



# Insurance Institute of India

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## INSUNEWS

- Weekly e-Newsletter

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### • Quote for the Week •

**"Don't waste your time with explanations; people only hear what they want to hear."**

**Paulo Coelho**

### INSIDE THE ISSUE

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#### ***Use analytics for better product design and distribution, says IRDAI chief Vijayan - The Hindu Business Line - 27th May 2016***

Use of data analytics will improve product design and distribution which expands reach of insurance, according to TS Vijayan, Chairman, Insurance Regulatory and Development Authority of India (IRDAI).

He was speaking at the inaugural session of the annual conclave of Insurance Information and Ratemaking Forum of Asia (IIFRA) held here on Friday.

Proper collection and deployment of data for analysis will help fill existing gaps in key areas such as auto, health insurance and disaster management/insurance, he said.

"In insurance, focus should be on those areas which are touching the lives of many and industry players should share data and experience for better results," Vijayan said, adding that the Insurance Information Bureau (IIB), an arm of IRDAI, was catering to the data requirements for insurers.

#### **Huge data**

Highlighting that huge data is available in the country with 1.2 billion people, the regulator said insurance should also be linked to Aadhaar for achieving financial as well as insurance inclusion. "Our efforts are in this direction," he added.

R Raghavan, Chief Executive Officer, IIB, said the objective of the conference was to learn from the Asian experience and also offer Indian expertise in data collection and analytics to the participating countries.

There was a need to draw attention to the recurring impact of natural disasters in India and to look beyond traditional insurance to bring relief to indigent who were affected by such catastrophes, he added.

Being hosted by IIB, the two-day conference is being attended by the members of IIRFA, including Korean Insurance Development Institute, General Insurance Rating Organisation of Japan, Insurance Association of China and Taiwan Insurance Institute, among others.

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#### IRDAI Regulation

#### ***Idrai, shipping authority differ on hull claims - Financial Chronicle - 31st May 2016***

Amidst environmental concerns about ship owners abandoning stranded vessels in the sea, Irdai has asserted that it was not practical for insurers to settle hull claims only on receiving NoC from shipping authorities.

In response to a missive from the director general of shipping, Irdai said, "to mandate that a hull claim should be settled after obtaining a no objection certificate from DG shipping is not practical".

DG shipping in an earlier letter had raised concerns about the environmental problems arising out of instances where ship owners abandon stranded or damaged ships in the sea after receiving the hull claim amount from the insurers.

“It is essential for an inquiry into a given shipping casualty to be concluded to ascertain whether due prudence was observed by the ship-owner. Settlement/ payment of a marine insurance claim before determining the same may potentially result in encouraging willful negligence/violation of maritime statutes by the ship-owners,” DG shipping had informed Irdai earlier.

It also said that such vessels were becoming a liability on the state exchequer for remedial measures and casual damage to the marine environment. ‘Irdai may consider issuing necessary guidance/instructions to insurance companies to obtain the inputs of this office in such matters prior to the settlement of marine insurance claims of such vessels,’ the official added.

DG shipping also pointed out some instances in which vessels like Priyanka was stranded off at Revdanda and Nirmiti stranded off Sanghi port in 2014. Coastal Pride too was stranded off Dahanu in 2015.

“It has been noticed that some insurance companies deduct the salvage cost of the vessel from the IDV amount and pay the remaining part of the claim to the ship-owners. As getting the vessel out of the sea itself incurs a huge cost, many ship-owners abandon the vessel in the sea,’ said an industry expert who did not want to be quoted. Irdai also replied that wreck removal was not part of all hull policies. “Not all hull insurance policies cover the risk of wreck removal. Ocean going vessels generally cover the liability towards wreck removal with protection and indemnity clubs.

“Smaller vessels, which ply in the inland waters and coastal waters, may buy policies that include the risk of wreck removal. In either case, the sum assured of the vessel is independent of the sum insured for wreck removal,’ it said. Further, while proceeding to settle a hull claim, the insurer has to strictly adhere to the terms and conditions of the policy, it added. It found that wreck removal claims being paid without the wreck being actually removed is very unlikely. However, Irdai assured that it has noted DG Shipping’s concerns on the matter and will be sharing it with the insurers.

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### ***Insurers must disclose pay details of top executives, says IRDAI - The Economic Times – 27th May 2016***

Close on the heels of mutual funds (MFs) disclosing remuneration of its top executives following a directive from market regulator Sebi , insurance companies have also been asked to provide information on executive pay.

The Insurance Regulatory and Development Authority of India ( IRDAI ) has directed insurance companies to disclose details of remuneration paid to MD, CEO and key management persons in its revised guidelines on corporate governance.

"These (revised) guidelines are applicable from FY 2016-17," it said.

Though insurance companies disclose the remuneration of MDs and CEOs in their annual reports, they do not contain details on the pay of key officials such as chief investment officer, chief risk officer and chief actuary. Moreover, incentives paid to key management persons are also typically not included.

Further, insurers should provide details of remuneration paid to independent directors. "All pecuniary relationships or transactions of the non-executive directors vis-a-vis the insurance company shall be disclosed in the annual report," Irdai said.

Financial performance including growth rate and current financial position of the insurer should also be disclosed, it said. The new guidelines are, however, not applicable for reinsurance companies and branches of foreign reinsurers in India.

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### ***India: IRDAI chairman pushes use of data analytics among insurers – Asia Insurance Review***

Use of data analytics will improve product design and distribution which will expand the reach of insurance, according to Mr T S Vijayan, Chairman of IRDAI who was speaking at the inaugural Insurance Information and Ratemaking Forum of Asia (IIRFA) last Friday.

Proper collection and deployment of data for analysis will help filling existing gaps in key areas such as auto, health insurance and disaster management/insurance, he said adding that the data must be put to appropriate use, reported the Hindu Business Line citing Mr Vijayan.

He said that unless insurance companies and regulatory agencies made concerted efforts to improve the reach of insurance by using data analytics, it will not take off from current level of 20-22% of the population.

Collection and deployment of data for analysis in an organised manner and putting it to appropriate use would help fill gaps in sectors like automobile and health insurance in general and specifically in disaster management, he said.

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## Life Insurance

### *First year premiums of life insurers up 51% in April - Financial Chronicle – 1st June 2016*

First year premium of life insurers in the month of April was up by 51 per cent against the same period last year, while the number of policies came down by 6 per cent due to the reduction in non-single premium policies.

As per the data from Irdai, overall premiums went up to Rs 7972 crore in April against Rs 5268 crore in the year-ago month. LIC registered a good growth of 64 per cent clocking Rs 5877.95 crore against 3581.96 crores in April 2015. Private insurers grew their premiums by 24 per cent to Rs 2094.59 crore. Group single premium accounted for the highest chunk of the overall premium value.

However, the number of policies/schemes dipped by six per cent from 1051844 in April 2015 to 987757. The number of individual non-single premium policies was down by seven per cent and group non-single premium came down by 13 per cent. But the premium value for both individual non-single premium and group non-single premium was up.

The number of lives covered under the group policies saw a significant jump from 5266321 to 20013698. Private life insurers covered 11711074 lives whereas LIC covered 8302624 lives.

Source

Among private life insurers, Exide Life, SBI Life, Birla Sun Life, Shriram Life, Future Generali Life, India First Life and Edelweiss Tokio Life registered good growth in premium value.

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### *Life insurers' products cross 600 in FY16 - Business Standard – 1st June 2016*

At a time when the Insurance Regulatory Development Authority (Irdai) has asked life insurers to file only five products a year, the life insurance sector had 631 products for customers at the end of 2015-16. This rose from 516 products as on March 31, 2015, according to data from the Life Insurance Council.

The regulator had asked insurers to file a 'product planner' every year. This included an indicative plan of how many products they would file each year, quarter by quarter. It had also said if the number of these products exceeded five in a financial year, then the insurer should furnish the supporting market research and product-wise persistency for the 13th, 25th and 37th months as on April 30 of the previous year. Among the total products in FY16, nearly 475 were individual products and 156 were group. This rose from 375 and 141, respectively.

While individual products outnumber group products, life insurance companies have seen slower growth in individual first-year premium collections for 2015-16. While individual first-year premiums saw a five per cent growth in FY16 compared to FY15, group segment premiums saw a growth of 39 per cent for the financial year. This led to a double-digit growth of 23 per cent for 2015-16. Earlier, there was a lot of resistance from insurers on the 'five product a year' norm, but now this has been accepted by the sector.

Source

According to insurance sector officials, the pace of product approvals has also improved, enabling them to launch products throughout the year.



## Health Insurance

### *Maharashtra to set up employee insurance corporation – The Times of India – 1st June 2016*

The Maharashtra cabinet has decided to allow for an Employee State Insurance Corporation under state control to implement the Employee State Insurance scheme.

The scheme was earlier being implemented by a corporation set up by the Union labour ministry. The government has set up a state-level corporation for the more effective implementation of the scheme.

The scheme was set up in 1954 and is applicable to industrial workers earning an income up to Rs 15,000 per month. Its radius covers 24 lakh people in 18 districts.

13 hospitals and 61 service dispensaries in Maharashtra provide these benefits.

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### *Wellness features in health insurance make sense - Business Standard – 31st May 2016*

Insurance companies have started offering additional benefits with their policies. Cigna TTK Health Insurance recently launched a ProHealth Plan that helps individuals deal with problems such as stress, overweight, smoking and irregular sleeping.

It also offers an optional 'health coach' programme for those with pre-existing diabetes and hypertension. A qualified dietician sets goals for the insured, such as keeping sugar levels in check, weight loss and maintaining blood pressure. "On achieving each goal, an individual accumulates points that can be used to reduce premiums or enroll in other health-related programme," says Jyoti Punja, chief distribution officer.

Similarly, Apollo Munich Health Insurance offers an Optima Restore plan, wherein policyholders can get many benefits, such as customised diet and exercise plan and online health assessment. Bajaj Allianz General Insurance has tied up with about 40 service providers to provide a chat with doctor, chat with specialists for second opinion, personalised diet charts and discounts on gym membership with all its health products, according to Abhijeet Ghosh, head — health administration team.

"Insurance companies have been looking at different ways to reduce risks in their portfolios, as the insurance regulator no longer allows them to terminate a policy mid-way. They are introducing wellness and disease management features to ensure that their policyholders are healthy and claims reduce in the long term," says Ramani Vaidyanathan, vice-president — health insurance at Policybazaar.com.

In fact, after the regulation change, insurance companies have been very cautious of individuals with pre-existing chronic diseases, and it's very difficult for such patients to get a regular health insurance. Some insurers have started launching plans exclusively for such individuals and incentivise them to keep their disease in check.

Companies offering wellness and disease management have also kept their premiums competitive. For a 40-year-old man opting for a Rs 5 lakh cover, the premium for Apollo Munich's Optima Restore comes to Rs 8,415. The same cover from other insurers, which don't offer a wellness programme, ranges between Rs 7,800 and Rs 8,400. Cigna TTK, on the other hand, charges a premium of Rs 7,924 for a 40-year-old opting for Rs 5.5 lakh insurance under ProHealth Protect Plan. If someone with the same profile has diabetes, he will need to shell out Rs 9,112 for premiums.

It's worth opting for an insurance cover from someone offering disease management for a pre-existing ailment. "If you go for disease management on your own, it can cost around Rs 7,000-Rs 8,000 for a three months. These companies offer it at no extra cost. In addition, if a person maintains good health, he also gets discount on premium for the next year," says Mahavir Chopra, director health, life and strategic initiatives at Coverfox.com

Experts say before opting for a plan with wellness benefits or disease management, do go through the features on offer. Opt for them only if there's real benefit. Many insurers only provide a discount and nothing more. Don't fall for such gimmicks.

Source

## General Insurance

### *Crop insurance biggest push to agri sector: Govt - The Tribune - 1st June 2016*

Agriculture and Farmers Welfare Minister Radha Mohan Singh today said the Centre's Pradhan Mantri Fasal Bima Yojana (PMFBY) was the biggest-ever government push to compensate farmers against damage to crops on account of calamities.

Responding to a specific question during a media briefing on achievements of the Narendra Modi government as regards the agriculture sector, he said the government had no proposal to impose income tax on this sector.

Stressing on the scheme, he said all major states, except Punjab, had implemented it. "Perhaps the farmers in the state are not at loss as the state government provided adequate power supply and irrigation facilities to prevent damage due to natural calamities," he said.

Under the scheme, farmers pay a small premium for crop insurance. This scheme is better than the Crop Insurance Scheme that it replaced. A farmer now gets full financial security; in case he is unable to sow/transplant due to bad weather, he would be entitled to claim; for foodgrain, pulses and oilseed, there will be 'one season, one rate' for him.

The norms for providing relief in case of damage to crops due to calamities have also been relaxed. The government is said to be working on a four-pronged strategy to improve farmers' lot: compensation and relief to those hit by natural calamities; reducing input costs; ensuring better marketing; and help in increasing production through technology and research.

"Prime Minister Narendra Modi has chalked out a target to double farmers' incomes by 2022," he said.

Twenty-one markets of eight states have been linked under the e-mandi project. Proposals of 365 mandis in 12 states have already been sanctioned. The target is to establish a unified e-trading platform in 585 mandis across the country by 2018.

The other initiatives listed by him include the Pradhan Mantri Krishi Sanchayee Yojna (PMKSY), soil health cards, neem coated urea, agroforestry, national agriculture market, initiation of mobile app for farmers and blue revolution.

## Source

On the possibility of imposition of income tax on farm produce, he said: "Neither the Prime Minister Office nor the Agriculture Ministry has any proposal in that regard."

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### *Q4 GDP growth powers Indian economy to \$2 trillion - Mint - 31st May 2016*

India's economy accelerated in the March quarter of 2015-16 to grow at 7.9%, buoyed by improved agricultural performance and growth in consumption.

The forecast of a good monsoon, due to make landfall on 7 June, together with the implementation of the Seventh Pay Commission's recommendations on hikes for government employees (with sizeable arrears) will only further boost consumption demand in the economy.

The bad news is that private investment continues to be weak and it is falling upon a fiscally strapped government to make good the shortfall.

Private consumption growth remained robust at 7.4% in 2015-16, though it was marginally revised downward from 7.6% estimated earlier.

Core sector data released by the industry department shows that while electricity generation and cement production picked up significantly, steel output also recovered sharply although it remained marginally in the negative in the fourth quarter.

A Mint analysis of 309 of BSE 500 firms, for which comparable data was available for at least 24 quarters, showed that net profit rose 21.87% year on year in the March quarter compared with a 3.27% decline in the December quarter. The profit growth in the March quarter was the best since the quarter ended December 2014, signalling a turnaround in the private sector.



On Tuesday, data released by the Central Statistics Office (CSO) showed India's economy grew at 7.6% in 2015-16 as estimated earlier, keeping the country the fastest growing major economy for the second consecutive year. The Indian economy also officially became a \$2 trillion economy at Tuesday's rupee exchange rate of 67.26 per dollar (although it has been nudging that number for some time)

Crisil Ltd chief economist D.K. Joshi said the numbers reconfirm that consumption is growing strong while investment remains weak.

"Going ahead, consumption is likely to be stronger with normal monsoon, better interest rate transmission, implementation of the 7th Pay Commission recommendations and the One Rank One Pension (scheme). More consumption could lead to higher capacity utilization, which could encourage private sector to revive investment plans," he added.

Crisil has projected that the economy will grow at 7.9% in 2016-17. Joshi said agriculture will be the swing factor giving a one-time push to the economy if the monsoon remains normal as projected. Pronab Sen, former chief statistician of India, said a normal monsoon will not necessarily lead to a revival in rural demand as farm prices could collapse, but added that it might help keep inflation down, giving more leeway to the Reserve Bank of India to ease interest rates.

The Reserve Bank of India (RBI) is scheduled to hold its monetary policy review on 7 June, where it is expected to hold interest rates at the current level. While the Economic Survey has projected that the economy will grow within a wide band of 7-7.75% in 2016-17, finance minister Arun Jaitley has expressed hopes of the economy growing over 8% in the year after the India Meteorological Department said the monsoon would be normal.

However, the Survey has cautioned that with the global slowdown likely to persist, chances of India's growth rate in 2016-17 increasing significantly beyond 2015-16 levels are not very high. "The wider range in the forecast this time reflects the range of possibilities for exogenous developments, from a rebound in agriculture to a full-fledged international crisis; it also reflects uncertainty arising from the divergence between growth in nominal and real aggregates of economic activity," it said.

RBI in its monetary policy review in April said a number of factors could impinge upon the growth outlook for 2016-17, including slow investment recovery amid balance sheet adjustments of companies, weak revival of private investment demand and tepid external demand. "On the positive side, the government's "start-up" initiative, strong commitment to fiscal targets and the thrust on boosting infrastructure could brighten the investment climate. Household consumption demand is expected to benefit from the Pay Commission award, continued low commodity prices, past interest rate cuts, and measures announced in the Union Budget 2016-17 to transform the rural sector," it added.

Source

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### ***Maharashtra farmers receive Rs 4205 crores through crop insurance scheme – The Times of India – 31st May 2016***

Farmers in Maharashtra have received as much as Rs 4205 crores through the crop insurance scheme in a single year. By comparison, they had received Rs 4,737 crores insurance for crop damage in the preceding 15 years, chief minister Devendra Fadnavis said. The crop insurance scheme has been in operation in Maharashtra since 1999-2000. As many as 82.5 lakh farmers are enrolled in the scheme. Of these, 71.5 lakh are beneficiaries.

The biggest beneficiaries of the scheme are in Beed district where farmers will receive Rs 892.98 as crop insurance. Latur's farmers will receive Rs 604.59 crores. Crops spread over 49.33 lakh hectares will benefit from the insurance.

Source

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### ***Govt weighing proposals of 4 PSU insurers for Fasal Bima Yojana - Business Standard – 29th May 2016***

The Centre is actively considering proposals of four public sector general insurance companies to be part of the Pradhan Mantri Fasal Bima Yojana (PMFBY) launched this year. Currently, the Agriculture Ministry has empanelled 11 private sector companies and state-owned Agriculture Insurance Company (AIC) to implement the new scheme.

"The four state-owned Oriental Insurance Company, New India Assurance Company, National Insurance Company and United India Insurance Company have sent the proposals to participate in the scheme. We are actively examining them," a senior Agriculture Ministry official told PTI. A meeting with the four public insurers was held last week on this issue, the official said.

Both public and private insurers are being encouraged to create healthy competition for better implementation of the scheme. All claim liability is on insurer and the Centre will give upfront premium subsidy, the official added. Besides PMFBY, these insurers will also sell Weather-based Crop Insurance Scheme (WBCIS).

As of now, 11 states -- Andhra Pradesh, Telangana, Madhya Pradesh, Uttar Pradesh, Odisha, Chhattisgarh, Gujarat, Himachal Pradesh, Jharkhand, Uttarakhand and West Bengal -- and one Union Territory Andaman and Nicobar Islands have notified the PMFBY, as per the ministry's data.

For instance, in Gujarat, Bajaj Alliance and HDFC-ERGO have won the bids to sell the PMFBY in the state for 2016 kharif season. Similarly, states which have notified the scheme have selected insurers through the tendering process.

The Centre has released about Rs 3,000 crore to expedite settlement of claims for the kharif 2016 season. It may be noted that PMFBY replaces the existing two schemes National Agricultural Insurance Scheme and Modified NAIS, which have had some inherent drawbacks.

Under the PMFBY, farmers' premium has been kept lower between 1.5-2 per cent for foodgrains and oilseed crops and up to 5 per cent for horticultural and cotton crops. There will not be a cap on the premium and 25 per cent of the likely claim will be settled directly in farmers' accounts.

#### Source

The new scheme aims to increase the insurance coverage to 50 per cent of the total crop area of 194.40 million hectares, from the existing level of about 25-27 per cent.

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### ***Heavy discounts in insurance to come under scanner - Business Standard – 28th May 2016***

Heavy discounts in insurance segments such as group health would soon come under the scanner of the Insurance Regulatory and Development Authority of India (Irdai).

The regulator has come up with a new set of norms for maintaining the solvency ratio of insurance companies, based on each line of business. For segments like health, motor and liability, the insurer would be required to maintain a higher solvency ratio since not only the premiums, the incurred claims are also high. With the regulator asking insurers to maintain higher solvency for these segments, insurance companies would be required to reinvent their business strategies.

According to Irdai, available solvency margin (ASM) is calculated as, the excess of value of assets over the value of liabilities. Solvency ratio means the ratio of the amount of ASM to the amount of required solvency margin. The higher the solvency ratio, the more financially sound a company is considered to be. The required solvency ratio, according to Irdai norms, currently is 150 per cent, which is the minimum amount to be maintained at all times.

Discounts on the premium being given in group health insurance continue to be a source of worry for the general insurance companies. Though Irdai has asked insurers to refrain from this practice, high premium-related incentives are still being given. The chief executive of a standalone health insurer explained that several private insurers are exiting or cutting down on this business due to discounts. Companies in the health insurance and general insurance space are also cutting down business in this space due to intense competition in pricing, which is often termed unviable.

"Bigger insurers have made pricing so tough that it is difficult for others to offer such rates. Now with the regulator's diktat, these practices would have to discontinue since additional solvency has to be maintained if claims are high," said the head of underwriting at a mid-sized private general insurer.

Earlier, Irdai had said that industry-wise loss cost (the actual or expected cost to an insurer of indemnity payments and allocated loss adjustment expenses) must be the starting point and should be considered for pricing a product. It had also said non-compliance of norms, which included assessing the burning cost, would



lead to penalties being imposed. While this was made applicable to segments like group health from early 2015, insurers said discounts would continue.

Burning cost is the estimated cost of claims in the forthcoming insurance period, calculated from previous years' experience, adjusted for changes in the numbers insured, the nature of cover and rate of medical inflation. This is a ratio used by insurers to protect themselves from larger claims that exceed premiums paid.

Experts said unhealthy competition is eroding the group health space with prices as low as 25-35 per cent less than the previous year. Despite high claims, heavy discounts are offered to retain large corporate clients or to attract them with better rates. Due to this, there is not just transfer of accounts from private to public, but also from one private non-life insurer to the other.

#### Source

The incurred claims ratio in health insurance has seen a rise year after year to about 101 per cent. This means about Rs 101 is paid as claim for every Rs 100 collected as premium.

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### ***India: Health and motor branches leading to underwriting loss – Asia Insurance Review***

General insurers are incurring losses in their business mainly due to underwriting losses in health and motor segments, said state-owned National Insurance's Chairman and Managing Director Mr K Sanath Kumar.

"General insurers made underwriting losses till the third quarter of the last fiscal year (2015-16). The fourth quarter and the annual results are yet to be published," he said. The fiscal year ends in March.

"We have seen an increasing trend in claims in health and motor insurance including own damage and third party claims," the Indo-Asian News Service reported, citing Mr Kumar.

"There is huge price competition in the corporate health insurance segment where insurers offer special packages to get more business. In retail business (health insurance), we cannot increase the prices of products frequently because of the regulatory mechanism while the cost of medical treatment has been going up," he said on the sidelines of an event, "Indian Insurance Industry: Road Ahead", organised by the Bengal Chamber of Commerce and Industry.

"Medical inflation in the country is very high. The average underwriting losses in health insurance of public general insurers remain at 80-100%. Health insurance is not profitable," he said.

Almost 75% of premiums in the general insurance industry comes from motor and health segment.

"There may be a need for price correction to make health and motor insurance profitable, and probably more interventions may be required to manage uncontrolled claims," said Mr Kumar.

#### Source

General insurers are making profits from their investments, he said. They are also making profits in branches like fire, engineering and others where volumes are relatively small.

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### **Survey & Reports**

#### ***Middle-aged Indians best health planners: HDFC Life survey - The Economic Times - 30th May 2016***

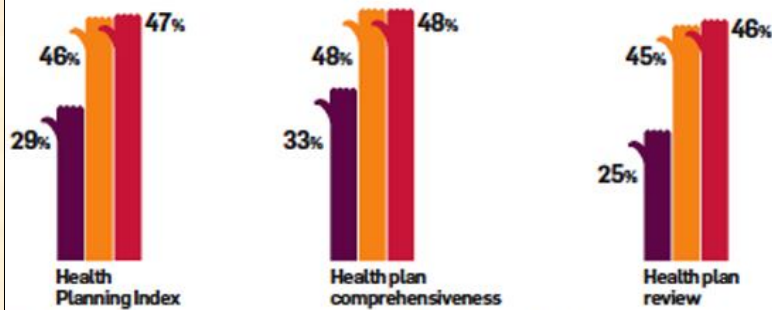
Nearly half of Indian consumers (49%) across four categories—Young Aspirants (20-30 years); Proud Parents (30-45 years); Wisdom Investors (45-60 years) and Smart Women (25-45 years)—don't have a health plan.

Only 9% have a comprehensive plan, which covers their short- and long-term health needs.

The Indian youth score the lowest when it comes to securing their health risks, according to the HDFC Life Health Planning Index. Here are some other findings from the survey.



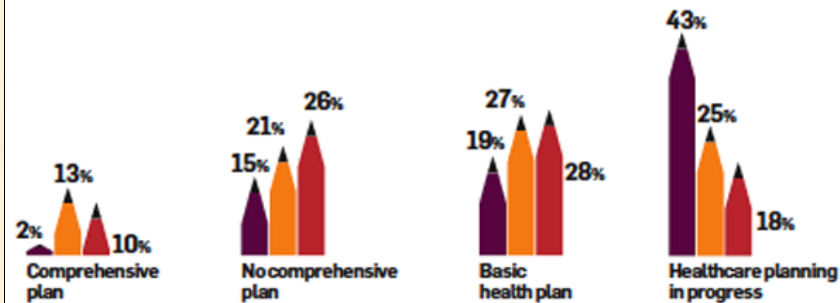
## 'WISE INVESTORS' & 'PROUD PARENTS' BEST PREPARED WITH PLANS



Wisdom Investors are the most prepared with health plans at 47%, followed closely by Proud Parents, and Young Aspirants at 29.4%, the latter still at an early stage of their professional lives.

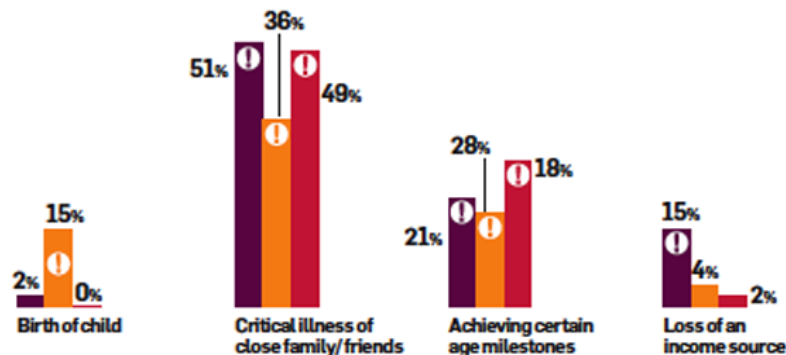
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## MOST 'YOUNG ASPIRANTS' STILL PLANNING TO GET INSURANCE



While 61% of Proud Parents have a health plan, only 13% believe they have a comprehensive plan. The highest level of health plans are observed among Wisdom Investors, with 64% having these.

## CRITICAL ILLNESS IS A PRIMARY TRIGGER TO BUY PLANS



Critical illness of close family members or friends is the primary trigger for health planning across all consumer segments. Achieving age-related milestones is the second major concern.

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Source

### ***Health planning lowest among young Indians, says HDFC Life's Life Freedom Index - Business Standard – 30th May 2016***

Health planning is still lacking among Indians across all categories, especially among young Indians, says a survey.

HDFC Life's Life Freedom Index, which was focussed on health planning this year, sought to understand and measure the comprehensiveness of health planning of Indian consumers — whether they monitored their health plans regularly and under what circumstances did they modify their health plans.

The health planning index (HPI) stood at 40.1, indicating lack of health planning across all the four categories. It observed that Young Aspirants had the lowest HPI with a score of 29.4, while Wisdom Investors scored 46.9. This suggested that the focus on health increased with age.

The health index looks at Health Plan Comprehensiveness, Health Plan Review and Event Awareness. The state of health planning was measured across four consumer segments — Proud Parents (PP), Wisdom Advisor (WI), Young Aspirant (YA) and Smart Woman (SW).

PP is a person who contributes the most to the household income and is the key financial decision maker of the family, is in the age group of 30 – 45 years and falls under the Socio Economic Classification (SEC) groups A and B. Wisdom Investor (WI) is a person who is aged between 45 and 60 years and falls under the Socio Economic Classification (SEC) groups A and B. Young Aspirant (YA) is a person who is aged 20 to 30 years and falls under the Socio Economic Classification (SEC) groups A and B. Smart Women (SW) is a woman aged 25 to 45 years and falls under the Socio Economic Classification (SEC) groups A and B. The Socio Economic Classification (SEC), groups urban Indian households on the basis of education and occupation of the Proud Parent into five segments (SEC A, SEC B, SEC C, SEC D and SEC E households).

The survey showed nearly half of Indian consumers across all categories have not drawn out a health plan. Moreover, only 9 per cent of them have a comprehensive plan which covers all their short and long-term health contingencies. WIs lead among all categories in health planning as 64 per cent of them have a health plan.

Also, it showed that critical illness (46 per cent) was the top trigger for realigning health plans. Apart from this, achieving certain age milestones (22 per cent) was the second major turning point as far as health planning was concerned. Wisdom Investors were the most concerned about age milestones. Young Aspirants were also concerned about loss of income, which the survey said can be attributed to lack of job security among them.

Only 61 per cent of PPs have a health plan, while only 13 per cent said they have a comprehensive plan that covered all their short- and long-term health contingencies. While 43 per cent of Young Aspirants have started planning for their future, only 2 per cent believe that they have a comprehensive health plan. It was also noticed that health planning differed significantly between SEC classes, but was similar across Tier-1 and -2 cities.

The survey had 1,600 respondents (termed as Indian consumers) that was conducted from January 8 to February 14 across 10 cities — Ahmedabad, Bengaluru, Indore, Bhubaneswar, Chennai, Delhi, Kochi, Kolkata, Ludhiana and Mumbai.

Source

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### ***LIC tops loyalty charts, but lead narrows - Business Standard – 29th May 2016***

Life Insurance Corporation of India (LIC) has held on to its position as a brand that customers are most loyal to, but it is fast losing the huge lead it once had over private sector brands in the business. LIC is followed by Kotak Life at number two and Bharti AXA Life/SBI Life Insurance (joint third spot) according to Insurance India 2016, a study byIMRB International, which has also found that about seven in ten customers (69 per cent) are 'loyal' to their insurance provider, up from 60 per cent last year.

In a customer satisfaction survey conducted as part of the study, customers also said that they were more satisfied with their insurers as compared to 2015. Satisfaction was a direct outcome of better products, greater adequacy of riders and a general consensus that returns and affordability on the products were more in line with the expectations. Together, improvement in service and the nature of the product have contributed to higher levels of brand satisfaction and loyalty.

Satisfied customers are more loyal, the numbers indicate. Among insurers, HDFC Life gained the most in loyalty over 2015, followed by Kotak Life Insurance. Praveen Nijhara, VP, IMRB-Stakeholder Management unit said, "It is evident that private players have made inroads into building customer loyalty by delivering positive and consistent experiences." Nijhara likens this to the telecom industry, where it took more than a couple of years for private sector players like Airtel, Vodafone, Tata and Reliance to find their groove.

Insurers have been able to keep customers happy by providing better service via their distribution channels, through commitment fulfilment and bringing in greater transparency in their dealings. But 18 per cent customers surveyed said they were unlikely to continue with or choose the same insurance provider next time.

The head of brand and marketing at a mid-size private life insurance company said that with private life insurers becoming more active on social media, brand recall has increased which has led to higher loyalty. In fact, the biggest reason for choosing an insurance provider, customers said, was the reputation they enjoyed in the market, more than the policy features, pricing and family and friends recommendations.

Reputation is the most important criteria for buying into an insurance company in metros but it gains even greater importance in the non-metros. Policy features are the second most important reason and pricing and affordability, third. Interestingly, affordability moves up to the top spot among older customers.

Customers are researching the policies they choose more closely, 42 per cent sought information from friends and family while 20 per cent engaged online and 15 per cent said that they had visited an insurance branch.

Insurance companies are increasingly dealing with customers who are more aware. A large percentage goes online with their queries, though a majority still chooses to buy the final product offline.

Direct insurance or selling via the online platform is slowly becoming the most important area of investment for insurers. However, the agent or bank's relationship manager still plays an important role. The survey showed that 46 per cent of those who purchased via an online channel did meet with the agent or bank relationship manager before going ahead. There is an overall hesitation about sealing insurance deals online as customers said they were not sure about the security of their transactions.

It is likely that many insurers will fix the gaps in service and address these fears in the coming year and Nijhara believes that with greater involvement of foreign players in the sector and increased investment in customer service, the role of private insurers is set to go up. It may not be surprising to see LIC lose the lead and share the podium with other players in the next 2-3 years. "However, insurers must also be cautious given that customer expectations are constantly evolving," he added. And to stay in the race, insurers have to keep changing with them.

Source

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### ***Smoking can lead to higher premium, claim rejection - Financial Chronicle – 29th May 2016***

Insurance companies find that only less than 1 per cent of insurance proposers declare their smoking habits. Smoking will not just deprive health, but health insurance as well. While a smoker will have to pay higher premium than a non-smoker, non-disclosure of smoking can lead to rejection of claim.

Insurance companies find that only less than 1 per cent of insurance proposers declare their smoking habits. They have not been seeing any significant rise or fall in the declaration over the years.

In a survey done by ICICI Lombard, nearly 68 per cent of the respondents said that they would lie about their smoking habits on their insurance proposal form. Some feel that they are social smokers and that disclosure doesn't matter. While some say that if they mention about smoking, they would be excluded from the smoking-related diseases from their insurance cover. While one set of respondents said that they don't want to pay extra just because they are smokers.

"If complete transparency is not maintained with the insurance provider, claim may be rejected at time of settlement which sometimes could drive the customer into debt or even into bankruptcy. The business of insurance is based on trust and requires people to disclose all the relevant information regarding their family, lifestyle, profession and any health problems related to them or their family members. Medical history and occupation of the seeker is carefully scrutinised by health insurers as they look at the long-term costs of financing health care," said Sanjay Datta, chief-underwriting, claims & reinsurance, ICICI Lombard General Insurance.



Some of the insurance providers charge a higher premium for smokers, while others are yet to introduce differential premium. “In case of declaration of smoking in proposal form of our retail products for example Health Total, there is a loading for 10 per cent on the premium. Once the policy is issued as a smoker the loading continues to apply even if proposer quits smoking,” said Shreeraj Deshpande, head of health insurance, Future Generali India Insurance.

However, most of the smokers are too careless about their well-being that they don’t even feel the need for a health cover.

As per the ICICI Lombard survey, only 10 per cent of the respondents feel the need to buy a health insurance policy as a measure to combat the problem. Fifty seven per cent of the survey participants stated that they do not hold a health insurance policy while 77 per cent of those who had a policy said that they own a regular health insurance policy as against a specialised policy with critical illness or one with high deductibles.

More than five million people die of direct tobacco use every year, while more than 6,00,000 people die due to passive smoking. In India direct tobacco use leads to nearly one million deaths. Tobacco use has been directly linked with many cancers of the lung, larynx, mouth, throat, bladder, kidney, liver, stomach and pancreas.

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### **India: Survey highlights need to increase security standards – Asia Insurance Review**

Growing threats of terrorism, cyber crime, natural disasters and increasing instances of social unrest have made physical security one of the biggest concerns for corporate India, according to a survey by PwC India and American Society for Industrial Security (ASIS).

A large number of companies feel that existing security standards, legal, regulatory and compliance frameworks are inadequate to support corporate security requirements in India, reported First Post citing the survey findings.

A majority of the survey respondents felt that the industry is not fully equipped to promptly respond to natural disasters, which is a clear indicator for organisations to take a serious look at business continuity/crisis management strategies to effectively respond to natural disasters such as floods and earthquakes.

However, many organisations have become aware of the implications of physical security over the past few years and there has been a conscious effort by them to improve safety and security. While five years back physical security assessment was rare and uncommon, today almost 46% of the organisations surveyed in India conduct a physical security risk assessment once a year, whereas 17% do it monthly.

Mr Dinesh Anand, Partner and Leader - Forensic Services India, said: “It is critical for security professionals and management to be aligned and work together to identify potential strategic security threats and prepare a plan for resilience and sustenance of their business. There is a strong need for public-private partnerships.” He also said that there is a need for setting up a compliance standard for baseline requirements and benchmarks for physical security.

The report says that cybercrime and corporate espionage are rated as two of the most serious threats to organisations in the coming years. This indicates the need for stronger collaboration between the domains of cyber security and physical security on account of interlinkages between the information and physical world. Terrorism being the second most important threat, organisations need to beef up their training and awareness programmes and work in close collaboration with the law enforcement agencies.

Source

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### **IRDAI Circular**

Source

First Year Premium of Life Insurers for the Period ended ended 30th April, 2016

Source

Terms and Conditions of Life Products for F.Y. 2016-17

## Global News

***China: Life insurers turn to high-risk alternative investments for more returns – Asia Insurance Review***

Chinese life insurers - especially the smaller firms - are increasingly diverting their assets to alternative investments, including debt-investment plans, project asset-backed plans, trust schemes, and wealth management products, that promise higher returns for greater risks, Fitch Ratings says in a new report.

In its report titled "China Life Insurance Market Dashboard 1H16", Fitch says that greater asset risks make life insurers more vulnerable to adverse capital market fluctuations and credit quality deterioration caused by an economic slowdown.

Smaller insurers generally have stronger risk appetite than their larger rivals as they compete for market share by offering attractive returns to policyholders.

Aside from alternative investments, Chinese life insurers are also increasing investments in long-term equities, properties and overseas investments. The generally long investment horizons in alternative investments, long-term equities and properties may intensify the asset/liability duration mismatch at Chinese life insurers, especially for insurers focusing on short-duration products, such as short-term high cash-value policies. Smaller insurers tend to be more active in selling such policies because they lack strong agency force and can fall back on banks' sales channels. Policyholders' deposits contributed over 50% of total premiums for some life insurers.

## Source

Total premium revenues in China's life insurance sector soared 90.6% year-on-year in 1Q16, while deposits from policyholders expanded 213.6% y-o-y and accounted for 37.5% of total premiums in 1Q16.

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***South Korea: Estimated 2016 Q1 net profit a six-year high – Asia Insurance Review***

South Korean insurers are estimated to have recorded KRW2.235 trillion (US\$1.9 billion) in net profit in the first quarter of this year, up 6.3% from a year ago, according to the Financial Supervisory Service (FSS). The estimated net gain is a six-year high for combined Q1 net incomes.

The net profit of South Korean life insurance companies is estimated to have increased by 3.6% to KRW1.327 trillion and that of non-life insurers is expected to have increased by KRW86.2 billion or around 10% to KRW908.1 billion.

The profit growth in the sector is attributed to higher insurance revenue, reported the Yonhap News Agency citing a FSS statement.

In the first quarter, the insurance sector is estimated to have recorded an increase of 5.2% to KRW47.4693 trillion in insurance premiums. Life insurance premiums are expected to have risen by 6.1% to KRW28.9933 trillion. For non-life insurance companies, insurance premiums rose 3.8% to KRW18.476 trillion, led by an 11.9% increase in automobile insurance sales.

"In the first quarter, the insurers' insurance premium income exceeded their insurance payments. That helped them post a quarterly net income growth. But they suffered declines in profitability due to an unfavourable business environment," an FSS official said.

The return on assets, a key gauge of profitability, edged down 0.03 percentage points to 0.93 percent, while the return on equity, another index measuring profitability, fell 0.07 percentage points to 9.36 percent, the statement said.

"Record low rates drove down the profitability of assets under the companies' management," it said.

## Source

There are 25 life insurers and 32 non-life insurers operating in the Korean market.

***Japan: Life insurers forecast to increase foreign bond holdings – Asia Insurance Review***

Japanese life insurers are expected to further increase their investment allocation to high-grade foreign bonds with stricter currency hedging, as Japanese bond yields have fallen to extremely low levels after the Bank of Japan adopted negative interest rates in January 2016, says Fitch Ratings in a new report.

In its “Japanese Life Insurance Dashboard FY16 “ report, Fitch says that it expects Japanese life insurers to maintain positive investment spreads, but further expansion of positive spread may stop due to stalling Japanese-yen based investment income growth.

The agency also expects insurance underwriting profits to remain flat over the next few years. Some major Japanese life insurers have acquired US-based medium-sized life insurers to generate growth and diversify risks. Such overseas operations are becoming important drivers of growth.

**Source**

The capital adequacy of Japanese life insurers is likely to remain sufficient for their credit ratings, as long as the yen's appreciation and domestic equity market decline do not become more serious, says the rating agency.

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***Pakistan: Govt considering tax overhaul for insurers – Asia Insurance Review***

The government may revamp the income tax structure of the insurance sector, while levying a new tax on insurance premiums that could adversely affect the growth of an industry still in its infancy.

“Finance Minister Ishaq Dar is said to have approved a Budget proposal to charge a single income tax rate of 31% from the new financial year 2016-17, on all sources of income of insurance companies,” reported The Express Tribune citing sources in the Federal Board of Revenue (FBR).

Currently, insurance income is categorised in various segments and tax rates range from 10% to 32%.

According to another proposal, the government is also likely to increase tax rates on health and life insurance commission earned by agents who do not file income tax returns, while the minimum tax on corporate service providers, who submit their accounts for audit, may be raised from 2% to 2.5%.

The FBR is of the view that insurance companies tend to invest in stocks and mutual funds to avail themselves of tax benefits and the purpose of a change in tax structure is to discourage this tendency.

The government may also slap 1% withholding tax on life insurance premiums and claims and 4% on general insurance. The insurance sector is so far exempted from payment of withholding tax.

The commission paid to life and health insurance agents is currently taxed at the rate of 12% for filers and 15% for non-filers. The government may reduce the rate for filers to 8% but for non-filers the rate may be increased to 16%.

**Source****Disclaimer:**

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