



Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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• Quote for the Week •

“We believe what we want to believe in, and once we believe something, it becomes a self-fulfilling truth.”

- Seth Godin, author

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Insurance Industry

In informal insurance and savings, we trust - The Hindu Business Line - 23rd July 2017

Much has been said and done in recent years to get the poor into systems of formal finance. Committees have been set up, recommendations implemented, and ‘no frills’ accounts launched in their millions. Underlying this effort has been a steadfast official belief that the challenge is essentially one of providing the poor access to formal financial systems; once banks and other official institutions are available the poor would flock towards them. In reality, the informal systems are proving to be much more resilient. Indeed, the poor in our cities, despite having banks all around them, often prefer to function within informal systems of finance.

This preference has a lot to do with informal systems being much more sensitive to the conditions the poor actually face in the city. A major challenge in the city - particularly for those who migrate from great distances - is the uncertainty built into the entire exercise. They are often functioning in an environment that provides them very little support. The very nature of some of their work, such as construction labour, limits the number of years they can work. There is thus considerable pressure to save as much as their limited wages will allow.

At the same time they are exposed to considerable risk. An accident at work can be ruinous both in terms of their health and their earning capacity. In cities like Bengaluru that emphasise expensive upper end private healthcare over government hospitals, even an otherwise manageable health challenge can be financially devastating for the poor.

Understanding the dilemma

The official response of the twin challenges of savings and risk is usually to provide financial products for both. There are financial products designed to meet the need of the poor to save, and there are insurance products. And the poor are expected to divide their severely limited resources between the two products. This is a choice that even the non-poor often find difficult to make. An investment in insurance may be a necessity but if nothing untoward happens you would be better off saving that money and earning interest.

The informal sector understands this dilemma very well. It recognises the need of the poor to have a mechanism that allows them to save with the option of converting it to insurance if and when an unexpected expenditure arises. The product the informal sector provides to address this need goes by different names in different Indian cities. It involves a group of people pooling their savings, say, every month for a period of ten months. Individuals can bid every month for the amount that is pooled in the month. This provides a kind of instant insurance premium; those who do not need the money that month can treat their contribution as a saving and the amount the others have bid as interest.

This system relies heavily on trust. Those who are given the responsibility of keeping the pooled contributions are trusted not to disappear and provide the money at short notice. And for those who do not face an emergency the returns can be quite high, particularly in times of great uncertainty. When unexpected events hit a larger number of workers it would increase the number of people willing to bid to take the entire amount pooled in, say, that month. This would increase the returns for those who do not face that event.

The trust factor

There have expectedly been efforts to formalise this system, as in the creation of chit funds. But the very size of these larger formal chit funds takes away some of the advantages of the local informal products. The chit fund agency is usually a distant and largely unknown entity which cannot generate the same levels of trust as the informal group. And the record of some large chit funds does not generate confidence either.

Large formal institutions cannot also always provide support immediately, say, for a medical emergency in the middle of the night.

In this battle for trust the formal financial sector has other constraints as well. Its search for efficiency can take it further away from the poor. The accelerated process of digitisation has many advantages, including providing round-the-clock services, but it cannot replace the trust in someone you know.

This preference for some elements of the informal is by no means an Indian peculiarity. China for one also has a resilient informal sector. In fact, informal financial systems are also used by their industry. But while the Chinese tend to believe that what cannot be changed must be accepted, Indians, in official circles at least, prefer to insist that there is nothing that is not in their power to change.

Source

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India: Insurers & other financial entities to work on national financial inclusion strategy – Asia Insurance Review

Insurance companies, pension funds, banks and mutual funds will collaborate to create a common approach to further the government's financial inclusion goals in a targeted manner and based on customer needs. An inter-regulatory coordination group, plus an outside group of experts (the financial inclusion advisory committee) is busy creating the financial inclusion plan. The first draft is ready and was discussed at a recent inter-regulatory meeting.

It would be fine-tuned further, Reserve Bank of India Deputy Governor S S Mundra told Business Standard in an interview. All financial entities would be directed to coordinate with each other to introduce products in line with the strategy. All the financial regulators — the IRDAI, Reserve Bank of India for banking, the Securities Exchange Board of India for capital markets, and the Pension Fund Regulatory and Development Authority — have products for those outside the financial fold. But there is currently no common strategy.

The idea is to present a package to a person by understanding the stage of the inclusion journey he or she is in. “Someone opens an account with no job at hand and you try to sell an insurance or pension product to that person ... then it's meaningless,” Mr Mundra said, adding opening an account is just the start of the inclusion journey. “Once an account is opened, there should be some transaction.

Then the person should be given some productive credit. Once credit is given and he or she can generate surplus, that surplus should be used to buy some microinsurance, and save some money for a rainy day or for old age. In those stages, pensions and investment products would be introduced.”

The strategy would be determining what kind of credit should be given once an account is opened, and then what kind of products should be offered. There would be changes in how the information technology would be used, and how a customer can be tracked.

Financial education

The financial institutions will also work together to educate customers about the importance of various products. A national financial education strategy is also being formulated as a corollary to the inclusion strategy.

Financial education would ensure there is a ready demand for the products. “The regulators have done a lot in terms of supply. Now, if customers are not aware of these products, all these supplies have no meaning,” Mr Mundra said, adding demonetisation has increased the supply of these products and demand is also increasing, but more needs to be done.

Source

Insurance Regulation

Irda asks insurers to transfer unclaimed money to Senior Citizens' Welfare Fund - The Economic Times - 25th July 2017

Now, insurance benefits lying unclaimed amounts for over 10 years of policyholders will have to be transferred to a fund meant for senior citizens by March 2018. Today, the Insurance Regulatory and Development Authority has asked all insurers having unclaimed amounts of policyholders for a period of more than 10 years as on 30th September, 2017 to transfer the same to the Senior Citizens' Welfare Fund (SCWF) on or before 1st March, 2018.

As part of the Finance Act 2015, the government has brought in the Senior Citizens' Welfare Fund Act, 2015 (SCWF). This mandates the transfer of unclaimed amounts of policyholders to the fund (SCWF) after a period of 10 years. The government has also notified a set of Rules under the SCWF, which specify the entities that are required to transfer the amounts to the Fund and the administration of the Fund, Irda said in a circular.

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Insurance mandatory for ECR passport holders from Aug 1 - The Times of India (Bangalore) - 24th July 2017

Starting August 1, insurance will be mandatory for all Emigration Check Required (ECR) category passport holders seeking jobs in 18 countries that have been notified by India. The move, mooted by the ministry of external affairs (MEA) through the Pravasi Bharatiya Bima Yojana 2017 scheme, will benefit nearly 70% of blue-collared workers proceeding for overseas employment, especially to the Gulf Cooperation Council (GCC) countries. More than six lakh Indian workers with ECR passports go abroad every year to work as skilled, semi-skilled and unskilled workers in industrial, construction, sanitation, domestic and agricultural sectors.

According to the MEA notification, every Indian applying for emigration clearance from the concerned Protector of Emigrants (PoE) should obtain an insurance policy for a minimum period of two or three years and should be covered for a sum of Rs 10 lakh in the event of accidental death or permanent disability leading to loss of employment while working abroad.

Insurance will be valid irrespective of change of employer or the insured worker's location during the policy period. It'll also remain valid during the person's visit to India or any third country. The Central government's decision to make insurance mandatory for ECR workers will be a gamechanger for states such as Kerala, Karnataka, Andhra Pradesh, Telangana and Tamil Nadu which supply the major chunk of blue-collared workers for overseas employment. While Kerala has developed its own mechanism to provide insurance cover, the NRI Forum (Karnataka) member secretary, K Muralidhara told TOI: "Insurance for ECR workers is a good move. Most of the blue-collared workers going abroad do not opt for insurance. It is only when something goes wrong they realize its important. In fact, we had been getting requests seeking financial help and our forum's deputy chairperson Arathi Krishna had discussed the issue with external affairs minister Sushma Swaraj."

Over 1.5 lakh workers from Karnataka work in Gulf countries and the state government was planning to announce an insurance coverage of up to Rs 2 lakh at a cost of Rs 99 per person. The mandatory insurance cover will help create a database of ECR workers abroad, which was one of the major demands put forth by non-resident Indians during the 14th Pravasi Bharatiya Divas in Bengaluru earlier this year.

Source

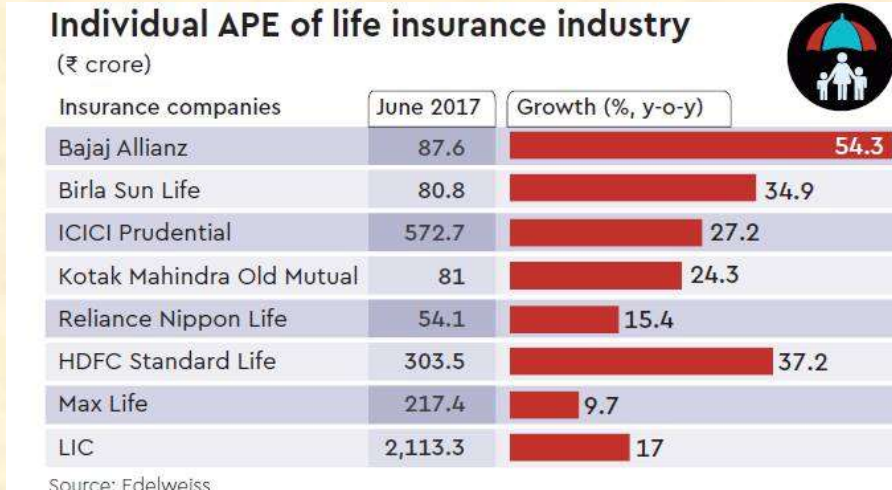
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Life Insurance

Life insurers post 28% APE growth in June - Financial Express - 25th July 2017

The life insurance industry continued to achieve positive growth in June as private insurers' annual premium equivalent (APE) grew 28% year-on-year. Life Insurance Corporation of India (LIC), the country's largest insurer, posted 17% y-o-y growth at Rs 2,113.3 crore in June, lower than its private players, data from Edelweiss showed. Senior officials in the industry say that with rising equity markets, there has been a strong growth in unit-linked products compared to traditional products. "The tilt towards financial savings and higher inflows post-demonetisation helped the industry post impressive growth. We believe proclivity for

financial savings will continue and the industry's growth momentum will sustain," said Edelweiss in its insurance report. Private insurers like Bajaj Allianz, Kotak Life Insurance, IndiaFirst Life Insurance and ICICI Prudential Life Insurance have continued to see positive APE growth. "In the current financial year, we are seeing growth coming from both individual single premiums as well as individual non-single premiums, while growth in group policies have remained stagnant.



However, the performance of LIC was very strong on group single premium policies followed by individual non-single premiums and individual single premiums policies in the month of June," added a top official from the leading insurance company. According to the data from Insurance Regulatory and Development Authority of India (Irdai), private insurance companies grew by 12.20% y-o-y growth in new premiums to Rs 9,872.06 crore in the current financial year as against Rs 8,798.34 crore in the corresponding period last fiscal. While overall insurance industry saw new year premium for the month of June at Rs 14,466.13 crore as against Rs 12,810.04 crore in June last year, suggests the data from Irdai. According to the Edelweiss report, "The industry (individual APE) grew >22% YoY spearheaded by private players, who jumped >27% compared to LIC—grew 17% YoY (largely on >24% rise in ticket size, implying dip in number of policies sold). Strong momentum in higher ticket size (private sector ticket size rose ~17% YoY) lent impetus to growth, implying tilt towards ULIPs."

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Data insights can improve life insurance persistency – Mint – 24th July 2017

The elements of customer acquisition and customer retention matrices are different in life insurance business, as customer retention for a long period of 7 to 10 years is critical for earning a profit from customer life-time value. Customer retention in life insurance is measured in terms of persistency rate, or the percentage of policies renewed every year over the policy period. In 2015-16, the average persistency rate for life insurance policies in the 13th month was just 61%, according to the Insurance Regulatory and Development Authority of India's (Irdai) handbook on India's insurance statistics.

More than two-thirds of life insurance policies in the 61st month had lapsed during the year as policyholders did not pay renewal premium. Globally, the persistency ratio is close to 90% in the 13th month and above 65% after 5 years. The acceptable persistency rate in life insurance is 80% for 3-year-old policies and 60% for 10-year-old policies.

Life insurance persistency in India is acutely low and is clearly hurting life insurance companies. The influencers of persistency rate are all the three stakeholders: life insurers, agents, and customers.

The customer contact points of life insurers are limited and customers tend to lose interest after the initial purpose of tax savings; lacking awareness that the utility of life insurance is over a much longer term. Furthermore, the focus of agents is largely on their upfront commission income. The fundamental cause of the low persistency rate is that individuals still largely perceive life insurance as a tax-saving investment

instruments and not as a financial protection tool. A large chunk of life insurance is sold in the last quarter of every financial year. This is the period when tax assessors rush to make investments to reduce tax liabilities.

All the three stakeholders suffer losses from the current situation: insurers do not make profits on customers who decide to lapse policies within 6 to 7 years.

Customers lose money if they do not persist with their policies long enough, with the entire investment lost if policies are persisted for less than 2 years. The focus of the agents on the high upfront commissions makes them lose out on opportunities of deepening relationships with customers.

Life insurers get new business after spending heavily on marketing and business development and on payment of higher first year commissions. This essentially means the upfront costs of acquiring new customers is very high.

For the insurers, the impact of policy lapses is much wider. The lower the persistency ratio, the higher is the operating expense ratio. The operating expense ratio for most life insurers is in double digits.

The key to sustainable profitability of life insurers is in reducing their operating expense ratios to low single digits. Smart customer handling is vital to improving the customer relationship and to understanding their propensity to lapse, based on their economic profile, risk identification, life-stage and other factors.

We know the factors that typically affect policyholder lapse rates include: product type, distribution channel (or specific individual source of business), the number of recent contacts (with the insurer or agent) socioeconomic characteristics of the customer (such as age and gender), any correlation to policy options or guarantees, the presence of product features (such as policy riders), the policy duration (current and remaining) and the policy term, the customer's other policies, as well as macroeconomic and tax considerations (in particular the tax deadlines and thresholds).

The problem of low persistency is deeply entrenched and requires addressing product design, customer relationship management, and agents' selling practices. More needs to be done to convey to consumers the important protection element of policies.

Many efforts have been made to improve persistency. Irdai has been trying to regulate front-loaded commissions and mandate a protection component, while the insurers have constantly been trying to improve their direct connection with customers.

A recent consumer study conducted by LexisNexis Risk Solutions has shown that a large majority of customers (76%) depend on agents to learn about life insurance products before taking a decision. Just over one-third of consumers who participated in the study said they carry out a great amount of research before purchasing life insurance. This suggests a low awareness about life insurance and its purpose, and a need to strengthen the agency relationship and other sales channels.

How can life insurers address low persistency? How can data and analytics help?

Greater digitization of the entire sales process can enhance customer experiences while also allowing effective monitoring of agents and other sales channels. This trend towards a richer customer experience and an assisted self-service model is seen in insurance markets around the world and it is arriving in India too.

There also needs to be greater emphasis on training of employees and agents so they become financial or risk advisers for customers rather than just sellers.

Insurers can enhance the understanding past insurance behaviour of customers through a unified view of customer risk profiles, which is possible only if life insurers share data amongst themselves.

There's an opportunity to use advanced analytics to identify customer life-stages and thereby their insurance needs. This will help in pitching the right products to customers, identifying policy lapsation patterns using predictive modelling and surrogate data like credit scores.

The Indian life insurance industry is increasingly becoming aware of this persistency malaise and efforts are moving towards collaboration, and smart use of technology-driven solutions. However greater efforts are required to bring cooperation and data consistency amongst insurers.

Source

General Insurance

General insurance firms' gross direct premium grows 35% in June - The Indian Express – 28th July 2017

General insurance companies posted a growth of 35 per cent in gross direct premium in June on the back of strong performances in segments such as health, motor and fire insurance. The data from Insurance Regulatory and Development Authority of India (Irdai) showed that in the first three months of the financial year, gross direct premium underwritten by the industry was Rs 33,302.89 crore, a 22 per cent increase compared to Rs 27,309.59 crore in the same month a year ago.

In the first quarter of the current financial year, private sector insurers posted 28 per cent growth and received Rs 14,986.85 crore in gross direct premium. On the other hand, public sector insurers saw lower growth at 17.19 per cent and received Rs 16,535.05 crore in gross direct premium. All the four public sector insurers posted double-digit growth in the current financial year, with New India Assurance and United India Insurance growing at 21.69 per cent and 18.51 per cent, respectively.

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Source

Crop Insurance

Farmers await crop insurance payout, 55% claims pending – Mint – 28th July 2017

Farmers who suffered crop losses in 2016-17 are yet to receive insurance compensation for 55% of estimated claims under the flagship Pradhan Mantri Fasal Bima Yojana (PMFBY), shows latest numbers from the agriculture ministry. The data shows that insurance companies collected Rs.22,338 crore in 2016-17 in premiums, a four-fold increase year-on-year that was mostly subsidized by the central and state governments. However, till 21 July, against Rs.12,490 crore of estimated claims (for kharif and rabi crop seasons), Rs.5,875 crore, or just 45%, has been paid to farmers. Claims arising out of the kharif crop, harvested in November last year, are estimated at Rs.10,257 crore, of which Rs.4,649-crore worth, or 45%, have been settled.

The delay is glaring as over seven months have passed since farmers harvested their kharif crops, and it is the responsibility of state governments to carry out crop-loss assessment and send the claims for processing to insurance companies. While PMFBY promised use of smartphones, satellites and drones to carry out faster assessments of crop loss, district-level officials at times carry out these assessments without even visiting the farmers' fields, said an assessment of the scheme released by the Delhi-based Centre for Science and Environment (CSE) last week.

The data shows that in Bihar and West Bengal, insurance companies collected Rs. 1,423 crore and Rs. 731 crore in premiums, respectively, and despite Rs. 432 crore of estimated claims from these states, farmers received less than Rs. 1 crore. Similarly, in Telangana, Rs311 crore was collected as premium and against Rs. 174 crore of estimated claims, farmers did not receive any payouts.

In Madhya Pradesh, Rs. 4,055 crore of premium was collected and against Rs1,742 crore of estimated claims, farmers have received just Rs94 crore so far. In drought-hit states too, payouts are similarly delayed, the data shows. For instance, in Karnataka, against estimated claims of Rs.1,020 crore, farmers have received Rs617 crore so far. Similarly, for Tamil Nadu, claims are estimated at Rs.2,142 crore, while about Rs.1,213 crore has been paid to farmers.

Last week, the Comptroller and Auditor General said in a performance audit that the centre and state governments spent a staggering Rs.32,606 crore towards crop insurance schemes in five years (2011-12 to 2015-16), but could not ensure that the money spent “reached the intended beneficiaries or achieved the intended purposes”.

The CSE study, while assessing the PMFBY scheme with data available till April, said that high actuarial premium rates (borne by the centre and states) helped insurance companies earn “massive profits” during the 2016-17 crop year.

In response, the government said on Sunday that total premium collected increased under the scheme due to higher sum insured. However, it admitted that timely payment of claims is dependent on providing the yield data and premium subsidy to the insurance companies on time.

Source

Govt fails to promote crop insurance scheme - The Times of India - 27th July 2017

Authorities from the agriculture department in the district have woken up from their slumber and are appealing to farmers in the district to enrol in the insurance scheme by paying the premium for their kharif crops on or before August 31.

Since there was not much awareness on the new insurance scheme among the farmers, particularly in Trichy district, the officials from the agriculture department are striving hard to get good number of farmers enrolled in the scheme.

All crops notified at the revenue village level and firka level can be insured. The premium payable per acre for Kuruvai paddy crop is 537 and the last date is July 31. The premium payable per acre for pulses is 260, 453 for ground nut, 1,128 for cotton and 250 for sunflower and the last date for all kharif crops is August 15.

The Pradhan Mantri Fasal Bima Yojana (PMFBY) crop insurance scheme will replace the previous National Agricultural Insurance Scheme (NAIS). PMFBY has been in operation since 2016. Under this scheme, farmers can insure their crops against pest and disease outbreaks, drought, flood and other natural calamities.

"It also covers losses due to prevented sowing and post-harvest losses with minimum premium. This scheme is subsidised by both the Central and state governments. All loanee farmers are covered under this scheme," said S M Uduman Mohideen, joint director of agriculture.

Non-loanee farmers can also insure their crops by paying a 2 per cent premium on the sum insured. This amount can be paid at all nationalised banks, cooperative credit societies and customer service centres.

Applicants should bring their Aadhaar card and a copy of the chitta for registration. Both land owners and tenant farmers can insure their crops, he added.

Source

The joint director has requested all the farmers in Trichy district to enrol themselves under PMFBY for the kharif season.

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Crop insurance: Minister says UPA allowed private players - The Tribune - 26th July 2017

The government today countered the Opposition charge that private insurers were benefitting under the new crop insurance scheme, saying it was the Congress-led UPA that first allowed private firms in 2007.

Replying to a debate in the RS on agrarian crisis, Agriculture Minister Radha Mohan Singh said the government was alive to the problems of farmers and was making efforts to resolve them. Singh, whose one-hour reply was disrupted by Opposition members, said if the previous governments had taken adequate steps, farmers' condition would not have worsened.

Source

He listed measures that the government had taken over the past three years in the agriculture sector. Even as he was speaking, the Opposition expressed dissatisfaction over his reply and staged a walkout.

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The case for an agri-insurance regulator - The Hindu Business Line - 24th July 2017

There is a need for a regulatory body along the lines of the Insurance Regulatory and Development Authority to monitor firms offering agricultural insurance, an expert has said. "Many problems associated with the growing agricultural insurance sector can be solved if there is a strong oversight body," said a senior official with a public sector insurance company involved in agricultural insurance.

Even though the national flagship insurance scheme — Pradhan Mantri Fasal Bima Yojana (PMFBY) — insists that insurance firms offering agricultural insurance have to have offices at block levels, such penetration is non-existent in most cases. Most empanelled companies hesitate to build infrastructure at local levels as they are not sure about their continuity in the same region as the contracts are given on an annual basis.

"Currently, only Tamil Nadu and Madhya Pradesh have given a long-term contract of three years to crop insurance firms. Ideally, an insurance firm should be allowed to work in a region for three to five years. This will help them develop infrastructure," the industry source said.

Multifarious aspects

The senior industry official also said inclusion of crop destruction by wild animals under the insurance scheme is under active consideration, as demanded by many States.

Similarly, a beginning has been made in the case of offering insurance cover to non-loanee farmers. They can take insurance cover for crops notified by the State governments, if applied through Common Services Centres.

Paucity of data

According to the official, one of the major problems that the agri insurance sector encounters is the lack of proper crop cutting experiment (CCE) data, which are vital for assessing crop damage. For an operation such as PMFBY, there is a need for nearly 8 lakh CCEs, four times more than what is done currently.

“Not just quantity of CCE, even quality is a serious issue. Most of the time such CCE is inefficiently carried out and at times they are plainly cooked up,” he said.

According to the official, more often than not, most complaints of farmers not being paid compensation on time was because the States do not pay their share of premium subsidy on time.

Significantly, a recent study by the New Delhi-based Centre for Science and Environment (CSE) found that State budgetary constraints were probably a major factor for such delays/defaults in premium subsidy payments. “In many states, PMFBY is taking away a significant part of the State agriculture budget,” the CSE report said.

In Madhya Pradesh, for instance, the expected premium subsidy was ₹1,485 crore, which is 60 per cent of its total agriculture budget of ₹ 2,448 crore in 2016-17.

In the meanwhile, a statement issued by the central government refuted the allegation that private insurance companies are benefiting from the scheme. “Lower yield losses in Kharif 2016 have naturally meant lower claims of losses and consequent payment of claims. However, in States like Karnataka, Tamil Nadu, Gujarat, Rajasthan, Uttar Pradesh and Tripura, the claim percentages have been very high,” it said.

High claim level

For instance, certain districts in Karnataka have had claims that are several-fold higher than the premium they paid. Claims in Mandya, for example, were 630 per cent of total premiums paid, Chitradurga was 408 per cent and Mysuru, 406 per cent.

Similarly, in Tamil Nadu, the claims are higher than premium collected in virtually all the districts, the Centre’s statement said.

Source

[Back](#)***Private insurers didn’t profit from farm sop, says government - The Economic Times – 24th July 2017***

Farmers have paid low premium rates for the PM crop insurance scheme and while the government outgo seems higher, this is a conscious decision by the central and state governments in the long-term interest of farmers to cover uncertainties in production, the government has said.

Strongly rebutting claims of private studies that insurers, particularly private ones, have benefited from the scheme, the government released statistics to say that the Centre will take a greater financial burden to provide the benefit to farmers at very low rates, considering that agriculture in India continues to be monsoon dependent. The government has increased its resource allocation from Rs 3,000 crore in 2015-16 to Rs 9,000 crore in 2017-18. “The target is to cover at least 40% of gross crop area this year as against 30% last year and keep up the momentum year after year,” said an official.

The government said it is also confident that with increased coverage, deployment of full complement of technology and robustness of crop-cutting experiments being intensively followed by states, the financial obligation will come down. “It would be wrong, rather preposterous, to suggest or allege that the scheme is benefiting private insurance companies. It must be noted that the scheme was implemented in the first year through 16 empanelled insurance companies, including five government companies, and premium rates were settled through a transparent bidding procedure and obviously the lowest bid won the award,” the government said.

The claims are related to crop losses and in comparison, the payments were higher than the gross premium collected in the years 2014 and 2015, both drought years. The scheme addresses shortcomings of previous initiatives but is also simple and easy on farmers because they pay fixed, low rate of premium for all crops in a particular season across the country. Premiums are as low as 2% for Kharif, 1.5% for Rabi and 5% for commercial horticultural and plantation crops.

Further, the risk coverage has been enlarged and the insurance unit has also been reduced to village level to provide relief as per more realistic loss, said officials. The first year of implementation of the scheme witnessed record coverage of 574 lakh farmers and 581 lakh hectares of sown area.

In Kharif 2016, a gross premium amount of Rs 16,675 crore was collected from all states and UTs across the country. This was primarily due to substantial increase in sum insured from Rs 1,15,000 crore in 2015-16 to Rs 2,04,000 crore in 2016-17 because of equating sum insured with cost of cultivation. Higher sum of insurance will result in more substantive payouts to farmers when they become eligible for claims during the season that turns out to be a bad one.

Source

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CAG, CSE rap crop insurance plans - Business Standard – 22nd July 2017

Government-pushed insurance schemes have achieved little and only benefited entities in the sector, the office of the Union comptroller and auditor general (CAG) has concluded, as has another report from the non-government Centre for Science and Environment (CSE).

The CSE report says insurance companies had benefited by a cumulative Rs 10,000 crore in profit as on April, due to low claims reported in relation to the premium charged. The gross direct premium of general insurance companies grew by 32 per cent, from Rs 96,376 crore in 2015-16 to Rs 1.27 lakh crore in 2016-17, nearly half of which came from crop insurance, the CSE report said.

The CAG report was presented in Parliament on Friday; the CSE analysis was released to the public. The CAG report examines crop insurance schemes - National Agriculture Insurance Scheme (NAIS), Modified NAIS and the Weather Based Crop Insurance Scheme (WBCIS), implemented during 2011-12 through 2015-16. The CSE study analysed the new Pradhan Mantri Fasal Bima Yojan (PMFBY), which replaced all these schemes from kharif 2016 onwards.

Fundamental problems and issues remained almost the same in both the old crop insurance schemes and the new PMFBY. The CSE study says till this April, insurance companies collected a gross premium of Rs 15,891 crore, against claims of only Rs 5,962 crore, ensuring a profit of almost Rs 10,000 crore. The percentage of non-loanee farmers as compared to loanee ones remained negligible.

A big reason for the low claim settlement in relation to premium collected could also be because of delays in states releasing their share of the subsidy; CSE analysis says this was 32 per cent of the claims reported. In PMFBY, the rule says claims must be paid to farmers within three weekdays of yield data by insurance companies; yet, on-ground claims made for kharif 2016 were not fully settled.

This problem continues from the older schemes. In 2014-15, data showed 14 per cent of the claims remained unpaid when NAIS, MNAIS and WBCIS were in operation; this rose to 37 per cent in 2015-16. The percentage of claims still outstanding was 32 per cent by the end of 2016-17, when the new PMFBY was launched. "Claim settlement is delayed when states don't share their portion of subsidy or don't complete crop cutting exercises (CCE) or the Centre doesn't release its share of subsidy," a senior official from state-run Agriculture Insurance Company told Business Standard.

The actuarial premium rate charged by insurance companies under PMFBY in 2016-17, says the CSE report, was on an average a high of 12.55 per cent, much more than earlier schemes. This also meant that the burden on the farmer was lower under PMFBY but was much more on the government exchequer.

The CAG report noted Rs 32,000 crore released as premium subsidy and claims reimbursement to insurance companies under the old crop insurance schemes might not have reached the intended beneficiaries — there was no record or data on this. And, that due to poor implementation of the crop insurance from 2011 to 2016, when the earlier Congress-led government was in power, Rs 3,622.8 crore was released to private insurers without proper verification.

Source

The CSE report also says in the revamped PMFBY, the threshold yields fixed by state governments for determination of claims was much lower, leading to lower settlements. CCEs were also fraught with discrepancies, making difficult the paying of legitimate claims.

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Crop insurance scheme: Public audit of private insurers, a must - The Hindu Business Line – 21st July 2017

The Comptroller and Auditor General has called for public audit of private insurance companies as they have been given huge funds as subsidies from the public exchequer.

In its performance audit report of Agriculture Crop Insurance Schemes, the government auditor said, while huge funds were provided to private insurance companies, there was no provision to check whether the funds were properly utilised.

It also said the Centre and the State governments should take steps to ensure effective implementation of crop insurance schemes in the country.

Even though the report dealt with crop insurance schemes that were in existence in the country from 2011 to 2015, the observations hold true for the new crop insurance – Pradhan Mantri Fasal Bima Yojana (PMFBY) – which came into being in January 2016. Currently, there is no independent regulator to scrutinise the PMFBY implementation, where private insurance firms play a much bigger role than ever, said a senior official of a state-run insurance company.

Lack of awareness

The government auditor also took exception to the lack of efforts on the part of governments to inform farmers about the insurance schemes as well as the benefits that will accrue to them. CAG auditors found that almost two-thirds of nearly 6,000 farmers they contacted from different States weren't aware of the crop insurance schemes.

It also pointed out that the Centre or State Governments lacked adequate grievance redressal system and monitoring mechanism for speedy settlement of farmer complaints.

India has been insuring major agricultural crops in the country since the launch of Comprehensive Crop Insurance Scheme (CCIS) in 1985. The schemes were subsequently rechristened several times always expanding in scope and coverage. The one currently operational is the PMFBY.

Delay in fund release

The report also pointed out several instances in which the State governments failed to release of funds on time, leading to delays in release of insurance compensation to affected farmers, defeating the very purpose of providing timely financial assistance to the farming community.

The CAG also took the state-owned Agricultural Insurance Company of India to task for failing to exercise due diligence in verification of claims by private insurance companies before releasing funds to them. A spot check by the CAG in 12 districts in the States of Andhra Pradesh, Maharashtra, Odisha and Telangana found that the area insured exceeded by 17.33 lakh hectares during 2011-12 and 2015-16.

“The discrepancy in insured area in excess of sown area indicates that while collecting premium from the farmers, banks or financial institutions were not ensuring that the farmers had actually sown the declared crops for which they have availed the crop loan,” it said.

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Farm insurance scheme suffers from flawed execution: CSE - The Hindu Business Line – 21st July 2017

India's flagship national agricultural insurance programme — Pradhan Mantri Fasal Bima Yojana (PMFBY) — is found seriously wanting in its implementation at ground level, New Delhi-based Centre for Science and Environment (CSE) said on Friday. “PMFBY is a classic case of poor implementation of a good scheme,” said Chandra Bhushan, CSE deputy director, at a meeting here. This is because at the State level, PMFBY vision is diluted and at the district level, its implementation is seriously compromised, he said, releasing an assessment

report on the crop insurance scheme, based on field study by CSE researchers in the States like Haryana, Tamil Nadu and Uttar Pradesh.

Major shortcomings

The CSE study particularly found that there are major shortcomings in crop loss assessment. This is because sample sizes in each village are not large enough to capture of the scale and diversity of crop losses. In many cases, district or block level agricultural department officials do not conduct such sampling on ground and complete the formalities only on paper.

Besides, in many cases, insurance companies did not investigate losses due to a localised calamity and hence, did not pay claims. For example, for kharif 2016, the claim payment to farmers was inordinately delayed till April 2017. Similarly, the claims for kharif 2016 were not paid or were only partly paid in 14 out of 21 States, he said

Moreover, insurance companies charged high actuarial premium rates during kharif 2016 — the all-India rate was approximately 12.55 per cent, which was highest ever. Much higher rates were charged in some States and regions. The average actuarial rate in Gujarat, for instance, was 20.5 per cent, in Rajasthan 19.9 per cent, and in Maharashtra 18.9 per cent, Bhushan pointed out.

Source

According to him, there was no concerted effort by the State government and insurance companies to create awareness on PMFBY among farmers.

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States can set up insurance firms to provide crop insurance: Government - <http://www.moneycontrol.com> - 21st July 2017

Dispelling concerns that private insurers are profiting from the crop insurance scheme PMFBY, Agriculture Minister Radha Mohan Singh on Thursday said even states have now been allowed to set up their own insurance companies.

Pradhan Mantri Fasal Bhima Yojan (PMFBY), launched in 2015, is being implemented by five public and 13 private insurance companies which are impaneled.

Under the scheme, premium to be paid by farmers is kept low and the claims are fully settled.

Responding to a question in the Rajya Sabha, Singh said the settlement of claims during the two years preceding 2016- 17 remained higher because of bad weather (drought). But claims in 2016-17 were less on account of good rains.

"If states feel they are burdened to pay their share of premium to private insurers (during good monsoon period when claims are normally less), then we have asked them to set up their own insurance firms to implement the scheme," he said, adding that Punjab and Gujarat have evinced interest in this.

Replying to another query on the coverage of the PMFBY, the Minister said efforts were being made to bring more farmers under the scheme.

Earlier, only loanee farmers were eligible for the crop insurance, now non-loanee farmers are also allowed. Last year, the crop insurance coverage was 30 per cent and it will be increased to 40 per cent this year, he added.

Replying to another question on action taken to improve farmers' plight and reduce the number of farmers' suicide, the Minister said the government has revamped the old farm schemes and launched some new initiatives to reduce the cost of production and increase income.

Admitting that farmers are in distress because of good production year, the Minister said the government is lending support to farmers through various market interventions to ensure support price to their produce. Farm produce like tur and potato are being procured under the central schemes -- Price Support Scheme (PPS) and the Price Stabilisation Fund (PSF) to protect the interest of farmers, he added.

Source

IRDAI Circular

Source

Master Circular: Unclaimed Amounts of Policyholders to All Life/ General/ Health Insurers is available on IRDAI website.

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Global News

Australia: Govt proposes easier opt-out of life cover in super – Asia Insurance Review

The federal government has released draft legislation, that when passed, will give Australians more power over their superannuation providers, including making it easier for consumers to opt out of automatic life and disability insurance policies provided through superannuation.

Announcing this yesterday, the Minister for Revenue and Financial Services, Ms Kelly O'Dwyer, said that the proposed changes to superannuation legislation would strengthen the prudential framework to deliver a more transparent and accountable compulsory retirement savings system.

Commenting on the life insurance opt-out measure for superannuation members, she said: "The reason this is important is because so much of their retirement income can be eroded through fees and charges."

Earlier this year, a report from the Insurance in Superannuation Working Group, chaired by industry veteran Jim Minto, found that super balances were being eroded by unnecessary life insurance.

The package of proposed changes also includes measures that:

- Make superannuation providers more accountable to consumers through the introduction of annual member meetings. This is already a longstanding requirement for the public companies in which superannuation funds invest their members' money.
- Require funds to report and publish annually more transparent information on how their fund is being managed, including information on how the fund sets its fees and the way it spends members' money.
- Strengthen default MySuper products including a stronger annual assessment of MySuper product outcomes to ensure the investment and insurance strategies, fees, scale and returns are promoting the financial interests of MySuper members. MySuper is a government superannuation initiative to provide low-cost and simple super products for employers to choose as their default super fund.
- Close a legal loophole that has been used by unscrupulous employers to short-change employees who choose to make salary sacrifice contributions into their superannuation accounts.
- Give APRA more capacity to take preventive and corrective action if it has prudential concerns about a fund or if a fund is not acting in the best interests of members.
- Give APRA greater capacity to refuse or cancel a MySuper authorisation where it believes a licensee will fail to meet its obligations.
- Provide stronger protection for consumers by requiring APRA approval before transferring ownership or control of a licensee to operate a fund.
- Make directors of superannuation funds who breach their duties to members subject to the same civil and criminal penalties as directors of ordinary managed investment schemes.
- Many of the measures in the package have been recommended by past reviews into superannuation. Feedback on the Bill released yesterday will close on 11 August 2017.

The government had also tasked the Productivity Commission to undertake a review of the superannuation system last year. Ms O'Dwyer said: "The government will consider if any further changes to improve the superannuation system are required in light of any recommendations made by the Productivity Commission."

Source

The proposed legislative changes are the first overhaul of laws governing superannuation funds since compulsory super was introduced in 1993.

Malaysia: Life insurers gush over sector's prospects this year – Asia Insurance Review

Malaysia's life insurance industry is set to record high single-digit growth in terms of new business premiums this year, the Life Insurance Association of Malaysia (LIAM) has said. LIAM President Toi See Jong said the positive performance would be mainly supported by the better economic growth of the country, reported Bernama News Agency.

“Malaysia’s gross domestic product is forecast to hit between 4.3% and 4.9% this year. So, the life insurance industry will grow in line with the country’s economic growth,” he said. Last year, new business premiums in the industry rose by 6.9% year-on-year to MYR9.75 million (US\$2.28 million).

Mr Toi said the implementation of an online platform since 1 January this year would also help improve growth of the industry. The Life Insurance and Family Takaful Framework (Life Framework) introduced by Bank Negara Malaysia, stipulates that term products be available through direct channels from 1 January. This is to be followed by critical illness and medical and health insurance/takaful products by 1 January 2018.

However, Mr Toi said the premiums contributed by the online platform are still small, because the platform is at the initial stage of implementation. He stressed that various educational and promotional programmes are still needed to further increase insurance awareness and narrow the insurance protection gap.

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China: CIRC hands list of tasks to insurance association – Asia Insurance View

China's insurance regulator has called on the industry to engage fully in self discipline to contribute to the stable and healthy development of the sector. In this, CIRC stressed the role of the Insurance Association of China (IAC) in the self regulation and improvement of the sector.

In a speech, delivered at the 2017 IAC Seminar and published on the CIRC website last Saturday, the Commission's Vice Chairman Mr Liang Tao said that the insurance industry should be the Chinese economy's “shock absorbers” and society's “stabilisers”.

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Role of IAC

He stressed that industry self regulation is the core work of the IAC, foremost among its several functions that also include industry exchanges, information dissemination, protection of rights and provision of services. He said that self discipline is an urgent requirement under existing external conditions as well as an inherent requirement of an industry association.

He said that the IAC plays an important role in the implementation of reforms in the industry, assisting also in the research and development of reform programmes to determine model terms and basic rates for the industry. The association also undertakes a role in the development of industry competition rules, maintenance of market order, and assessment of insurance companies' risk. It fills a gap in the regulation of the insurance industry.

Mr Liang said that the IAC not only can influence and intervene in an insurance company's market behaviour, but it can also play a proactive role in pushing for improvements in internal controls by insurance organisations, strengthening information disclosure, build a community monitoring platform, etc, that would contribute to strengthening risk management in the insurance industry.

Setting standards

He noted that the IAC had issued more than 20 industry operating procedures and standards to date. He said that the IAC has next to set standards targeted at correcting disorder in the market.

He also called on the IAC to help improve the calibre of people working in the insurance industry, particularly insurance agents whose numbers have jumped in recent years. The IAC has to address the shortage of

professional and technical manpower in the industry by increasing training in the sector, including online training.

Mr Liang also said that a path would be drawn up for the future development of the IAC.

The CIRC exhortations at the IAC seminar followed the National Financial Work Conference held on 14-15 July. At the latter, the government stressed the need to improve the risk management framework of the financial industry, strengthen internal controls, and push financial institutions to reveal risky assets in a timely and truthful manner. At the financial conference, which is held once every five years, President Xi Jinping announced the creation of a cabinet-level committee to coordinate oversight of financial services – which is currently divided mainly among four regulators including the CIRC.

Source

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