भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

INSUNEWS

Weekly e-Newsletter

13th – 19th October 2018 **Issue No. 2018/42**

QUOTE OF THE WEEK

The role of a creative leader is not to have all the ideas; it's to create a culture where everyone can have ideas and feel that they're valued.
– Ken Robinson

INSIDE THE ISSUE

INSURANCE INDUSTRY

Staffing sector seeks input tax credit on insurance cost - The Economic Times – 14th October 2018

The staffing industry has reached out to the Goods and Services Tax (GST) Council to seek input tax credit on insurance services procured for its employees.

"We had a meeting with GST Council and have sought them to either clarify or amend the Act to remove ambiguity with regard to availability of input tax credit on insurance charges incurred on employees," Suchita Dutta, executive director of the Indian Staffing Federation (ISF), told ET.

The industry says the benefit will encourage it to offer better social security package to workers while also reducing their cost of doing business.

ISF said since insurance services are used by staffing business in the course of furtherance of its outward supply of manpower services, it should be eligible for input tax credit.

"Allow input tax credit of GST paid with respect to health, medical, accidental and life insurance coverage for employees or notify insurance procured for employees as eligible for input tax credit with retrospective effect," ISF said in its submission to the council on September 25.

TOP

Source

Compare before you buy insurance cover - Hindustan Times (Delhi) – 14th October 2018

Anyone selling an insurance product has to fully brief the prospective purchaser about the policy, so as to facilitate an informed decision. Regulations governing the sale of insurance also impose a duty on the insurer and his intermediary to sell a policy that strictly meets the needs of the person.

Yet, you see blatant violations of these regulations, particularly when insurance is sold along with other products and services.

Take for example, the compulsory home fire insurance often thrust on a bank customer availing a home loan and the peddling of a home loan protection plan by banks providing home finance. In most cases, the bank does not even discuss the insurance policy with the customer, just buys the insurance of its choice and collects the premium amount from the policyholder. The bank may not even hand over the policy document to the customer, nor tell him/her about the policy terms and conditions.

Similarly, most people travelling abroad buy their overseas health and travel insurance from travel agents who books their air tickets and make the hotel reservations, because that is convenient. However, the agent neither discusses their requirements nor their choice of insurer. And he/ she does not give them any information about the policy — what it covers, what it does not. All that he wants to know from them is the total amount of insurance cover that they wish to buy and the policy document is handed over to the customer along with the tickets.

There are many such insurance covers that are linked to the sale of a product or a service — extended warranty or insurance against damage, sold along with electronic goods including mobile phones, marriage postponement/cancelation insurance marketed by wedding planners, insurance against cancellation of holiday sold by travel agents along with travel packages, accident and life insurance plans hawked by banks along with home and personal loans, payment protection insurance by credit cards companies, etc.

In all such cases, the required disclosure about the insurance product is either totally inadequate or completely absent and the product may not meet the needs of the consumer. In certain cases, there would be forced selling of the product and one also cannot rule out misrepresentation of facts. In short,

such sale not only violates the various insurance regulations meant for the protection of consumers, but also takes away the consumer's right to information and informed choice.

Besides the Insurance Regulatory and Development Authority's (IRDA) Regulation on the protection of policyholders' interest, which lays down that the prospect be given full information about the product, the code of conduct for corporate agents too stipulates that the intermediary cannot force a prospect to buy an insurance product and cannot misrepresent facts. It also mandates that the agent fully disseminate information about the product and take into account the needs of the prospect while recommending a specific insurance plan. But obviously these regulations are not being followed in its letter and spirit and this needs to change.

Way back in 2012, the IRDA had expressed concern over the possible exploitation of consumers in such sale of insurance products and had issued a discussion paper on 'Tying and bundling of insurance policies with other services and goods.". But unfortunately, the paper still figures in the website meant for policy holders as a project 'in the pipeline'.

It's time the IRDA took steps to strictly regulate the sale of insurance products through corporate agents and ensured that consumer interests are not compromised. Consumer education about their rights as insurance customers is also very essential.

Consumers in turn should make it a habit to compare policies of different insurers and buy what is in their best interest, instead of blindly buying what is thrust on them.

TOP

Source

India: Insurance industry forecast to cross US$100bn mark in FY2019 – Asia Insurance Review

India's insurance industry is expected to see total premiums of INR6.8trn ($105bn) in the current financial year ending 31 March 2019 (FY2019).

The life insurance industry is set to contribute close to INR5.1trn while the non-life industry is expected to cross INR1.7trn, says the "2018 – The Indian Insurance Industry Report' released by India Insure Risk Management & Insurance Broking Services Private Limited, a leading insurance broking firm in India.

The report says, "With the growth in the industrial sector, the property & engineering insurance segment is expected to see some positive movement. The new health insurance scheme launched by the Prime Minister – Ayushman Bharat-National Health Mission scheme, is expected to grow the health insurance market significantly. However, what impact this will have on the overall profitability of the insurer's portfolio is uncertain."

TOP

Source

INSURANCE REGULATION

Exclusions in health policies: IRDAI panel to submit report by year-end - The Hindu Business Line – 17th October 2018

A committee set up by the Insurance Regulatory and Development Authority of India (IRDAI), the insurance regulator, to standardise exclusions in health insurance policies, is likely to submit its report in the next two months, recommending that health policies should also be available to people with long-standing, non-curable but manageable diseases.

Sources close to the development said that persons with diseases, including hemophilia, certain auto-immune diseases, cardiac problems and diabetes, may now find it easier to get health cover.

"The general idea is that even if a person is suffering from such diseases but is receiving treatment and has declared it, he or she should be able to get health cover if not fully for that particular disease, but then for any other health problem that may arise later," said the source.

The committee will take another two to three months to finalise its recommendations, he added. Another issue under discussion is how and in what form cancer survivors could get health insurance. "At present, it is very difficult for persons who have successfully recovered from cancer to get health cover even if they declare it," and this issue will also be looked at by the committee.

Sources said the committee is also likely to provide clarity on the definition of mental illnesses, which now have to be mandatorily covered under health insurance. However, the premium and pricing of medical insurance policies are also likely to be impacted with the changes.

The IRDAI had, in July this year, set up a working group to rationalise the exclusions in health insurance policies to enhance the scope of health insurance coverage.

Significantly, the committee led by Suresh Mathur, Executive Director (Health), IRDAI, has also been asked to rationalise the exclusions that disallow coverage with respect to new modalities of treatments and technologically-advanced medical treatments.

"With the increase in the number of companies providing health insurance, there is an increase in the number of products offered. It is desired that the industry adopts a uniform approach," the IRDAI had noted.

TOP

Source

IRDAI panel to study feasibility of paying claims in instalments - The Hindu Business Line – 15th October 2018

The Insurance Regulatory and Development Authority of India (IRDAI) have formed a panel to examine the feasibility of payment of general and health insurance claims in instalments. "Some general and health insurance companies have proposed payment of claims in instalments in respect of personal accident policies and benefit-based health policies as against lump sum payments," IRDAI said in circular. The concept of settlement of claim benefits in instalments will enable the beneficiaries/claimants receive payments in a series of pre-determined instalments, it said.

In order to examine the proposal, the regulator has constituted a working group with Suresh Mathur, ED (Health), IRDAI, as its chairman.

The panel will look into the need for allowing settlement of personal accident and benefit-based health insurance claims in instalments by general and health insurance companies.

TOP

Source

Irdai draft on reinsurance norms likely next month - Financial Chronicle – 15th October 2018

Insurance watchdog Irdai is likely to come up with its much-awaited draft on new reinsurance norms by next month for global reinsurers.

Among the set of new norms, the Insurance Regulatory and Development Authority of India (Irdai) is expected to highlight the norms of 'right of first refusal' — the norm that will favour the ongoing businesses of state-run reinsurer GIC Re. Irdai approved the Reinsurance Act in its last board meeting in Hyderabad on September 28.

When asked about the development, Irdai chairman Subhash Chandra Khuntia said the reinsurance guidelines have been pending for long time with the regulator and it would come out soon. "We are still

working on the reinsurance norms and it will take some more time. We are hopeful that we will be ready with the draft by next month," Khuntia told Financial Chronicle without divulging any details.

Generally, the 'right of first refusal' is granted to General Insurance Corporation of India (GIC), under which the reinsurer has the first right to accept or refuse any reinsurance treaty in the country, and it was supposed to come under the review of insurance regulator.

A senior official of Irdai, however, said, "We are almost ready with the draft which will be coming out with a detailed report on reinsurance regulation within a month's time. There will be set of norms for global reinsurers to carry out their businesses in India. Out of which, GIC Re will probably continue to enjoy its right of first refusal. The new global reinsurers with full-fledged branches in India have been raising their demands to snatch away the right of first refusal from GIC Re so as to make a level-playing field, but it couldn't happen at the regulator's end."

In India, there are seven reinsurers that have set shops. When the guidelines to acquire licence for opening branches were introduced, several foreign reinsurers had expressed interest in setting up an Indian bra-nch. But they are still unable to make any headway due to first right of refusal. Several global reinsurers, including Swiss Re AG, Munich Reinsurance Co and Hannover Re SE, were worried about the right to first refusal proposal, saying that it gave more rights to GIC Re.

As per insurance business norms, right of first refusal (ROFR or RFR) is a contractual right that gives its holder the option to enter a business transaction with the owner of something, according to specified terms, before the owner is entitled to enter into that transaction with a third party.

However, a source said, "Indian reinsurers to get more rights is the sole decision as directed by the government. Despite sending several representations to Irdai in this regard, this provision was retained, and it was stated that this would be reviewed at a right point in time."
Currently, global reinsurers with a branch licence include Swiss Re, Munich Re, Hannover Re, SCOR Re, Reinsurance Group of America (RGA), XL Catlin and Gen Re, apart from specialist insurance market Lloyd's.

Apart from GIC Re, there is another domestic reinsurance company, ITI Reinsurance, which had been granted final licence in December 2016. The aim of the insurance regulator is to have maximum business reinsured within the Indian territory with domestic capacity, and only the rest being passed on to foreign reinsurers.

Though the foreign reinsurers were already writing Indian business, they are now in closer proximity to the clients, thus giving the-m the advantage to assess and price the risks better.

TOP

Source

LIFE INSURANCE

Private insurers lead new business WRP growth in September - The Economic Times – 13th October 2018

Private insurers led the growth in the industry in September as new business weighted retail premium (WRP) grew 16.8 per cent, industry data showed. Life Insurance Corp, which has been hit by competition, has lost retail market share as this year's loss rose to 600 basis points.

Private players' new business WRP growth came even as the industry reported a slower growth of 5.3 per cent. Large insurers, including Tata AIA, Birla Sunlife and Max Life led the WRP growth.

State-run Life Insurance Corp reported a decline of 6.6 per cent year on-year in its new business WRP, adversely affected by a 40 per cent YoY decline in group WRP. LIC's market share, thus, shrank 823 basis points month-on-month to 43.4 per cent.

For April-September, the growth for industry now stands at 7 per cent led primarily by growth of 13 per cent for private players and 1 per cent for LIC.

The market share of the top five private players – SBI Life, ICICI Prudential Life, HDFC Life, Max Life and Kotak Life – stands stable at ~66 per cent. However, other players like Tata AIA and, more recently, Birla Sun Life are gaining healthy traction and are only slightly behind Bajaj Allianz Life – the sixth largest insurer. "We estimate private players to report WRP growth of 16 per cent in FY19, which implies growth of 18 per cent for the residual months," said Motilal Oswal in a report. "Private players' market share, thus, will likely improve to 53.7 per cent from 51 per cent in FY18."

In the first half, listed companies HDFC Life reported 20 per cent growth, SBI Life 10 per cent while ICICI Prudential Life reported a decline in growth to 7 per cent.

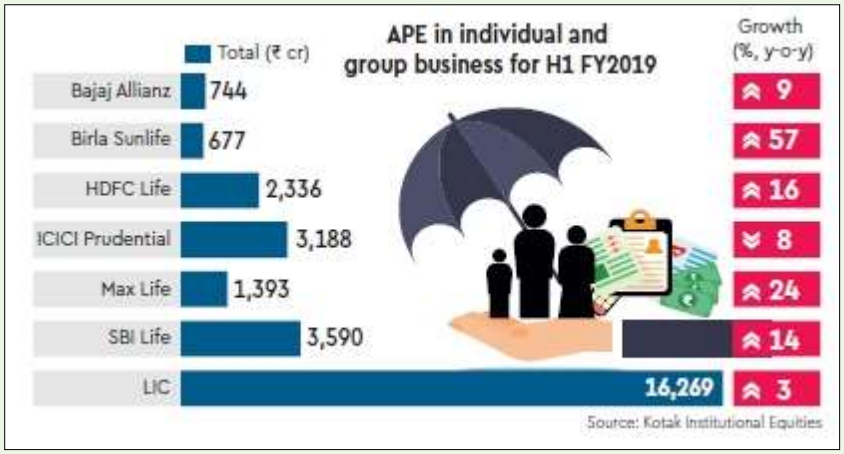
TOP

Source

Life insurance industry sees 7% premium growth - Financial Express – 13th October 2018

Life insurance industry saw its annualised premium equivalent (APE) at 7% year-on-year for the first six months of the current financial year. While private players witnessed higher growth at 13%, Life Insurance Corporation of India (LIC) saw a growth at just 3% (year-on-year) at Rs 16,296 crore in the period April-September, suggests the data from Kotak Institutional Equities.

Participants in the insurance industry say LIC is facing challenges in the group insurance segments in the current financial year. The data from Insurance Regulatory and Development Authority of India (Irdai) shows that, in the current financial year till September, LIC received first year premiums of Rs 63,480.68 crore as against `68,224.29 crore in previous financial year a negative growth of around 7%. The decline in premium is higher in the group insurance business for LIC.



Even in the month of September, LIC saw its APE at 5% largely due to the fall in group insurance business. On the other hand, insurance industry witnessed APE at 7% and private players at 18% for the month of September. APE is the sum of annualised first year premiums on regular premium policies, and 10% of single premiums, written by insurance companies during any period from both retail and group policyholders.

"Private sector individual APE continued to rise upwards, increasing 18% y-o-y in September 2018. While HDFC Life recovered to 20% y-o-y post a few months of sluggish performance, ICICI Life was flat y-o-y. SBI Life picked up as well with 23% y-o-y growth while Max remained strong at 30% y-o-y. With shifting focus to protection and other high-margin policies, VNB growth of large players will remain strong and in that sense APE growth trends are less relevant," says the report by Kotak Institutional Equities.

Players like Birla Sun Life Insurance, Bharti AXA, Future Generali and India First continued to see its APE growth in positive in the current financial year. "Birla SL reported 70% growth in individual APE in September 2018, increasing market share to 2.3% from 1.5% in September 2017. This is likely driven by making strong inroads in HDFC Bank. 59% y-o-y rise in ticket size in the individual non-single segment during September 2018 (up 19% in 1HFY19) suggests that a large part of the growth may be from higher-ticket ULIPs," says the report by Kotak Institutional Equities.

The data from Irdai also shows that first year premiums in the current fiscal of life insurance companies surged by 1.1% at Rs 93,079.03 crore as against Rs 92,065.36 crore in the corresponding period last fiscal. Officials in the industry say that, in the past few months, growth has been coming from individual non-single premiums and with volatile equity markets and people will stay away from single premiums plans.

TOP

Source

GENERAL INSURANCE

Love adventure trips? Your travel insurance policy may not cover them – Mint – 18th October 2018

Before heading out to your favourite destination this holiday season, remember to pack in travel insurance too. But ensure you go through the terms and conditions of your policy thoroughly. Very often one tends to take a close look only at the premium and coverage part of the policy without understanding the fine print.

Last week, the District Consumer Disputes Redressal Forum dismissed a complaint lodged by Mumbai-based petitioner Nagin Parekh against his insurer for denying his claim for treatment of injuries incurred during a hot air balloon crash in 2015, calling the ride a "hazardous activity".

Insurance companies can deny claims in certain situations and an accident during adventure activities is one such instance. That's why it becomes important to read the fine print as different companies may have different policies on exclusions. We tell the circumstances under which an insurance company can deny claims.

If you go for Adventure activities

Planning to go bungee jumping at the Western Cape in South Africa? Or a fancy skydiving experience in New Zealand? Adventure seekers may want to get their heart pumping, but your insurer will not be amused. "Most insurers do not cover adventures activities including bungee jumping, paragliding, mountain climbing, racing, etc. Some other insurers cover it as an add-on cover for international travel," said Tarun Mathur, chief business officer-general insurance, Policybazaar.com.

If you are still looking for options, then you would have to pick a policy that mainly caters to adventure travel. Only a few companies, including Go Digit General Insurance Ltd cover adventure activities as a part of their basic policy but at a relatively higher premium. Most insurers don't cover adventure travel if your itinerary includes high-risk activities which could put your life in danger.

Baggage loss within 24 hours

Among the many reasons why people purchase travel insurance, the fear of misplacing or losing one's baggage tops the list, especially if you are travelling abroad. As a norm, most policies cover loss of baggage but there is a catch.

Though it depends on the cover you have and its features, most policies don't process the claims unless your baggage is missing for more than 24 hours.

If you don't get a direct flight and the next flight is scheduled on the same day, you may panic and file a claim within 24 hours but insurers give that much time to the airlines to trace the missing baggage. Your insurer will step in only if nothing is done by the airline in the first 24 hours.

If your tour operator denies service

If you have booked your holiday through a travel agency and if the operator cancels the trip at the last moment, you cannot file a claim for the cancelled trip. The most trusted insurance companies within India or even outside the country would not cover this loss.

Always remember to get a confirmation from the tour operator in the form of an email receipt or a hardcopy so you can hold them accountable for the cancellation. Having email evidence will still not make your insurer dispense the money but you will at least be able to take legal action against the tour operator.

If you initiate a loss

Travel insurance policies in India and abroad, even if they are from the most trusted companies, will not pay for the losses for which you can be held accountable. "Baggage loss and passport loss is built-in, but losses like theft or robbery are provided only as add-on covers," said Mathur. If you do file a claim for such a loss, the company will first evaluate if you were under the influence of alcohol or any drugs when the loss of baggage occurred. Also, if you are travelling by a flight and end up damaging the airline's property, you cannot expect the insurer to process your claim.

Other exclusions

Regular travel insurance policies will mostly not cover you for certain medical conditions such as diabetes, AIDS and high blood pressure. However, on searching widely, you may be able to find a suitable insurance by paying more to cover for these conditions. Insurance companies don't accept separation cited as reason for cancelling a trip. Travel insurance policies will cover you only for unexpected logistical eventualities or death but not for emotional reasons such as divorce or break-ups. Remember to read the fine print that comes with your insurance policy and take necessary steps before you plan that trip. It's better to be safe than sorry.

TOP

Source

Government considers talent pool for insurance succession plan – The Indian Express – 15th October 2018

The government is planning to set up a 'talent pool' to deal with the succession planning in the PSU general insurance sector. Finance Ministry officials had recently told insurers that the government will create a 'talent pool' of officials who will be eligible for the fast-track promotions to hold the top positions of the public sector general insurance companies. The Bank Board Bureau (BBB) had recently selected CEOs for ten PSU banks from Executive Directors of PSU banks and Deputy Managing Directors of SBI.

The PSU general insurance industry will see a large scale retirement of senior officials in the next two-three years and there are not many who will be eligible for the top positions of these companies. The post of the chairman and managing director (CMD) at United India Insurance hasn't been filled as yet as the appointee — Girish Radhakrishnan, chief executive officer, NIA's London operation — is yet to get regulatory clearance to get relieved from his present assignment. New India Assurance is also operating without a CEO.

Though the merger of three companies United India, National Insurance and Oriental Insurance have been announced, the issue was not part of the agenda at the last month's convention, indicating that the merger issue has been put in the back burner and MoF's current focus is to strengthen these companies. The two-day conclave had a brain storming session on the six-point agenda: product & risk management, HR practices, talent, distribution, technology & digital, customer experience & operation and inclusive Growth. The summit also identified 36 micro issues for which action plans will be developed.

The six groups that were deliberating the six broad issues will be meeting in every two-three weeks to devise suitable action plans, said sources who had attended the two-day conclave. Union finance minister Arun Jaitley also heard sympathetically the demand about one more option on pension for the employees — those who were working before 2004 — of the PSU general insurers. The government has also shown favourable response to the long standing demand for providing one more option on pension to the older employees of the sector. "Providing one more option on pension to the employees, who had not opted for it, will not put any extra burden on the government," the insurers had impressed upon Jaitley.

TOP

Source

HEALTH INSURANCE

Maharashtra's social health scheme gets Rs 80 crore insurance refund – The Times of India – 18th October 2018

The state's free health insurance scheme for the poor got a windfall when, after a three-month tussle with a national insurance company, it got a refund of Rs 80 crore on Wednesday. The money was supposed to be used for information, communication and education (IEC) to popularize the Mahatma Jyotiba Phule Jan ArogyaYojana (MJPJAY) among the 2.23 crore family beneficiaries.

About 2% of the premium was to be used for IEC purposes, said Dr .Sudhakar Shinde, who heads the MJPJAY scheme and oversees the implementation of the Centre's Ayushman Bharat scheme in Maharashtra.

After using Rs 26 crore in the first couple of years, the insurance company failed to carry out any IEC exercises. As per the MoU between the state and the National Insurance Company, the latter is supposed to carry out IEC work after consulting the MJPJAY society. But this wasn't done, said Dr .Shinde.

The society worked out that Rs 64 crore meant for IEC over six years hadn't been used. "I wrote to the company and met its board seeking a refund, but was told that the money had lapsed," he added.

In July first week, the MJPJAY society, instead of giving a premium of Rs 384 crore, sent a cheque with Rs 64 crore as "adjustment" towards IEC payment. This started a long battle between the two entities, with the company finally agreeing to a refund of Rs 64 crore and another Rs 15 crore adjustment in the next premium.

"But there was a moment when the company said it would stop accepting preapprovals for surgeries. It was tough," he added. Efforts to contact officials of the National Insurance Company were in vain. TOI has a copy of the letter sent by the company to MJPJAY on October 15, showing the "refund of unspent IEC—schedule of payment".

The refund can be used to finance operations not covered under MJPJAY. The state is among the few that offer local as well as central schemes. While MJPJAY covers operations of up to Rs 1.5 lakh, the central Ayushman Bharat offers a Rs 5 lakh cover. While the Centre pays 60% of the costs, the state puts in the remaining 40%. The insurance refund could be used for this purpose.

TOP

Source

Free Rs 5 L insurance cover for Vaishno Devi pilgrims – The Pioneer – 15th October 2018

Pilgrims heading for the Vaishno Devi shrine will get free insurance cover of Rs 5 lakh. This was decided on Saturday at a meeting of the Shri Mata Vaishno Devi Shrine Board (MVDSB) chaired by Jammu & Kashmir Governor Satya Pal Malik.

The Board has approved enhancement of free accident insurance cover for pilgrims visiting the shrine to Rs 5 lakh besides free treatment to trauma victims. The Governor is also the Chairman of the Board. The spokesman added that the insurance cover shall be in addition to the accidental cover available to each pilgrim once he or she collects the yatra slip and commences the journey.

"It is pertinent to mention that premium on providing insurance cover to the pilgrims is borne by the Board and the insurance cover has been upgraded after a gap of eight years", the spokesman added.The meeting also reviewed the functioning of the Shri Mata Vaishno Devi Narayana Super Speciality Hospital.

"The Board ... approved a medical support policy for the treatment of victims of trauma under its social support initiative at the super speciality hospital. "The beneficiaries will include public trauma victims of road accidents, landslides or shooting stone incidents and such calamities from surrounding areas of the shrine referred to the hospital by Deputy Commissioners.

"The medical assistance would be provided in all such cases by the Board till the stabilization of the patient up to a ceiling of Rs 2 lakh as a goodwill gesture.

"The Board also decided to create a new medical unit at Bhairon temple at an estimated cost of Rs 1 crore keeping in view futuristic requirements," spokesman said. Each year over two crore pilgrims visit the shrine situated on the Trikuta hills in Reasi district of Jammu region.

TOP

Source

CROP INSURANCE

Crop insurance: NITI Aayog proposes cash back facility under PMFBY - Financial Express – 18th October 2018

To make its flagship crop insurance scheme more attractive, the government is considering a proposal by the NITI Aayog to return 75% of the premium paid by the farmers enrolled under the Pradhan Mantri Fasal Bima Yojana (PMFBY) if they don't file claims for crop damages for four-six consecutive seasons.

Officials reckon that such a move would attract more farmers into the insurance fold. Only 29% of the 12 crore farmers/cultivators in the country have crop insurance cover at present. However, the proposed change in the scheme may not find favour among insurers. The officials are of the view that insurers are estimated to have made a surplus of nearly Rs 10,000 crore (including operational costs) in the past two kharif seasons.

In kharif 2016, insurance companies collected Rs 16,276 crore premium under PMFBY while the claims paid were Rs 10,425 crore, resulting an estimated surplus of `5,851 crore. In kharif 2017, the difference between premium collected and paid was Rs 4,077 crore. Since the burden on farmers is only 2% of the sum insured, no claim bonus is needed, an insurance company executive said. The premium for kharif is 12% of the sum insured with 5% each borne by the Centre and the state concerned.

However, government officials said the amount to be reimbursed as per the NITI proposal is not small as it can meet the fertilizer requirements of small farmers in a season. For example, if the premium paid by a farmer for a season is Rs 1,000 (of total Rs 5,000) for the sum insured Rs 50,000/hectare, she may be entitled for a bonus of Rs 3,000 at the end of fourth season. According to agriculture ministry data, the input cost of fertilizer is between Rs 3,000-4,000/hectare for paddy in major states.

"This incentive is needed to ensure that farmers' interest in the scheme is not lost," an official said. One complaint about the scheme is that a farmer is not able to receive compensation if the entire village's/panchayat's crop is not damaged. So the incentive could encourage more farmers to seek the cover.

The coverage of farmers under PMFBY came down from 4.02 crore in kharif 2016 to 3.46 crore in kharif 2017, partly due to disinterest among a section of farmers but also for farm loan waivers implemented by six states in FY18. Loanee farmers are covered under PMFBY.

The proposed cash-back on premium (80%) paid by the Centre and state governments for these farmers could be ploughed back for launching innovative farm insurance products, etc.

"Insurers have also not brought any new product for farmers based on their region and requirement," the official said. Now products are at the panchayat level, they need to bring individual farmer or village - level products, he added. Given the vagaries of nature that hit farming in India, the Centre recently changed norms to allow states to appoint insurers for a period of three years instead of one year, to ensure that insurers don't pick only good years for providing cover and leave out bad crop years.

TOP

Source

State government planning to launch new insurance scheme – The Hindu – 17th October 2018

Since farmers in many parts of the State have failed to get benefits of Pradhan Mantri FasalBimaYojana within a stipulated time, the State government is planning to launch a separate insurance scheme to ensure quick compensation settlement to farmers, Agriculture Minister N.H. Shiv shankar Reddy has said.

Speaking after inspecting drought-affected areas in different parts of the district here on Tuesday, Mr. Reddy said the farmers pay insurance premiums with the intention of getting benefits at suitable time. If the compensation was delayed for years, they would face severe problems. The insurance scheme planned by the State government would provide compensation to farmers at the earliest. "The insurance companies have collected a total of Rs1, 200 crore as insurance premium and repaid only Rs550 crore as compensation. The remaining Rs650 crore is with companies," he added.

He also said that the State government has launched several schemes to provide facilities to farmers including drip irrigation facility, providing agriculture equipments and seeds and fertilizers. Officers of the Agriculture Department should conduct awareness programmes in rural areas to ensure that benefits of these schemes reach farmers in all villages, he added.

The State government has already taken steps to waive loans of farmers' uptoRs1 lakh in co-operative banks and orders have been issued to waive loans up to Rs2 lakh in rural and nationalised banks. It is committed to solve farmers' problems and ensure more facilities to them, he said.

TOP

Source

Crop insurance: Payout ratio jumps after Centre's prodding – Financial Express – 14th October 2018

Steps taken by the Centre to improve fiduciary compliance by insurers and close-fisted state governments under its flagship crop insurance scheme seem to be paying off. From an abysmally low 5% in May and 60% in mid-July, the payout ratio (claims paid versus those made by farmers) under the Pradhan Mantri Fasal Bima Yojana (PMFBY) for kharif-2017 rose to an impressive 96% last week.

According to official data reviewed by FE, state-run and private-sector insurers paid Rs 15,181 crore to farmers for kharif 2017 crop losses by October 8, against estimated claims of Rs 15,896 crore.

This compared well with the payout ratio of over 99% for the previous summer crop (payment of `10,425 crore against claims of `10,505 crore). The ratio was 91% for Rabi 2016 crop (`5,465 crore paid against `5,992 claimed).

What has resulted in a sudden improvement in compliance by insurance companies and encouraged state governments to pay their shares of premiums is the Centre's decision to virtually fine them for lapses.

As per new rules under PMFBY, the farmers need to be paid 12% interest by insurance companies for any delay in settlement of claims beyond two months of the prescribed cut-off date, while states will have to pay 12% interest for the delay in release of their share of premium beyond three months. This penalty provisions came into effect from October 1 and will be applicable for all seasons in the future. "We have been making changes as required to ensure the benefits to farmers and the committee's recommendations will be implemented immediately," an official said.

The funding of PMFBY is being done largely by the government. While farmers pay around a fifth of the premium, the balance amount is paid by the Centre and state government concerned. As per official data, the farmers' share in the gross premium was 18% in kharif 2016, which fell to 16% in kharif 2017. However, for Rabi 2016 season, the farmers' share in the gross premium was about 22%. Pertinently, the claims ratio — claims against premium —which was a feasible 65% for kharif 2016 rose to a worrisome 83% for kharif 2017. For Rabi 2016 crop, this ratio was an unworkable 101%.

The Centre is considering a number of steps to achieve "rationalisation" of actuarial premium rates charged by the insurance companies, officials said. "States have already done clustering of areas and districts according to the risk factor to moderate the premium rate," the official quoted earlier said. Insurance companies will also get an upfront payment of the government's share of the premium, which will be 40% of the corresponding previous season.

TOP

Source

MOTOR INSURANCE

How long does car insurance cover note remain valid? – Mint – 18th October 2018

When you buy a vehicle, be it a bike or a car, you need to get it insured (at least for third party liabilities) before you start driving it on the road. Though most insurers now provide online policy, there are also portals where you can check premium and compare policy of various insurance providers. But many also buy car insurance offline through agents and brokers. When you buy a policy online, you get a confirmation e-mail and a message on your mobile number. However, in case of offline policy, you typically get a cover note.

Cover note

When you apply for offline car insurance, the agent issues a cover note, which is typically an application form for car insurance. The agent mentions all the details of the car like registration number, make, model and year of manufacture, engine and chassis number, insured value of the vehicle, cubic capacity, and nominee details and so on.

Cover note acts as a temporary document of insurance cover from the time you apply and pay for the premium, to the time you get the certificate from the insurer. Issuance of a policy certificate takes place after insurer receives a copy of cover note and based on the information mentioned. The process typically takes 10-15 days.

Cover note validity

A cover note remains valid for 60 days from the date of issuance. It serves all the purpose during this period—be it insurance claim or to be presented to the traffic police, if asked. If you don't receive a policy certificate in a few weeks after the cover note being issued, contact your agent or customer care. Ideally, you should start following up at least couple of weeks in advance and shouldn't wait till the cover note turns invalid.

If an insurer fails to issue a policy within 60 days, the company needs to notify this to the Regional Transport Office (RTO) where the car is registered within 7 days of the expiry of the cover note. A cover note is an important document till a policy certificate is issued; so make sure that details of your car and other information are properly mentioned in it.

TOP

Source

Longer tenure 3rd party cover, higher insurance for owner-driver: Impact more serious than one can imagine – Financial Express – 13th October 2018

While both buyers and sellers of two-wheelers and cars are still grappling with the impact of recent court rulings on insurance, the impact is a lot more serious than most imagine. To begin with, the Supreme Court mandated that the third-party insurance cover for new two-wheelers and cars will be for five and three years, respectively, from September 1. Secondly, based on a October 2017 directive by Madras High Court which ordered insurance regulator IRDAI to enhance the compulsory personal accident (CPA) cover for owner-driver from the existing `1 lakh to at least `15 lakh, the regulator issued a circular on September 20 to implement the court's directive.

The reason for the Supreme Court's directive, it appears, is to ensure that more vehicles have a third-party insurance cover; right now, it appears, over half the vehicles plying on the road don't have this cover, so when accidents happen, those affected find it difficult to get compensation. The SC's solution, however, is at best partial. First, it applies just too new vehicles; what happens to the old ones? Two, if the violation is so rampant, who will ensure that, after the initial three or five years are up, the third-party cover will be renewed? Since all vehicles are registered with transport authorities, surely it would be easier to link databases with insurance companies and deregister vehicles that don't have the cover? And local police stations can be asked to impound vehicles that are without a cover.

An even greater problem arises from the fact that third-party covers have a price-control; that is, insurance firms have to sell them to everyone and at an IRDAI-determined premium. So, if a three or five year policy is issued, how do the insurers get the higher premium if this is raised by IRDAI during this period? More importantly, every policy has to be sold based on an assessment of risk parameters. If person A drives better than person B, her third-party cover should cost less. But since this policy is not "de-tariffed", insurance firms can lose large amounts as even accident-prone drivers have to be insured, and at the same price.

And while the Madras High Court's decision was to "add to some succor or solace to the victims of road accidents, who are the owner of the vehicle, who may incidentally sustain bodily injury or death", there is no rationale for fixing this at `15 lakh since there is no such minimum insurance for other accidents or deaths. Also, at `750, the premium is too steep. In the Pradhan Mantri Suraksha Bima Yojana, non-life insurance companies are providing personal accident cover of `2 lakh for a premium of `12 while, in this case, it is a `50 premium for a cover of `1 lakh.

TOP

Source

REINSURANCE

India: Foreign reinsurers continue to lobby regulator – Asia Insurance Review

Foreign reinsurance companies have made another appeal to the IRDAI to relax the order of preference for reinsurance business in India, before reinsurance contracts are due to be renewed on 1 January.

Despite multiple requests from foreign reinsurers to reconsider the order of preference, IRDAI has maintained that the national reinsurer GIC Re will hold the first right of refusal, reports Money control.

New regulations for the reinsurance business in India were finalised by the IRDAI at its 28 September 28 meeting that gives GIC Re the first right to accept reinsurance use in India.

A senior official at a global reinsurance firm said, "We have made significant investments in the country and would seek an equal opportunity to compete in contracts. Else, we would have not set up a branch presence in India."

According to the rules, only if GIC Re refuses to write a risk on their books is it passed on to other reinsurers. The second preference will be other Indian reinsurers that have been in business for at least three consecutive years and the third preference will be given to foreign reinsurance branches.

Fourth on the list will be insurance offices in International Financial Services Centre, GIFT City in Gujarat. If they also refuse, the insurer can obtain the best terms for reinsurance from overseas reinsurers with a minimum credit rating of A- from an international financial credit rating agency.

Last year, several foreign reinsurers received branch licences to operate in India, following amendments in 2015 to the insurance law allowing reinsurers to set up branches in India.

TOP

Source

INSURANCE CASES

Finally, farmers to get crop insurance claims of Rs 229 Cr – The Tribune – 16th October 2018

Almost two months after The Tribune reported that ICICI Lombard, an insurance company, has rejected claims of farmers of Sirsa and Bhiwani districts, the company on Monday approved the first instalment of farmers' claims of Rs 229 crore.

Dushmanta Kumar Bahera, Director, Agriculture and Farmers' Welfare Department, told The Tribune on Monday that ICICI Lombard had informed the government that they have on Monday released the first instalment of the claims of 35,021 cotton farmers from Sirsa, amounting to Rs 229 crore.

Bahera said that of this, the claims of Rs 32.48 crore were of 5,059 farmers of Baragura block of Sirsa, Rs 54.29 crore of 8,070 farmers of Dabwali block, Rs 24.15 crore of 2,853 farmers of Ellenabad block, Rs 36.19 crore of 7,413 farmers of Nathu sari Chopta block, Rs 18.94 crore of 3,224 farmers of Odhan block, Rs 34.17 crore of 4,348 farmers of Rania block and Rs 29.6 crore of 4,054 farmers of Sirsa block.

He said the company has informed the government that the amount would soon be transferred to the bank accounts of the farmers.

On August 14, The Tribune had reported that ICICI Lombard had rejected claims of cotton crop of Sirsa and Bhiwani districts and challenged the outcome of crop-cutting experiments (CCEs) carried out by the department.

The results of the CCEs, which calculate the yield of crop, form the basis of insurance claims. The insurance company had also contested the methodology in CCEs and quoted satellite evidence to prove its point. The department had alleged that the matter was never raised when it settled the claims in five other districts where the amount of losses was lower.

"Our department took up the matter with Centre and the matter went to the Technical Advisory Committee (TAC) constituted under the Pradhan Mantri FasalBimaYojana. We pleaded the case of farmers with facts and finally, on September 23, the TAC directed ICICI Lombard to finalise the claims in three days and transfer the money in farmers' accounts in three days," Bahera added.

TOP

Source

Insurance claim cannot be denied on the ground of common lifestyle diseases: NCDRC to LIC - The Economic Times – 12th October 2018

The apex consumer commission has asked LIC India to pay Rs 5 lakh to the kin of a deceased diabetes patient and made clear that insurance claims cannot be denied on the ground of common lifestyle diseases.

The National Consumer Disputes Redressal Commission (NCDRC), while setting aside the Punjab state commission's order, asked the Chandigarh branch of the Life Insurance Corporation (LIC) India to pay the sum along with compensation Rs 25,000 and litigation cost Rs 5,000 within 45 days to Punjab-resident Neelam Chopra.

Neelam Chopra's husband, who was suffering from diabetes, had availed a life insurance claim in 2003 from the company. While filling the proposal form, he had not mentioned about his disease. He died of a cardiac arrest in 2004.

After her husband's death, when she claimed the policy, the company rejected it on the ground that the deceased had suppressed information regarding his health at the time of effecting the policy and that the claim has become time barred.

"The deceased died on account of 'cardio respiratory arrest' which was existing for only five months prior to the date of death. Thus, clearly, this disease was not prevailing when the proposal form was filled. The disease of diabetes though was existing for some time but was under control at the time of filling up of the proposal form. Moreover, the non-disclosure of information in respect of this lifestyle disease of diabetes, will not totally disentitle the claimant for the claim," the commission said.

The apex commission, however, said that this ground does not give any right to the person insured to suppress information of such diseases and the person insured may suffer consequences in terms of the reduced claims. The commission said suppression of any information relating to pre-existing disease if it has not resulted in death or has no direct relationship to cause of death, would not "completely disentitle" the claimant for the claim.

TOP

Source

OPINION

Auto Insurance: Disruptive technology brings changes in the sector – Financial Express – 17th October 2018

The automotive insurance industry is being disrupted continuously by technology. The physical sales-oriented industry has fast-tracked to digital-only channels and now, with the introduction of Internet of Things, Artificial Intelligence and Block chain has completely shaken up the sector while disrupting the underlying business model itself. While all may seem to be well within the industry, large insurers are struggling with challenges primarily in how to price risk; how to decrease claim exposure; and how to fight unconventional competition.

Pricing risk
Insurers have priced risk based on the law of masses. This has worked at times and not so well at other times, but insurance companies did not have a way to look at the customer beyond their age, number of years behind the wheel, and location of car and driver. Now, by installing a simple telemetric device in the car, insurers are able to collect and analyse data about driver behaviour and habits, vehicle performance, predictive telemetric, and a whole lot more.

This data, along with new information on customer /car relationships has helped insurance companies to hyper-personalize and contextualize risk protection for individuals, rather than a segment. Europe and the US, being early adopters in usage-based insurance (UBI), were able to build on these business insights to achieve greater value, while countries lagging in its adoption, such as in Asia, including India, just recently initiated flexibility in product design so as to offer individual insurance products to customers. This under-exploited market remains open to potentially enormous growth.

Telematics definitely is an incremental step towards better customer / product alignment by providing atomic insights about both driver and car. Some insurers and new entrants have leapfrogged in translating customers' digital footprints before and after driving to their preferences and behaviour via virtual channels.

Decreasing claims exposure
To reduce claim settlement time, automotive insurance customers now are empowered to self-settle the claims by documenting the damage and filing for claims through smart devices. Insurers are now focusing on being able to prevent claim, rather than processing it. As we move towards mass adoption of connected car ecosystem, including fully or semi-autonomous driving, it raises critical questions on insurers' ability to define and assign liability.

Unconventional competition
Google and Amazon are quickly building an insurance portfolio. Both companies are working on building technology solutions that will provide simplified, high-quality, transparent, and personalised vehicle

insurance at a reasonable cost. These giants definitely have the technological edge to outpace existing insurance power houses.

Start-ups, such as Jointly or In spool in P2P insurance and Snap sheet or Guild for claims processing, are using AI-based, real-time risk profiling and disrupting the underlying insurance business processes from underwriting to claims. In fact, these and other insurtech start-ups are redefining the new way of pricing risk and processing claims for the insured.

It is evident that for large insurers it may not be possible to out-invest or out-innovate this competition. Therefore, rather than building these proprietary disruptive systems on their own, insurers need to look for innovative ways to partner with these tech giants or incorporate the new entrants into their business strategy for inorganic growth.

(The writer, Arjun Ahlawat is director, client solutions, Aeris Communications)

TOP

Source

PENSION

Government hikes interest rates on General Provident Fund to 8% for Oct-Dec quarter - financial Express – 16th October 2018

The government has increased the rate of interest for General Provident Fund (GPF) and other related schemes by 0.4 percentage points to 8 per cent for the October-December quarter. The rate is in line with that for Public Provident Fund. The interest rate on GPF was 7.6 per cent for the July-September quarter of 2018-19. "… during the year 2018-2019, accumulations at the credit of subscribers to the General Provident Fund and other similar funds shall carry interest at the rate of 8 per cent with effect from October 1, 2018, to December 31, 2018," a Department of Economic Affairs' notification said.

The interest rate would apply on Provident Funds of central government employees, railways and defense forces. Last month, the government announced that the interest on small savings, including NSC and PPF, will be hiked by up to 0.4 percentage point for the October-December quarter, to align it with rising deposit rates in the banks.

TOP

Source

PFRDA seeks easing of FDI norms for pension funds, expects boost for fledgling segment – financial Express – 16th October 2018

The Pension Fund Regulatory and Development Authority (PFRDA) has sought easing of the foreign direct investment (FDI) norms for pension funds so that experienced foreign partners could be roped in by these entities, facilitating more competition in the fledgling segment.

Currently, FDI in the sector is capped at 49%, in sync with the ceiling for FDI in insurance, where it was hiked from 26% to this level through an amendment to the relevant Act in 2015 after a legislative/policy-making process of several years.

Later, the department of industrial policy and promotion (DIPP) allowed entities like private banks (where the limit is 74%) to raise FDI up to the sectoral limit for their principal activity for their insurance intermediary business too, subject to the condition that over 50% of their income comes from the core business. But such a leeway is not available to the pension sector.

Currently, many pension funds managing the Nation Pension System corpus, namely ICICI Prudential, HDFC Pension, Kotak Mahindra Pension and Birla Sunlife, are arms of the respective banks and insurance firms with substantial foreign investment.

So, if the stakes of these firms in their pension funds are counted as 'indirect foreign holding,' then some of them may either have already breached the FDI cap in the pension sector or would do so if they induct a foreign partner with reasonable stakes. PFRDA chairman Hemant G Contractor told FE, ""If indirect foreign investment is counted, then there could be a breach of FDI limit by some pension fund managers. We require clarity on this from the government."

Currently, eight pension funds manage Rs 2.55 lakh crore NPS corpus, which is projected to grow to Rs 3 lakh crore by end-FY19.

When the Insurance Laws (Amendment) Act, 2015, increased FDI to 49% in insurance companies, it also meant that the pension sector could allow an FDI limit up to 49%. Due to lack of clarity on FDI calculation, PFRDA have not been able to formulate regulations to govern foreign investment in the pension sector.

Currently, PFMs are allowed to a fund management fee 0.01%. To increase their other income, PFRDA recently allowed PFMs to sell NPS products.

TOP

Source

IRDAI CIRCULAR

Terms and Conditions of Life Products for F.Y. 2018-19 are available on IRDAI website.

Source

Non life insurer's (provisional & unaudited) 'gross direct premium underwritten for and upto the month of September, 2018 is available on IRDAI Website.

TOP

Source

GLOBAL NEWS

Australia/NZ: Insurance bodies unite in call for IFRS 17 improvements and implementation delay – Asia Insurance Review

Insurance associations from Australia and New Zealand have joined a global group of insurance bodies in asking for improvements to International Financial Reporting Standard (IFRS) 17-- which covers insurance contracts -- as well as a delay in its implementation. The group of nine insurance associations has written a joint letter to Mr. Hans Hoogervorst, chair of the UK-headquartered International Accounting Standards Board (IASB) that highlights the industry's concerns about IFRS 17. The IASB has set 1 January 2021 as the mandatory effective date of IFRS 17.

The letter says that extensive testing, together with insurers' detailed implementation planning, has confirmed that a number of important issues still need to be resolved in order to ensure the quality and operational practicability of the new standard. There is also industry-wide agreement that a delay of two years is needed, both to allow for the necessary improvements to be made to the standard and for adequate time for companies to tackle the significant implementation challenges that IFRS 17 presents.

The fact that so many insurance associations from around the world have signed the letter demonstrates the importance and urgency to have a decision on a delay and for the IASB to move forward on the necessary improvements, the group says.

The insurance associations say in the letter that they remain committed to a high-quality standard for insurance contracts which improves insurers' financial reporting. "We have collectively made significant

contributions to the development of IFRS 17 and our member companies are engaging considerable resources into its planning and implementation.

"The industry recognises its responsibility for proposing solutions and we are liaising across our markets with the aim of providing timely progress on the necessary improvements to IFRS 17."

The letter also said, "There is no expectation that a delay will result in insurers stopping or slowing their implementation project. Rather, it will allow them to deal with operational constraints (skilled resource needs, software solutions), and the systems and control process changes needed to prepare data of suitable quality and reliability. It will also allow for the finalization of related regulatory changes as required in some jurisdictions, for better change management and user understanding and education on the new, and potentially very different, financial reporting going forward. We ask that these important matters are addressed so that insurers can plan accordingly to ensure an efficient IFRS 17 implementation."

The insurance bodies that signed the letter are:

- Association for Savings and Investment South Africa
- Canadian Life & Health Insurance Association
- Financial Service Council of New Zealand
- General Insurance Association of Korea
- Insurance Bureau of Canada
- Insurance Council of Australia
- Insurance Council of New Zealand
- Insurance Europe
- Korea Life Insurance Association.

TOP

Source

Korea: Life insurers urged to address unmet needs of consumers – Asia Insurance Review

While Korea ranks second in Asia for insurance penetration, there are still plenty of unmet needs for life insurance coverage which the industry has to address to remain sustainable into the future. Speaking at a panel discussion during the Insurance Summit on Industrial Revolution 4.0 held in Seoul this week, CEO of LINA Life Insurance Company Ben Hong said that both societal and technological trends mean that insurers in Korea would have to find ways to adapt their business model.

"There is a convergence of changing consumer needs and digitalisation, for instance self-driving cars should happen soon in Korea and when that happens, premiums will be mileage-based and as a result motor premium volumes will drop.

"Also, people are living longer and so are more focused on living benefits," he said. Meanwhile, ABL Life Insurance's chief digital officer Chang Wonkyun said that access to new data points provides an opportunity for insurers to innovate. .

"If we could measure people's activities in real time, rather than just use current metrics like age and gender, then we can develop new products depending on the time and risk. Although there may be some regulatory obstacles for such a product to go to market right now, I do see that regulations are moving in a positive direction," he said.

Given the fact that insurance has a long historic past, it is important for the industry to openly engage with new ideas from outside the sector. We have our own culture and processes and sometimes we need someone from the outside to come in and help us, but unless we have an open mind then it will be difficult to set the right environment for it to work," said Mr Michael Shin, CEO of RGA Korea.

Mr. Chang added that the people side is very important in the transformation agenda and hence organizations need to have open communication when embarking on digital transformation. Meanwhile, Mr. Hong pointed out the need to keep the focus on customers and respond effectively to their needs.

"So far much of our investments have been focused on the back office function for operational efficiency but we need to ask how do we create genuine customer value and how do we apply technology to achieve that," he said.

Panel moderator Ms Kim Mijung, CEO of YONG Consulting, rounded up the discussion by stating her belief that the industry can successfully assimilate new technology and people – rather than having to choose one over the other.

TOP

Source

Australia: Private health insurance changes need to address gap policy reforms – Asia Insurance Review

Private health insurance reforms announced by the government last week, while bringing positive changes, are only halfway complete, Dr Peter Sumich, president of the Australian Society of Ophthalmologists (ASO) has said. He said that the new four-tier private health insurance system should provide a necessary boost to competition among insurers and exert downward pressure on policy fees.

"While the work done to-date is substantial, we are only half way there," Dr. Sumich said. "Additional focus now needs to be given to gap policy reform in order to really help patients with out-of-pocket expenses," he said.

Dr. Sumich said gap policy reforms will need to address the following:

- differential rebating;
- copayment plans which have not been indexed for 20 years, and;
- Poor indexation of private rebates.

"Each of these factors contribute significantly to a patient's out-of-pocket expenses and must be addressed," Dr. Sumich said. The reforms announced by the government on 11 October aim to make private health insurance simpler and cheaper.

The new rules establish simple clinical categories and a 'Gold, Silver, Bronze and Basic' classification system. New insurance policies will be categorised under this system from April 2019, and by April 2020 all products must fully comply with the new arrangements.

TOP

Source

Philippines: Govt. studying cat bonds – Asia Insurance Review

The Philippines is seriously considering proposals like sponsoring catastrophe bonds that could be included in other insurance packages the government is now exploring with Lloyd's of London and the World Bank to cover state assets, the Department of Finance (DOF) said in a statement.

On the sidelines of the annual meetings of the World Bank and the International Monetary Fund (IMF) in Bali last week, the DOF said that it was exploring a plan to sponsor a Cat bond to cover disaster-related risks in the Philippines, reports Business Mirror.

Finance Secretary Carlos G. Dominguez III, with executives of Citi Group (Citi), discussed these proposals, along with a plan to come up with bonds or securities linked to attaining the United Nations' Sustainable Development Goals.

Citi Vice Chairman for Corporate and Investment Banking Jay Collins explained that the Philippine government will serve as sponsor of a Cat bond, with the World Bank issuing the bond to qualified investors.

Depending on the insurance coverage and its trigger, the Philippines as sponsor of the Cat bond will get paid the principal contributed by investors if a catastrophe occurs. But if there is no trigger, then investors would make a positive return on their investment in the bonds.

Citi helped draw up the $1bn catastrophe bond covering four nations of the Pacific Alliance in Latin America, namely: Chile, Colombia, Peru and Mexico. It was successfully launched earlier this year. It is the largest single issuance of Cat bonds ever facilitated by the World Bank.

The finance chief said the government can have multiple mechanisms to help cover the disaster-related risks both for the national government and local government units (LGUs).

"Right now, we have a local autonomy law and quite a number of the LGUs are liquid that they can buy the insurance. What we want to do is structure a system where everybody can participate. But everybody pays their own share. The national government does. LGUs can participate if they wish but they have to pay their own share," Mr. Dominguez said.

On a broader scale, he said the Cat bond coverage could later be expanded to include other countries within the ASEAN so that funds could be pooled to push down insurance premiums for each country-participant.

Last month the DOF met officials of Lloyd's of London to discuss possible insurance structures that could be applied to cover the Philippines's expanding roster of government assets and properties.

TOP

Source

Disclaimer:

'Newsletter' is for Private Circulation only intended to bring weekly updates of insurance related information published in various media like newspapers, magazines, e-journals etc. to the attention of Members of Insurance Institute of India registered for its various examinations.

Sources of all Cited Information (CI) are duly acknowledged and Members are advised to read, refer, research and quote content from the original source only, even if the actual content is reproduced. CI selection does not reflect quality judgment, prejudice or bias by 'III Library' or Insurance Institute of India. Selection is based on relevance of content to Members, readability/ brevity/ space constraints/ availability of CI solely in the opinion of 'III Library'.

'Newsletter' is a free email service from 'III Library' to III Members and does not contain any advertisement, promotional material or content having any specific commercial value.

In case of any complaint whatsoever relating 'Newsletter', please send an email to newsletter@iii.org.in.

To stop receiving this newsletter, please send email to newsletter@iii.org.in