premium payable for the life policy is affordable based on his income and expenditure. The insurer should also urge the client to visit www.comparefirst.sg to compare the features and premiums of DPI and other types of life policies, consider the different types of life policies that are available, and whether the life policy that he intends to purchase is suitable for his financial circumstances and needs.

A direct life insurer should set up appropriate avenues to address general queries from its clients relating to the life policies offered on its online direct channel, including but not limited to telephone or email helplines. A direct life insurer should also provide information, such as contact details, information on the claims process and the process for filing complaints, on its online direct channel.

Internal control and risk management

It is an existing obligation for a direct life insurer to ensure that it has adequate policies, procedures and controls to mitigate money laundering and terrorism financing risks. A direct life insurer shall take steps to address any specific risks associated with non-face-to-face business relations with a client. It is also an existing obligation for a direct life insurer to implement internal policies and processes to address technological risks.

A direct life insurer should also put in place an appropriate business continuity plan to minimise system downtime or component failures to the online direct channel, and to ensure the functionality and continued operation of the online direct channel.

Source

Direct life insurers should be able to demonstrate to MAS that they are able to observe the guidelines. Where MAS is not satisfied with a direct life insurer's observance of the guidelines, the Authority may require the direct life insurer to take additional measures to address the deficiencies noted.

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Australia: IAG develops distracted driving app – AIR – eDaily – 5th April, 2017

More insurers are using in-car technology to try to stem the increase in road crashes caused by distracted drivers. IAG, which counts NRMA and CGU amongst its brands, is the latest insurer to look for a way to reduce distracted driving, reported The Australian Financial Review.

"Our claims data shows us that road collisions are on the rise, and we know that driver distractions like mobile phones are a significant contributor to this increase," Mr James Orchard, Executive General Manager, Innovation, for IAG, told The Australian Financial Review.

"For the past 12 months, we have been testing and developing a smartphone app that will reward good driving behaviour.

"The app is premised on understanding whether or not you've used your phone in the car trip for any reason whatsoever."

IAG is taking a "carrot" rather than "stick" approach through incentivising drivers with non-insurance rewards that will motivate good driving behaviour.

"The app will work based on user ratings of driving behaviour, rather than a telematics, which monitors and collects information. We have taken this approach to ensure the user is in the driver's seat and allow them to choose when to switch the app on and off via their smartphone," Mr Orchard said.

IAG tested its app on 60 of its staff, with safer drivers given rewards.

Mr Orchard said: "Anecdotal feedback is that the app had created a genuine change in their attitude to driving and discouraged them from reaching for their phone behind the wheel."

IAG said it was too early to say whether the data collected would mean premium increases for those who use mobile phones in the car.

But PwC partner and leader of the firm's insurance insurance practice in Australia, Scott Fergusson, said this is not far off. "As insurers focus more on risk-based pricing then the demonstrated use of such apps by customers should lead to better-value insurance that the insurers are happy to provide," he said.

In the past two years, the number of deaths from road crashes in Australia have started to climb, hitting 1,300 in 2016, with some placing the blame for increasing fatalities on the rise in popularity of smartphones. According to a Deloitte survey, smartphone use in Australia peaked in 2016, with an 84% ownership rate. The cost to the Australian economy from distracted driving has been put near A$7 billion (US$5.3 billion) a year.

Source

Data from Suncorp-owned AAMI show about one in 10 drivers admits to reading emails or checking the web while driving, and nearly a quarter of drivers admit to reading or sending a text message.

Asia: Cyber insurance market set to grow, but adoption remains challenging – AIR – Asia Risk – 5th April, 2017

The cyber insurance market in Asia is expected to grow despite the still low penetration rate. Yet adoption remains a hurdle as risk managers find it challenging to put a finger on the coverage needed for their organisations.

Discussing the issue during a Q&A session at the Lloyd's Asia Cyber Risk Seminar held in Singapore yesterday, Mr Paul Bantick, Head of Technology Media and Business Services, Beazley, said that the first step to getting cyber cover is education and knowledge. While there is still a lack of understanding of exposure and how cyber products work, this is set to change in Asia, with the rise of expertise. The second impetus for Asian firms to get cyber cover has been driven by high profile cyber losses in the US and Europe.

A challenge for risk managers

In response to comments from risk managers in the audience, who expressed their struggle in quantifying the potential impact and extent of coverage needed for their organisations amid the costs of premium and deductibles, Mr Bantick said that the they should be clear about their risk appetite.

"As an insurer, I want to see that risk appetite aligned. I don't think we should be providing cyber policies where you're getting something you couldn't get on your PI or your primary policy, at a low deductible," he said. "

"If the driver for cyber insurance is business interruption or downtime, then your risk appetite is the same as what you're buying under your BI or your property or your primary policy. And getting the board level to see that, is tricky—that there's a (cyber) gap to over, and this could cost the same amount of money as those other policies....Or you're just taking that risk in-house and saying that you are comfortable with that risk assessment. Then you need to consider the frequency…is it a 1 in 200 chance etc," he advised them, on how to quantify cyber cover for their bosses.

He said that good risk management practices would be taken into (pricing) considerations by insurers, particularly for smaller firms. "As you come down in the mid-market space, it does make difference for a client who demonstrates more controls, as across that space the investment in IT security is so much less. But the amount of differential gets less the larger an organisation is," he said.

Brokers' provide key expertise

As for high profile, large loss cyber events, Mr Bantick acknowledged it was tough to gauge how far those would affect an organisation. In addition to insurers, he said that the best to address such large losses are the brokers, because they have the experience of working with a lot of financial institutions around the globe.

"The risk models that the brokers have are really good...they're independent, and major brokers have acquired technology and IT security expertise over the years, through acquisitions. I think everyone agrees on what the risks are, what the brokers also have is an extent of how quantifiable that would look like in dollars, if this event happens, how much would that cost and how much should be insured."

Mr Bantick said he expected to see a lot more capacity come into the regional cyber market as it is a prime line of business, improving in the quality of expertise and a lot less "naive capacity" than there used to be. But ultimately, he was of the view that like the rest of the world, it would come down to three to five carriers in Asia that would have the underwriting, claims payout and the response expertise. "That is a big investment and I think you'll only see a handful of carriers make it," he said, and half of them would probably be in the Lloyd's market.

Services, not just financial coverage

Indeed cyber insurance should not just be about financial coverage—insurers should expect to offer additional response services, said Mr Christophe Durand, Head of Strategy and Outreach at INTERPOL. Having witnessed incidents resembling a mix of cyber and Kidnap and Ransom, he said the company had to save something at stake, and also have the expertise to buy bitcoins for the ransomers.

One key advice he had for organisations was to stop thinking that cybersecurity is an IT issue as it should be embedded throughout the business and individuals. "A disgruntled employee is a key threat to data security, and it's the HR department which is able to identify him, not the IT guys," he noted. He added that cyber should be a board-level issue, as only the board has the capacity to get everyone in the company to respond to this threat.

With the recent trend of cyber attacks coming from state sponsored actors, Mr Durand said that there continued to be a lack of international legal framework to govern this, though he expected to see an improvement in the near future. "There is a need for a 'Geneva Convention' when it comes to cyber weapons too," he said.

Source

The Q&A session was moderated by Chairman of the Pan-Asia Risk Management Association (PARIMA) Franck Baron.

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