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INSUNEWS

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• Quote for the Week •

" Always aim at complete harmony of thought and word and deed. Always aim at purifying your thoughts and everything will be well."

Mahatma Gandhi

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Insurance Industry

Kerala floods: Insurers receive Rs 1,500-crore bill - The Indian Express – 13th September 2018

Insurance companies may have to shell out Rs 1,500 crore on account of severe floods in Kerala that led to massive destruction of properties and claimed around 400 lives.

According to insurance officials, most of the claims have come from property, automobiles, resorts, restaurants and small units. "Total claims have crossed over Rs 1,500 crore. All these claims may not result in cash payout," said the CEO of an insurance firm. Public sector United India Insurance got the maximum claims as it was most active in the state. "People have lodged claims for around Rs 700 crore with us. We are processing all these claims. There are claims from over 4,000 vehicle owners alone," said KB Vijay Srinivas, General Manager and Director of United India Insurance.

Insurance companies escaped with minimum claims as most properties, especially houses, and crop were not covered for insurance in Kerala. "In Kerala we found hardly anybody is covered. When the floods came they discovered that in their term sheet they have excluded excess rainfall. They were asking when can excess rainfall happen. We only have drought… so let's cover drought. Their crops were not covered," Agriculture Insurance Corporation CMD Alamelu Lakshmanachari said.

CM Pinarayi Vijayan had said loss and damage to the state due to the devastating flood could be more than the earlier estimated Rs 20,000 crore. This means insurance claims due to floods are just 7.5 per cent of the losses, showing the poor insurance penetration in the country. The scenario is quite different abroad. The proportion of insured losses to overall losses was 52.5 per cent for winter damage in Japan in February 2014, 74 per cent for storm damage in USA in May, and 80 per cent for severe storm damage across western Europe in June 2014, says Prudential Insurance Brokers.

The country had seen a spate of natural calamities in the last 5-6 years. Insurance companies received claims amounting to Rs 4,800 crore after the Chennai floods in December 2015. Insurers suffered losses of over Rs 4,000 crore in two other natural disasters — J&K floods and cyclone Hudhud in Andhra Pradesh and Odisha — that wreaked havoc in 2014. While Jammu & Kashmir floods led to insured losses of around Rs 1,500 crore, the losses due to Hudhud are estimated around Rs 2,500 crore. All these claims were settled by insurers.

When the cyclone Hudhud hit Andhra Pradesh, insured losses amounted to just 7.5 per cent of the total loss. J&K flood insured losses were just 6.5 per cent of the total loss.

Source

Back

ECGC should provide liberal insurance cover to promote exports: FIEO – Financial Express – 7th September 2018

The commerce ministry should direct the Export Credit Guarantee Corporation (ECGC) to provide liberal insurance coverage to consignments with a view to promote overseas shipments, FIEO said Friday. Federation of Indian Export Organisations (FIEO) President Ganesh Gupta said the claims made by exporters should be settled on time and not rejected outrightly.

"We have asked the commerce ministry to direct ECGC on this issue. Exporters are facing huge problem at this front. Proper insurance cover is important to boost the country's exports. ECGC should work with exporters to address all the issues," he said. Gupta said the liberal insurance cover for markets such as Africa and Latin America would help promote shipments in these regions. In June, the government approved capital infusion of Rs 2,000 crore to ECGC to enhance insurance coverage to micro, small and medium enterprises exports.

Insurance coverage from the corporation will help improve competitive position of Indian exporters in international markets. ECGC offers credit insurance schemes to exporters to protect them against losses due to non-payment of export dues by overseas buyers due to political and/or commercial risks.

India's exports grew 9.78 per cent to USD 302.84 billion in 2017-18. Since 2011-12, exports have been hovering at around USD 300 billion. Promoting exports helps a country to create jobs, boost manufacturing and earn more foreign exchange.

Source

Back

Insurance Regulation

Insurers must follow investment regulations, says IRDAI chief - The Hindu Business Line – 11th September 2018

The Insurance Regulatory and Development Authority of India (IRDAI), on Tuesday, stressed that insurance companies must invest in higher-rated paper.

"Lower-rated companies may offer better returns but it may not be safe. They have to follow regulations," said Subhash Chandra Khuntia, Chairman, IRDAI, on the sidelines of the CII Insurance and Pensions Conference.

His comments come at a time when state-owned Life Insurance Corporation of India (LIC) is the largest shareholder in ailing Infrastructure Leasing and Financial Services with a 23.5 per cent stake.

The firm's rating has been downgraded to junk grade by ICRA, and is now hoping for a Rs 3,000-crore loan from LIC and State Bank of India. Its board is likely to meet later this month to discuss the issue.

Speaking to reporters, Khuntia said that when there is a downgrade in the ratings of a company, an insurer should not invest in it. "LIC will have to take a call on what to do with it," he said.

Meanwhile, he also said that insurance companies have sought the IRDAI's permission to raise 25 per cent of their net worth via Tier II bonds. "It is too early to comment on this. They have just made the proposal," he said.

He also said it is too early to comment on any proposal to change the listing norms of insurance companies.

Meanwhile, addressing the conference, Khuntia urged insurers to offer simple and standardised insurance products.

"Specific points can be added as per customers' requirements, but a standardised product is the need of the hour," he said. More standardised products on the lines of the motor third-party insurance can be developed as they would be simple to understand for customers and prevent mis-selling of products.

Source

Back

Life Insurance

Life insurers' premium from new polices up by 6 pc to Rs 18,639 cr in August – Financial Express – 12th September 2018

New premium collection of life insurers grew by 6.43 per cent to Rs 18,639.29 crore in August compared to the year-ago month, according to the figures released Wednesday by insurance regulator IRDAI.

Life insurance companies had collected a total premium of Rs 17,513.59 crore in August 2017.

SBI Life's premium collection rose by 38.45 per cent to Rs 1,135.71 crore, HDFC Standard Life's by 37.75 per cent to Rs 1,034.44 crore, and ICICI Prudential Life by 19.63 per cent to Rs 918.99 crore.

New business premium of Aditya Birla Sun Life Insurance increased by 104 per cent to Rs 282.40 crore in August this year, Bajaj Allianz Life rose by 92.43 per cent to Rs 418.17 crore, India First up by 54 per cent to Rs 111.67 crore and Tata AIA Life by 87.6 per cent to Rs 174.74 crore.

New premium collection of Aviva Life, however, dropped by 73.08 per cent to Rs 11.73 crore, Future Generali India Life by 11.82 per cent to Rs 60.22 crore, IDBI Federal Life by 7.45 per cent to Rs 52.43 crore.

Of all the 24 life insurance companies, state-owned LIC of India witnessed a decline of 1.94 per cent in its new business premium to Rs 13,122.12 crore during the month.

The rest of the 23 private sector insurers registered a rise of 33.55 per cent in their collective gross premium to Rs 5,517.17 crore during the month as against Rs 4,131.29 crore in August 2017.

For Sahara Life, Irdai data showed that the insurer earned nil new premium, a fall of 96.72 per cent from Rs 0.14 crore, in the year ago period.

On a cumulative basis, the gross new premium collection by all insurance companies rose by 6.20 per cent to Rs 75,588.35 crore during April-August period of 2018-19. It was at Rs 71,173.29 crore during the same period of the previous year.

Source

For LIC, the cumulative business from new policies fell by 0.41 per cent to Rs 52,701.86 crore while the cumulative premium of the 23 private sector players saw their collective premium increase by 25.39 per cent to Rs 22,886.48 crore in five months to August 2018-19.

Back

IRCTC changes train travel insurance rules. Here's how to insure your train journey at 68 paise – Mint – 8th September 2018

Who cares about buying travel insurance for train journeys? You should, especially when you can get insurance coverage of up to Rs 10 lakh for financial protection against train accidents and other untoward incidents, including robbery, at a near-zero premium of 68 paise.

You may have overlooked it, but the Indian Railway Catering and Tourism Corp (IRCTC) was so far providing you free and mandatory travel insurance each time you booked a ticket through its website or mobile app. Not anymore.

With effect from September 1, IRCTC's rules on travel insurance have changed. It is no more mandatory nor free.

While booking tickets on the IRCTC site for your train journeys, you will find an option on "Travel Insurance" where you can choose whether you want travel insurance or not. Since the cost is merely 68 paise, it is advisable to opt for it.

What is covered by train travel insurance

The travel insurance provides a coverage of Rs 10 lakh for death and permanent total disability arising out of any train accident or other untoward incident. For permanent partial disability you get Rs 7.5 lakh. The Rs 2 lakh coverage for hospitalization expenses for injury is over and above the death or disability coverage.

Acts like accident, robbery, dacoity and other violent acts during the train journey are covered by the policy.

Who is eligible for IRCTC travel insurance

Any train passenger who has booked an e-ticket using the IRCTC website or app can buy this travel insurance. Flight ticket booking websites also offer travel insurance, although at a much higher cost, similarly at the time of buying tickets.

However, there is no insurance for children below the age of five.

The travel insurance scheme is applicable only for Indian citizens. Citizens of foreign countries are not eligible for this scheme.

How to file a claim

IRCTC has tied up with 3 insurance companies — Royal Sundaram General Insurance Co. Limited, Shriram General Insurance Company and ICICI Lombard General Insurance Company Limited — for the scheme.

Remember, that you are buying an insurance policy from one of these three companies and not from IRCTC. All claims should, therefore, be directed towards the insurance company.

After you book the ticket and buy the insurance, the policy document is sent by the insurer to your email id.

Source

It is important to note that you need to fill in the nomination details at the respective insurance company website. If you don't do that then the settlement shall be made with legal heirs in case of a claim.

Back

Nearly 25% premium from new life policies goes waste – The Economic Times – 7th September 2018

Close to a fourth of the savings that goes into regular premium-investment policies goes to waste. Despite an improvement in their persistency ratios, most life insurance companies have at least 25% of policyholders dropping out after the first year. In terms of number of policies, the dropouts are much higher with nearly a third of buyers not paying their annual dues.

According to data released by the Insurance Regulatory and Development Authority of India, the 13th month persistency for the LIC in terms of policies sold was 64% in March 2017.

This means that of the policies sold in the previous year, 36% of the purchasers did not renew them in the subsequent year. The figure improved to 66% in 2018, but representing a one third dropout rate.

Sources in LIC say that the dropout ratio is higher among low-value policies and it improves when the renewals ratio is checked as a percentage of premium rather than the number of policies sold. However, even when it comes to premium, there are only 76% renewals in the second year.

The lapsed policies are almost a total loss to the policyholder. In the case of a lapse within a year, the policyholder loses most of his money since the insurance company books all its costs, including commission, upfront in the first year.

In 2016-17, LIC sold Rs 22,178 crore worth of regular premium policies. This was 44% of the regular premium collected by the industry. Extrapolating the 24% lapse ratio to the fiscal year numbers would indicate that premium worth over Rs 5,000 crore has has lapsed for LIC alone. Of the 1.89 crore policies it sold in FY17, a third would have lapsed.

Those in the insurance industry attribute the high rate of lapsation to the fact that agents push low-value policies or split policies in order to achieve their target in terms of numbers. But lapsation of high-value policies are a pointer to continued misselling.

In the West, life insurance companies tackle mis-selling by incorporating a 'clawback clause' in their contracts with agents — companies pay high first-year commissions, but recover them from agents if the policy lapses.

Source

Insiders say that lapsations are also the reason why assets under management (AUM) of life companies are growing at a much sedate pace compared to mutual funds (MFs). The AUM of the Indian MF Industry has grown from Rs 5.41 lakh crore as on July 31, 2008 to more than Rs 23 lakh crore as on July 31, 2018 — a more than fourfold increase in a span of 10 years. For the life industry, AUM has been growing at 11-14% and stands at around Rs 30 lakh crore.

Back

'Insurers need long-term investment opportunities' - The Hindu Business Line – 7th September 2018

LIC Chairman VK Sharma highlighted the need for long-term investment opportunities for insurers.

"Investment by insurance companies is a key issue in the future as insurance is a long-term investment," he said at an Assocham insurance conference, pointing out that since insurance is about managing long-term liabilities with long-term assets, there is a need to have longer-term bonds having a duration of over 10 to 15 years.

Sharma said that in developed economies, over 30 per cent of the investments by insurers are in long-term bonds, while developing economies like India have not been able to develop such bonds.

Source

"This leads to volatility…whether the insurance company will be able to deliver the promised return," he said.

Non-life Insurance

Centre permits two Iranian insurers to offer $1-billion cover for tanker shipments till 2020 - The Hindu Business Line – 11th September 2018

Iran's Kish P&I Club and Qeshm International Trust Alliance (QITA P&I Club) have been granted permission by India till February 2020 to provide cover to Iran tankers bringing crude to the country with a liability limit equivalent to the one extended by a London-based global insurance group. This will help in continuing oil supplies from the sanctions-hit Persian Gulf nation.

Kish P&I Club and QITA P&I Club — backed by a sovereign guarantee from the government of Iran — will provide $1 billion limit on individual claims, according to the Shipping Ministry. A government panel approved the application of the two Iranian P&I Clubs after assessing their capability on 16 counts to extend the full $1-billion cover — the limit of any third party claim, a Shipping Ministry official said.

During the earlier round of sanctions, India approved the two Iranian ship underwriters to provide insurance for container, tanker and bulk vessels calling at Indian ports. Such approvals were initially given on a quarterly basis which was later granted for a six-month period and subsequently for a year. The latest extension will run through February 20, 2020, the official said.

India has made it mandatory for foreign ships entering the country's ports to hold a valid third-party liability cover against maritime claims such as oil pollution, wreck removal and damage to port property.

Such third-party liability risks have to be insured with the London-based International Group of Protection and Indemnity Clubs (IG Clubs) or such other insurance company authorised by the government, according to the Merchant Shipping (Regulation of Entry of Ships into Ports, Anchorages and Offshore Facilities) Rules 2012.

Third-party risks

Globally, such third-party risks are insured with the IG Clubs, a 13-member group based in London that provides liability cover for about 90 per cent of the world's ocean-going ships, placing a $1-billion limit on individual claims.

The new sanctions imposed by the United States will take effect from 4 November after which the IG Clubs will halt third- party liability cover to ships hauling Iranian crude oil.

"Whatever quantity was contracted with Iran before sanctions, that was on free-on-board (FOB) basis. Now, with the sanctions, that would be converted into cost, insurance and freight (CIF) imports. For that, permission has been granted by the Shipping Ministry," an shipping ministry official said.

Source

Back

Health Insurance

Taking a cue out of health insurance schemes down south – Hindustan Times – 13th September 2018

Ayushman Bharat, the government's flagship health insurance scheme, has rekindled the hope for moving towards universal coverage of hospitalisation costs in India, but the initial spark was ignited by Yeshasvini, the health insurance scheme for rural farmers and peasants, initiated on a modest scale in Karnataka in 2003.

During its first year, the scheme covered about 1.6 million rural poor with a premium as low as Rs 90.

In 2007, the then undivided Andhra Pradesh launched an ambitious health insurance programme paid by the government, covering over 70 million people or nearly 70% of the state population, and became the first state to move towards universal coverage.

In Tamil Nadu, a similar approach was followed where 42 million people (more than 55% of the population) were covered by a scheme where the government paid the premium for hospitalisation for medical procedures and clinical interventions.

Recognising the limitations of targeting, Kerala initiated its own Chief Minister's Comprehensive Health Insurance Scheme, besides the centrally initiated Rashtriya Swasthya Bima Yojana (RSBY).

Karnataka, which initiated the first state-funded health insurance scheme in India, had to gradually accommodate three other similar schemes, administered and paid for by different units of its government.

Political commitment

The political commitment demonstrated in these health insurance schemes is clearly reflected in the annual allocation of funds. The Tamil Nadu health insurance scheme spent about Rs 225 per enrollee in 2016, while Andhra Pradesh and Telangana spent an average of Rs 140 per enrollee, as against the Centre's RSBY, which spent about Rs 80 per enrollee.

The health insurance provided by Tamil Nadu, Andhra Pradesh and Karnataka's Vajpayee Aarogyasree schemes essentially covers tertiary-care medical procedures and interventions, which are considered catastrophic in nature if the families have to pay on their own.

The Tamil Nadu and Andhra Pradesh medical insurance schemes cover about 1,016 and 1,044 medical procedures respectively, with 56 and 133 high volume medical procedures reserved for provision only in public healthcare facilities respectively.

Unlike RSBY or the other southern schemes, beneficiaries in Tamil Nadu and Kerala utilised public facilities to a large extent. Available evidence suggests that over 43% of all hospitalisation, under the health insurance scheme in Tamil Nadu, took place in government hospitals in 2016.

Hospitals often complain that a pan-India package rate for similar procedures is irrational since it doesn't take into account quality and cost variation in providing hospital services. A distinguishing feature of the Tamil Nadu scheme is that hospitals in the higher-grade categories have higher package rates for similar procedures. Such variation in package rates creates an incentive for hospitals to fulfil the criteria for moving up to higher grades.

Stopping fraud, ensuring quality

The southern states, especially Tamil Nadu, Andhra Pradesh and Karnataka, were the early ones to establish mechanisms for effective control of fraud and abuse of the insurance system. Cost containment measures and fraud control were achieved through pre-authorisation of procedures, pre-agreed package rates according to hospital categories, surveillance and medical vigilance teams for fraud control. These schemes extensively utilised information technology (IT) applications, beginning from application of biometric smart cards for enrolment and identification of beneficiaries.

Routine disempanellment of hospitals involved in fraud acted as a deterrent for other hospitals to avoid performing unnecessary procedures. In order to reduce potential uncertainty in payment to hospitals, claims are settled within one week of claim submission from the hospital, making it attractive from the perspective of private healthcare providers.

Funding

A key feature of government supported health insurance scheme has been the involvement of health insurance companies as financial intermediaries to pool risk and purchase health care services from both government and private health care facilities. Experience of the last one decade demonstrates that risk bearing capacity of the financial intermediary has remained low as it raised the yearly premium rate when claims ratio rose over 100%, as in Kerala. The Tamil Nadu scheme managed to circumvent this scenario by negotiating a stable premium rate, set for four years.

In the southern states, the utilisation of health services has been high and increasing over the years. This has resulted in the claims ratio breaching the 100% mark. Multiple administrative machineries, including health insurance companies and third party agencies have added to the administrative cost, besides profits made by insurance companies.

Karnataka and Andhra Pradesh were the pioneers in moving towards a Trust Model of administering the scheme, avoiding or removing the role of insurance companies. This achieved cost savings by keeping administrative costs at the minimum. Recent reports suggest that most states are moving towards a Trust Model for administering the national health protection mission (Pradhan Mantri Jan Arogya Yojana) under Ayushman Bharat.

As these newly formed Trusts look to design their administrative framework, they can learn from the experience of Karnataka, Andhra Pradesh and Telangana. Their experience offers valuable lessons for Ayushman Bharat that go beyond financing mechanism. While hospitalisation costs were partially or substantially covered, financial burden of out-of-pocket expenditure was not significantly dented since outpatient care and long-term medication was not covered. Strengthening primary care and provision of free drugs and diagnostics in public facilities must accompany cost coverage of hospitalised care.

Source

(The writer, Dr Srinath Reddy is the president, Public Health Foundation of India (PHFI), and Dr Sakthivel Selvaraj is director, health economics, financing and policy, PHFI.)

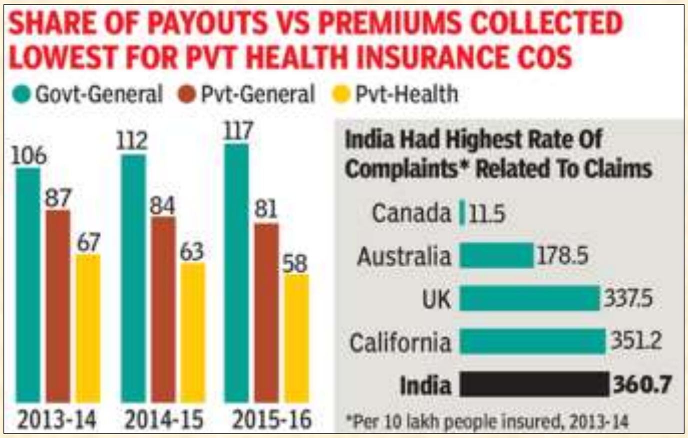
Back

Are you better off without a health insurance policy? - The Economic Times – 12th September 2018

Individual buyers of health insurance are worst off in India, especially if they have bought it from private stand-alone health insurance companies. They have the greatest difficulty in getting the companies to pay up when they need the cover.

The Indian health insurance sector also had the highest complaints rate, according a study of the sector that compared India, Canada, Australia, UK and the US state of California, an indication of the poor quality of products and services.The study concluded that "it may be the case that with such poor levels of consumer protection, households which purchase basic financial products, like health insurance, are worse off than households which do not".

According to the study by the National Institute of Public Finance and Policy (NIPFP) titled Fair Play in Indian Health Insurance, the claims ratio or the amount paid to settle claims as a percentage of the total premiums collected had fallen from 67% to 58% between 2013 and 2016 for private standalone health insurers, raising consumer protection concerns. Yet, unlike in the US, a highly privatised health insurance market, where it is mandatory for insurers to refund consumers if the claims ratio is below a minimum level, no such provision exists in India. In many US states the minimum claims ratio ranges from 65% to 80%, below which insurers would have to refund consumers.



In contrast, the claims ratio of government-backed general insurance firms had gone up from 106% in 2013-14 to 117% in 2015-16, indicating either a cross-subsidy from other businesses or a business heading towards bankruptcy. The study also found that private insurers use a higher percentage (up from 10% in 2013-14 to over 12% in 2015-16) of the premium paid by consumers to pay agent commissions, while public sector insurers used just 6.8% in 2013 and now over 7% for the same.

The largest growth in the sector was in the governmentfunded health insurance schemes (GFHIS), which went from covering 12% of the population in 2013-14 to over 20% by 2015-16. These enable the poor to use private hospitals for covered medical procedures and the insurer reimburses the private hospital. Group health insurance, like those offered by companies to their employees, and individual insurance covered just over 4% and 2%, respectively, of the population. The authors noted that with private persons buying health insurance, and governments building state-funded schemes that use the services of private health insurance firms on a large scale, there was an urgent need to look into the quality of these insurance policies and efficiency of the sector.

In computing complaint rates, the study only considered complaints made to adjudicators outside the company, which indicated that the company had failed to address the consumer's grievance. Moreover, in most other countries since clinical visits, medication and some wellness care are also covered, and not just hospitalisation, there were more chances for customer dissatisfaction. Despite there being fewer encounters between consumers and insurance firms in India, as they cover only hospitalisation, and being a far less litigious country, India has the highest complaint rate. "The lack of fair play in this industry is derived from deficiencies in regulations, weak enforcement and faulty institutional design of consumer redress," noted the study.

Insurance firms often rejected legitimate claims only to lose in dispute resolution mechanisms, like the ombudsman and consumer fora. There are no penalties in the existing regulations for rejecting valid claims even when the rejections are in violation of the regulations, the study noted, adding that firms violated regulatory requirements without any repercussions. "In multiple cases, after more than a year of dispute resolution processes, the insurer is required to pay for the insured amount and small values for litigation costs and harassment damages. Usually the costs imposed are even below the time value of the claimed amount," the study said, noting how rejection of legitimate claims helped further insurance firms' surplus.

Source

Back

Will centre's flagship 'Ayushman Bharat' scheme ensure quality healthcare? – Mint – 11th September 2018

Not even 1% of the private hospitals expected to be empanelled to provide services under the Ayushman Bharat-National Health Protection Mission (AB-NHPM) carry a quality tag. This will make it difficult for the centre's flagship scheme, billed as the world's largest health assurance programme, to provide quality care.

This is all the more so as the government is largely looking at the private sector for providing "quality healthcare" under the scheme, which is popularly known as Modicare and is set to be launched under the Pradhan Mantri Jan Arogya Yojana on 25 September, the birth anniversary of Bharatiya Jana Sangh leader Deendayal Upadhyaya.

The health protection mission aims to cover more than 100 million poor and vulnerable families for secondary and tertiary care hospitalization in India where more than 70% of all health services are provided by the private sector.

At least 6,000 private hospitals are likely to join the AB-NHPM but not all may not be accredited by the National Accreditation Board for Hospitals and Healthcare Providers (NABH), according to the Quality Council of India (QCI), an autonomous body aimed at ensuring that standards are maintained in various sectors including health.

NABH is a constituent board of QCI, set up to establish and operate accreditation programmes for healthcare organizations based upon international standards, through a process of self and external evaluation.

"Currently, we have around 540 NABH-accredited hospitals in India which is a very small number. All these hospitals may not join Ayushman Bharat. NABH accreditation indicates that a hospital has best-in-class services and gives hospitals additional benefit as these hospitals will get more in the base rate in the scheme as compared to the non-accredited ones. It is totally a commercial decision and a private hospitals' discretion to join or not to join the government scheme," said Harish Nadkarni, chief executive officer, NABH.

"More and more NABH-accredited hospitals should join Ayushman Bharat because of the incentives. NABH-accredited hospitals will be paid 15% higher rate and entry level NABH hospitals will be paid 10% higher for the same package than non-accredited ones," said Alok Saxena, joint secretary, ministry of health and family welfare.

"We will try to ensure that we provide quality healthcare through private hospitals. Getting entry level accreditation from NABH is not very difficult and there should be around 2,000 entry-level NABH hospitals, which is low. It is the just the starting of the scheme. If not immediately, gradually the quality healthcare systems under Ayushman Bharat will fall in place. We are empanelling hospitals according to their specialty and super-specialty such as cardio, neuro and nephro. Even before empanelment, the government will do reality checks of the hospitals if they have the required equipment and tools to provide quality healthcare," he said.

At least 29 states and Union territories have started working on implementation of the scheme, according to the Union health ministry. Pilot projects have started in 16 Union territories, while other states will launch pilot projects before the launch of the scheme this month.

Interestingly, the government will require an additional 160,000 hospital beds to provide health assurance under AB-NHPM, according to a PwC-Confederation of Indian Industry report.

The ambitious scheme, to be implemented by the health ministry, aims to offer an annual health cover of Rs 5 lakh per family, based on the socio-economic caste census (SECC) database. The health cover will allow beneficiaries to avail cashless treatment at any public or private empanelled hospital in India.

Source

The expenditure incurred in premium payment will be shared by the central and state governments.

Back

Crop Insurance

Crop insurance scheme tweaked - Hindustan Times – 14th September 2018

The Modi government will impose penalties on state governments, insurance companies and banks for delays in settling crop insurance claims of farmers, by far the biggest hurdle in the flagship Pradhan Mantri Fasal Bima Yojana scheme (PMFBY), according to an official familiar with the development.

Penalties for payment delays, which stoke discontent among farmers, signal an aggressive approach to boosting the performance of a programme central to the government's farm agenda. Farmers often receive compensation after year-long delays. Timely claims settlement is critical to the scheme's success.

The government had launched the PMFBY in 2016-17, dismantling two previous poorly-designed schemes and replacing them with a simplified programme. Yet, the farm ministry has had to troubleshoot systemic hurdles in the new scheme.

Farmers pay between 1.5 and 2% of the total premium. The rest is shared 50-50 between the Centre and states. Over the past year, the government has relied on a raft of technologies – from remote sensing to Android apps – to iron out bottlenecks.

State governments will have to pay penalties if they do not pay farmers within applicable deadlines after the Centre pays its share of subsidy, the official said.

Insurance firms will have to pay penalties at the rate of 12% for payments delayed beyond a month. Banks are also proposed to be fined if they do not submit actuarial data on time, the official said. The changes have been vetted by the Prime Minister's Office and the finance ministry, a second official said.

"I do not think penalties are a good idea because a lot of improvements are already taking place. There are many stakehold- ers in the insurance scheme. State governments often provide yield loss estimates to insurance companies very late," said Rajeev Chaudhary, the chief risk officer of the Agriculture Insurance Company of India Ltd.

Tussles between states and insurance companies over estimates of crop losses and computation of claims are a key bottleneck. Often, insurance companies suspect fudging of data.

For transparent estimation of crop losses, the most crucial step, the ministry has developed an Android app for hand-held devices and harnessed satellite technologies.

Pointing out drawbacks in the PMFBY, the government's committee on doubling farmers' income, in its report, Risk Man- agement in Agriculture, had said the "number of bidders in the drought-prone rainfed areas have been relatively lesser, resulting in premium rates as high as 25%". This points to cherry-picking or the practice of insurance firms selectively bidding for low-risk areas.

The number of farmers, who opted for insurance, fell 17% to 47.9 million in 2017-18, from 57.4 million in 2016-17. Area coverage under the scheme rose to 57.1 million hectares in 2016-17, the initial year, from 52.4 million hectares in 2015-16, when a different insurance regime was in force. However, in 2017-18, the area insured fell to 47.5 million hectares. Of the total premium of Rs 19,000 crore in kharif 2017, payouts have been made to the tune of Rs 14,000 crore.

Source

Pradhan Mantri Fasal Bima Yojana: Farmers wait up to 18 months for claims - The Indian Express – 10th September 2018

Farmers who have opted for the government's crop insurance scheme – Pradhan Mantri Fasal Bima Yojana (PMFBY) – have realised it's a long wait for claiming money under the scheme. The delay for reimbursements can go up to 18 months with the Central and state governments delaying the payment of premium to insurance companies, industry officials said.

Most of the state governments are delaying payment of premium which, in turn, leads to delay in payments to farmers, said the former Chairman of an insurance company. The government is likely to make some changes in PMFBY soon. On the delay in payment to farmers, ICICI Lombard Executive Director Alok Agarwal said, "the subsidies of Central and state government need to come in time and then only the claim needs to be paid by the insurance company. We have seen that money starts coming in from the sixth month and it takes almost 18 months when the full money comes in. Even if the insurance company pays in 7 to 21 days after the receipt of the money, the delay could be an average of 12-18 months."

While the premium paid by the farmers on crop insurance is just 2 per cent (for kharif crop) of the total premium, Central and state governments chip in with 98 per cent of the premium. For rabi, the share of premium of farmers is even less at 1.5 per cent.

Insurance companies are also facing challenges while enrolling farmers under the PMFBY. "In some areas, if farmers feel that the weather is good and they are going to get a good crop, they would prefer not getting debited (insurance premium from bank account). You have cases where farmers, like in Maharashtra, say that you have no right to debit. They say you should take our permission to debit. In some cases, bankers themselves decide… if the season is good, why debit? You have these challenges as far as loanee farmers are concerned," said Alamelu T Lakshmanachari Chairman & MD, Agricultural Insurance Company of India (AIC).

Two years after the launch of the PMFBY, majority of farmers are still not aware of the scheme. "In our crop insurance, more than 90 per cent are loanee farmers. There was a study which said 70 per cent of the farmers are not aware of the scheme itself. Even if a farmer is aware of the crop insurance he doesn't know how much premium he will have to pay, when the claim will come, how much I'm insured and whether it's coming from the loan account, he's not aware of. So the trust deficit is there," said an official of SBI General Insurance.

"In states like Tamil Nadu where there was a drought in 2016-17, it's not that farmers are not aware of the scheme. They feel we need to take insurance when there's a calamity," AIC CMD said. "In Kerala we found hardly anybody is covered. When the floods came they discovered that in their term sheet they have excluded excess rainfall. They were asking when can excess rainfall happen. We only have drought… so let's cover drought. Their crops were not covered," Lakshmanachari said.

The number of farmers covered by the scheme has fallen by around 15 per cent to 4.79 crore during the year 2017-18 when compared to the previous year. However, premium collected under PMFBY increased from Rs 22,180 crore in 2016-17 to Rs 24,454 crore in 2017-18. "The number of farmers covered is not likely to fall in the current year," said former New India Assurance Chairman and MD G Srinivasan. The use of modern technology in crop insurance has also not taken off. "When the scheme was introduced, the intent was to use technology to a large extent. As we went on, we found that there were many practical issues which resulted in delay but the chief reason cannot the insurance company alone," Agarwal said.

Source

Back

Motor Insurance

Frame rules for selling uninsured vehicles in accident to pay victims: SC to states - The Tribune – 13th September 2018

The Supreme Court Thursday directed all states to frame rules to allow selling of uninsured vehicles involved in accidents to pay compensation to the victims. The prevalent rules do not allow selling of the uninsured vehicles making it difficult to pay the compensation for the victims.

The top court directed that the rules should be framed within 12 weeks by all the states in accordance with those currently in force in Delhi. If the rules currently existing in Delhi are enforced across the country, then it would make driving of uninsured vehicle difficult as owners would run the risk of seizure of vehicle in case of accident and being sold to pay the compensation for the victim. Seven states-Jammu and Kashmir, Chattisgarh, Bihar, Punjab, Jharkhand, Puducherry and Lakshdeep-told the apex court that they have initiated the process of incorporating such rules.

Haryana said it has a similar rule, while Madhya Pradesh has raised certain objections to the rules for compensation. Delhi informed that it already has such rules in place. A bench of Chief Justice Dipak Misra and Justice D Y Chandrachud said the magistrate having jurisdiction over the area in which accident takes place will not release the uninsured vehicle to the owner, and instead auction it and deposit the money with the Motor Vehicle Claims Tribunal (MACT) within 15 days.

It said the amount realised after sale of vehicle shall be released by MACT to the victim while awarding the compensation. During the hearing, advocate Radhika Gautam appearing for the petitioner Usha Devi -- who had challenged the order of the Punjab and Haryana High Court refusing to implead Punjab as party in an accident claim case-said 10 states have filed their response.

She said nine states have framed the rules but rest of the states have not filed their responses. The bench said all states should comply with the earlier direction and incorporate rules like the one currently in force in Delhi, within 12 weeks. Section 6 of the Delhi Motor Accidents Claim Tribunal Rules, 2008 deals with prohibition against release of motor vehicle involved in accident.

Section 6 (1) says that no court shall release an uninsured vehicle involved in an accident resulting in death or bodily injury or damage to property unless and until the registered owner furnishes sufficient security to the satisfaction of the court to pay compensation that may be awarded in a claim case arising out of such accident.

Section 6 (2) says that when the motor vehicle is not insured against third party risks, it shall be sold off in public auction by the magistrate having jurisdiction over the area where accident occurred on expiry of three months of the vehicle being taken in possession by the police officer, and proceeds shall be deposited with the Claims Tribunal, within 15 days for purpose of the compensation to be paid in a claim case arising out of such accident.

Gautam said states have obligation to see that no uninsured motor vehicle is driven on road by virtue of the provisions of Section 196 of the Motor Vehicles Act and they ought to pay the amount and recover it from the owner.

She referred to an eight-year-old verdict of the apex court in which various aspects, including compensation were dealt with. She suggested that a comprehensive and unified statute was needed to deal with the accidents so that the families of the helpless victims do not suffer on account of the fact that the vehicle is not insured.

Referring to the 2010 verdict, she said the top court had stated that where there is no insurance cover for a vehicle, the owner should be directed to pay security or deposit an amount, payable as compensation to the victim, as a condition precedent for release of the seized vehicle. Attorney General K K Venugopal, appearing for Centre had earlier said that in the absence of any law, the State cannot be held liable under the Motor Vehicle Act.

He had said there can be no doubt that the State cannot be held liable because of non-compliance by the owner of vehicle, who has failed to insure the vehicle and he is liable to face a criminal action. Venugopal had said the 2010 verdict of the apex court is a some kind of solace to the victims but for the said purpose, proper rules are required to be framed.

The apex court had on March 26, said in 2010 though directions were issued to all state governments to incorporate such a rule but it appears that no steps have been taken so far. The court had then directed the copy of the order to be sent to Chief Secretaries, Director Generals of Police of all the states and Registrar Generals of all the High Courts to see that such a rule is introduced if already not done, so that the victims of an accident get some compensation.

Petitioner Usha Devi, a resident of Barnala in Punjab, has challenged the high court order by which it had refused to implead state as party for payment of compensation and later recovering by selling the vehicle. Devi's husband while travelling on January 21, 2015 had died in a road accident at Barnala district with an uninsured vehicle and she was grievously injured.

Source

Irdai to come out with final report on 'black box' in motor insurance – Financial express – 12th September 2018

The Insurance Regulatory and Development Authority of India (Irdai) is planning to come out with a final report on telematics in motor insurance by the end of current financial year. Regulator also asked insurers to come out with standardise products which could also reduce mis-selling in the industry.

Speaking at the CII's 20th Insurance and Pensions Summit, Irdai chairman Subhash C Khuntia said, "Selling products that are standardised in design so that people are not misled… If we have to put fixed deposits in a bank, we have no problem with the terms and conditions because all banks will have similar terms and conditions. Similarly, we can come out with simple insurance products like third-party insurance, so that everyone knows what it involves."

He also added they were going through the final report on telematics which will motivate people with better behaviour. Telematics insurance is motor insurance where a telematics box is fitted to a vehicle. The telematics box (also commonly known as a black box), then measures various aspects of how, when and where the vehicle was driven.

Currently, motor insurance in India is being priced based on parameters, such as the model, capacity, geographical use, of the vehicle. But in actuality, there are various parameters to be considered in the assessment of risks that a vehicle is exposed to, such as upkeep of the vehicle, how frequently it is driven, what distance it is driven for, the quality of roads it is driven, the driving habits of driver and so on. Consideration of these factors will lead to a more meaningful risk assessment and provide a more accurate mechanism for pricing.

Speaking on the sidelines of the event, the chairman also urged insurance companies to decide prudently on their investments while being asked on the recent downgrades of bonds of IL&FS and IL&FS Financial Services. "Suppose there is downgrade in the rating, it is up to insurance companies to take action against what to do with investments and how to retrieve what is maximum. Normally, when there is a downgrade, they shouldn't continue with it. They will have to withdraw and put it somewhere else," added Khuntia. He also clarified that right now, there is no plan to change any norms with regards to insurance companies IPO rules.

Risk-based capital regime

The regulator also said insurance companies can now raise 25% of their net worth from tier-II bonds and raising it further would be only possible when insurance companies move to risk-based capital regime. Last year, Irdai had set up a 10-member steering committee to help implement the new risk-based capital regime by March 2021.

Source

Back

Third-party insurance now must to register new vehicles in Delhi - Hindustan Times – 11th September 2018

The Delhi government's transport department has directed all 13 motor licensing officers (MLOs) to register new vehicles only if they have third-party insurance. New rules issued by the Centre make it a must for vehicles at the time of sale to have third-party insurance for a period of three years for four-wheelers and five years for two-wheelers instead of one year.

Following the directions, if a vehicle is found plying without a third-party cover, its registration might be cancelled, officials in the Delhi government said. The guidelines came into effect from September 1 after a notification from the union ministry of road, transport and highways (MoRTH). The union ministry in a letter to the transport department on August 29 asked it to implement the new rules.

"The department issued instructions to all MLOs to ensure all new vehicles are registered only if they fulfil the new guidelines. For any vehicle found without a third-party cover, the registration will be cancelled," said a senior officer, not wishing to be named. The rule is applicable only for new vehicles, the officer added.

The guidelines were introduced following a Supreme Court order on July 20 this year on a plea seeking relief for victims of road accidents who could not get compensation as owners did not have third-party cover. The recommendation was suggested by the SC's Road Safety Committee in a meeting on March 26 where it stated that 66% vehicles running on roads across the country were without any third-party insurance cover.

The committee recorded that of the approximately 18 crore vehicles plying on city roads, only six crore have third-party cover and that victims of road accidents, in particular fatal accidents, are not getting compensation because the vehicles are not insured.

The court noted that more than a lakh people die in road accidents per year across the country. Delhi, which has over one crore registered vehicles, records a high number of deaths due to road accidents.

A report prepared by the MoRTH titled 'Road Accidents in India 2016' revealed that Delhi had 1591 -- the highest -- deaths due to road accidents in that year. Chennai had the highest number of road accidents.

Data released by Delhi Police showed that in 2017, the city witnessed 1474 fatal accidents in which 1505 persons were killed. This was less than the number of deaths in 2016 where 1591 people were killed in 1487 fatal accidents.

Source

Back

Transporters pitch for 'no claim' bonus in third party cover - The Hindu Business Line – 9th September 2018

Transporters strongly pitched for a 'no claim' bonus in the mandatory motor third party insurance and sought a reduction of the premium rate. "While 'no claim' bonus is offered in the own-damage segment, it is not in the third party cover. Introducing the incentive in third party will help us a lot,"'said N Bhasker Reddy, President, Telangana Lorry Owners Association.

He was speaking at a panel discussion 'The Road Ahead' as part of the 'Transporters Meet' organised here on Friday by BusinessLine in association with Indian Oil Corporation and YES Bank. On the challenges and reforms needed in the sector, Reddy, who echoed the concerns of his Association members, said toll should be reduced to half on any commercial vehicle plying empty.

"When they take higher charge for higher tonnage, they should reduce it, if there is no load," he argued. Most participants were unanimous that the sector was going through tough times as nearly 85 per cent of the truckers were single-lorry owners.

Daily fluctuation in fuel prices, costlier diesel, problems in accessing credit, and unfavourable policies were pushing small players into serious problems.

Agriculture and transportation are the two foundations on which the economy rests and if transportation operations become unfavourable to small players, the situation turns alarming and needs correction, they argued.

AK Agarwal, Director, Agarwal Packers, said while the GST was a good move largely, there were still concerns in areas such as e-way bills. Scarcity of trained drivers was another major issue, he said and suggested taking up of new drivers under the 'Skill India' initiative.

DV Ramana Rao, Chief General Manager (Retail Sales), Telangana & AP, IOC, said the company was taking all efforts to make bunks friendly to drivers and in select stations even dormitories were being set up for their benefit.

"We have introduced cashless transaction cards which is proving very useful for transporters," he said. The card has been received well by truckers, including drivers.

Rajesh Raghuvanshi, National Sales Manager, Construction Equipment Loans, YES Bank, said ensuring ease of finance to the industry is a key endeavour of the bank. "It is an evolving industry and we will do our best to help truckers and those dependent on the segment."

In his closing remarks, Sandeep Sharma, General Manager, Branding, IOC, said the road transportation sector "is the life-line of the economy.

If trucks stop operating the economy will come to a halt." IOC, he added, was doing every thing to provide better service to all stakeholders, especially fleet operators, small truck owners and drivers.

G Naga Sridhar, Deputy Editor, BusinessLine , moderated the discussion. TV5 was the television partner.

Source

Pension

PFRDA plans to expand distribution network of NPS - The Hindu Business Line – 11th September 2018

The Pension Fund Regulatory and Development Authority is planning to further expand the distribution network of the National Pension System.

“We are thinking of making some changes in the distribution set up or network. This will be related to the Points of Presence. The proposals are being taken to the board,” said PFRDA Chairman Hemant Contractor, on Tuesday, adding that there is no proposal to change the commission structure at present.

Addressing the CII Insurance and Pensions Summit, Contractor said that he expects the subscriber base of the NPS to grow by 30 per cent this fiscal.

Source

NPS currently has 2.23 crore members and witnessed a growth of 37 per cent in 2017-18. Another 1.1 crore people are covered under the Atal Pension Yojana, and PFRDA expects to add another 50 lakh to it this fiscal.

Back

Opinion

Selling life insurance to millennials - Financial Express – 14th September 2018

India’s youth population (15-29 years) is going to cross 45 crore by 2020. Besides understanding the importance of millennials in our economy, it is equally important to understand their behavioural aspects which are significantly different from earlier generations. For millennials, immediate needs take precedence over saving for a secure future. These behavioural attributes expose them to greater financial risks in case of any unforeseen eventuality. The widespread use of credit or easy access to loans to acquire bigger assets like house, car, etc accentuates risks.

Data rules

In most cases, the realisation that one needs life insurance does not come unless one experiences the shock of unexpected loss of life or health problems. Unlike the previous generation, the marriage age for millennials has got pushed by three to five years due to a stronger career focus. Naturally, late marriage results in having children in the late 30s, which is the time when millennials seriously start considering financial planning options. It is important for financial advisors to approach millennials with these life stage changes in mind.

Time is money for this generation which believes in doing things ‘on the go’. They are also more willing to share information about themselves in order to get a near custom made product. The importance of analysing data thus becomes critical which can discover more about millennial customers and offer them the best solutions. Insurers need to digitally enable millennials with extremely smart user interfaces to let them compare and zero in on the best possible plan. Agents have to be digitally equipped to respond to the queries raised. In case life insurance products are being bought through banks, insurers should enhance customer experience by providing pre-filled proposal forms. It is also important to provide flexibility of multiple online payment options.

Adapting to evolving customers

The speed of service is equally important. They don’t mind paying slightly extra, but strongly believe in getting value for their money spent. In an ecosystem in which one can get literally anything at their doorstep within a day’s time, millennials might not want to wait for 10-15 days to receive a policy pack through post.

Waiting for their turn in offices or on IVRs or writing letters to their insurers is passé; instead they might tag their insurer on social media and look forward to an instant response from the insurer.

While the industry needs to adapt to evolving customers, it is important to educate millennials about some basic financial planning and life insurance that remain unchanged. Starting early is not replaceable, and hence they must go for a life insurance cover and retirement planning the day they start earning. A regular life stage analysis is something that is critical to ensure that financial planning meets all future requirements along with a sufficient cover.

It is important to understand that digital is the new normal, data is the currency and millennials are the future that are collectively going to drive the industry growth. While the Indian life insurance industry is on a growth path with macro-economic conditions favouring it, adapting to these factors will be essential to win in the new world.

Source

(The author is director & appointed actuary, Max Life Insurance)

Back

Claiming insurance after Kerala floods? Here's how to do it – Financial Express – 11th September 2018

Floods in Kerala have played havoc not only with the lives of people but also with their livelihood and personal belongings.According to some estimates, the losses could run into several thousand crores. Recovering a part of the losses will require people to submit their insurance claims with the insurance companies.

Damage to vehicle

If your vehicle is already submerged in flood waters, do not attempt to start the engine. Remember, motor insurance does not cover any consequential damage because of one's own fault. Damage to the engine is covered under the basic insurance policy but any consequential damage by forcing the engine to start is not covered.

A motor insurance policy without engine-protect add-on will not help you get a claim in case you start the engine when the car is in a waterlogged condition. Inform the insurer at the earliest and register a claim. If you are living in a location that is prone to floods or waterlogging, buying the engine protect add-on helps in meeting the claims in such situations.

However, the problem could be that that the policy papers might have been damaged or gone missing. Insurance companies have come forward and laid down a simple procedure for claims even without submitting original documents. They have set up helpline numbers and deployed their field officers on the ground to help claimants file and get their claims.

Damage to property

In case of any damage to your property or your belongings, losses can be minimised if you hold a householder policy. Register the claim with the insurance company and better take photographs of the loss to submit as documentary evidence.

If you haven't bought a home insurance policy, this is a wakeup call. Any loss of content or building is covered under the householder policy. There are various options available in this policy, evaluate each of the sections before buying a policy.

Missing documents

The devastating flood waters could have led to deaths but the body may not have been retreieved. Original policy documents also may be lost or damaged. For the loss of lives, the death certificate will suffice. The insurers have agreed to pay the claim even if the body is missing or the original papers are lost. As per the rules, if someone goes missing for seven years, then only the insurers treat it as a death and settle the claims.

However, in the event of such a calamity, such rules are typically waived off. Still, each insurer may have its own specific requirements, such as procuring a certificate from municipal authorities, so nominees or family members should get to know from the insurer about the same. The insurers are also coming forward proactively to help family members in this time of need.

Importantly, the insurance regulator has asked life and general insurance companies to ease the claims settlement process and aim for speedy settlement in the flood-hit areas of the state. It's always better to register the claim immediately with whatever documentary evidence that can be provided to the insurers.

With the regulator standing firm and asking the insurers to pay up fast at the time of need, any financial support to the affected families will be important at this crucial time. Going forward, keeping ourselves protected against all odds through health, life, motor and home policies is the prudent way to safeguard one's life and wealth.

Source

(The writer, Sanjiv Bajaj is VC & MD, Bajaj)

Survey & Reports

Insurance status of 62% registered vehicles of Delhi 'unknown': Report - Hindustan Times – 10th September 2018

The status of insurance of at least 62% of registered vehicles in Delhi is 'unknown,' a preliminary report prepared by the National Informatics Centre (NIC) has found.

The finding of the Central government-run NIC came to light after it compiled data by tallying registered vehicles in the National Capital with their corresponding insurance policies. In a series of communications between Delhi's transport department, the ministry of road transport and highways (MORTH), the General Insurance Council and the Insurance Information Bureau (IIB), the NIC flagged this issue to be the gravest in the National Capital.

"In Delhi, the gap is the widest. Of 72 lakh vehicles with valid registration, only around 30 lakh insurance policies are available with us, including the records of the new vehicles whose insurance information is recorded at the time of registration. There is a gap of 42 lakh vehicles whose insurance status is unknown (either uninsured, or not received in Vahan)," read a communication sent by NIC on September 5 to the secretary general of GIC and other stakeholders.

An insurance coverage is mandatory according to the Motor Vehicles Act, 1988. Driving without insurance could lead to a fine of up to Rs 1,000 or imprisonment up to three months or both. Last year, the ministry of road transport and highways, on the directions of the Supreme Court, had issued directions to collect data of all registered vehicles along with their insurance numbers. The move was aimed to help road accident victims claim compensation as well as to facilitate the police in issuing fines to uninsured vehicles directly from the operations and command centres.

Officials in the transport department said the gap in uninsured vehicles could be for two reasons.

"There are certainly going to be cases where vehicles are not insured. But, in some cases, there is also a possibility that the insurance companies have not compiled their data properly," a senior transport official said.

Following the gap, the NIC said it has written to all insurance companies to correct their data and send it along again. "Unlike other states, where numbers start from 01 to 99, registration numbers in Delhi are unique. They start from 1 and not 0. But, many insurance companies themselves have added 0 to the vehicle numbers in Delhi. Since it is the first time such data linking process is being carried out across the country, these problems are bound to occur," an NIC official handling the project said.

The transport department explained that while Delhi has over 10 million registered vehicles, NIC's figure of 72 lakh accounts for those vehicles whose registration certificates have not yet expired and those that have valid fitness certificates.

Source

Back

Indian insurance to be $280 billion industry by 2019-20: Assocham – Financial Express – 9th September 2018

The Indian insurance industry is expected to grow to $280 billion by 2019-20, aided by the Centre's Ayushman Bharat health insurance scheme, industry chamber Assocham said on Sunday, citing a joint study conducted with research firm APAS. In a statement here, Assocham said the study indicated insurance penetration in the country to have reached 3.7 per cent in 2017, from 2.71 per cent in 2001, and that gross premium had increased from Rs 3.2 lakh crore ($49 billion) in 2011-12 to reach Rs 5 lakh crore ($72 billion) in 2017-18.

"The Indian insurance industry is expected to grow to $280 billion by FY2020 with the government's flagship Ayushman Bharat and other growth drivers like rising disposable incomes, presence of global players and easing of the regulatory regime, helping penetration of the insurance culture in the country," the study said.

"The push by the government and the regulator has helped increase the penetration of insurance, as spread of schemes have also increased. Several factors such as growing middle class, young population and increasing awareness towards the need for protection and retirement planning will enable further growth," it said.

The government's ambitious Ayushman Bharat scheme covering 100 million poor and vulnerable families with a cover of Rs 5 lakh per family of tertiary care and hospitalisation will be transformative for the insurance industry as it would have a major multiplier effect on a host of allied sectors and create lakhs of new jobs, it added.

According to the industry body, private sector companies, which presently hold close to 48 per cent market share in the country's general insurance business and 29 per cent in life insurance, will see a big growth in opportunities.

The study showed that the domestic life insurance industry registered 11 per cent year-on-year growth for new business premium in 2017-18, generating a revenue of $30 billion. The premiums for non-life insurance industry increased by 17.5 per cent year-on-year in the last fiscal.

"Effective implementation of the Ayushman Bharat scheme will help the entire healthcare and allied sectors like pharmaceutical, diagnostics, medical devices, data management, insurance hospitality, quality accreditation and human resource management with the help of information and communication technologies across the value chain," the statement added.

Source

Back

Insurance Cases

Kerala floods: Cochin airport files insurance claims worth Rs 3.4 bn - Business Standard – 11th September 2018

Cochin International Airport Ltd (CIAL) and the Airports Authority of India (AAI) have filed claims totalling Rs 3.36 billion with New India Assurance (NIA) general insurance company owing to the damage caused by the recent floods in the state, said a senior official of CIAL.

Speaking to *Business Standard*, a senior executive of NIA confirmed the development and said that the insurance company is assessing damage to the airport's assets. The insurer expects to pay out a little over Rs 2 billion towards the claim. However, this is a preliminary estimate as the investigations are only in an early stage.

CIAL had shut operations for 14 days from August 15 as many assets of the airport were submerged under water and found to be destroyed. The assets damaged include the main runway(s), taxi bay to the terminals, 22 X-ray machines, all furniture at the domestic terminal, four conveyor belts as well as the solar panels which power the airport. A big wall also collapsed.

The total damage to the assets and operations of CIAL is estimated to be Rs 3 billion. Earlier this month, CIAL said it would be creating a master plan with technical consultant Kitco, alongside the state government, to build capabilities to meet emergency situations like floods or other natural calamities.

The company, will also rope in two Dutch consultants to assess the master plan, given the latter's expertise in tackling flood-related problems. CIAL resumed full-scale operations on August 29 and began to work on repairing damaged assets at the airport. Business Standard has sent queries to NIA and will include their comments as and when received.

The Kerala government has estimated that the state suffered estimated losses of about Rs 200 billion as a result of the floods. On August 8, the state received 310 mm rain over 24 hours, which prompted the government to open around 24 dams as the water levels rose to 'unsafe' levels. The government opened the Idukki dam on August 9 which has not been happened in 26 years.

Following opening reservoir gates at multiple dams, several districts were submerged and over 11,000 houses have been damaged. About 252 people were killed and nearly one million were moved to relief camps. Now that the flood waters have receded, reports suggest that people are leaving the relief camps and going back to their homes.

Now that the flood waters have receded, reports suggest that people are leaving the relief camps and going back to their homes. Analysts estimate that due to floods in the state, the general insurance industry will receive claims in excess of Rs 10 billion, while life insurance companies could receive claims between Rs 4.5 billion and Rs 8 billion.

Source

Insurance executives and the regulator are working on the contours of a catastrophic insurance policy that state governments and large companies can purchase to guard against huge financial costs of repair and rehabilitation incurred in the event of a natural disaster.

Back

Insurer told to pay Rs 1 crore to kin of man injured in accident – The Times of India – 11th September 2018

A Motor Accident Claims Tribunal has awarded nearly Rs 1 crore to a 19-year-old man who suffered serious injuries in a road mishap leaving him in a "persistent vegetative state". MACT presiding officer Amit Bansal asked United India Insurance Company Limited, the insurer of the offending vehicle, to pay Rs 97,68,000 to the family of victim Jagjot Singh.

"It is pertinent to note that the petitioner (Singh), since the date of accident, is in persistent vegetative state with rules tube feeding him," the court noted. According to the complaint, Singh was injured in an accident while riding his motorcycle near Azadpur flyover in 2012.

The plea claimed that an auto delivery van, driven at a high speed and in a negligent manner, came from the wrong side and hit his bike. It further alleged that the errant driver fled from the spot after the accident.

"In the case in hand, United India Insurance Company has not been able to show anything on record that the driver-cum- owner of the offending vehicle was not having any valid driving licence or that the permit of vehicle was not valid and as per settled law. Since the offending vehicle was duly insured with the insurance company, hence it is liable to pay the entire compensation amount to the petitioner," the MACT noted.

Source

The court observed that Singh had suffered head injuries with 100 per cent disability and is in permanent vegetative state (coma) since the accident. The errant driver claimed that accident had occurred due to Singh's negligence. The tribunal, however, after examining witnesses, asked the insurer to pay the compensation.

Back

IRDAI Circular

Source

First Year Premium of Life Insurers for the Period ended 31st August, 2018 is available on IRDAI website.

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Global News

South Korea: Life insurers see plunge in new business in 1H – Asia Insurance Review

Life insurers in South Korea wrote KRW153trn ($136bn) worth of new insurance contracts in the first half of this year, down 11% from the corresponding period a year ago, according to the Korea Life Insurance Association (KLIA).

Even more striking, the 24 life insurers in operating in the market earned KRW2.75trn in new-business premiums in 1H2018, down by 46% from KRW5.11trn for the first six months of last year, reports The Korea Times citing the KLIA data.

Of the KRW2.75trn in initial premiums, KRW2.65trn or 96% was generated from the face-to-face sales. The figure is half the figure from the same period last year.

The decline in sales reflects the country's low birthrate and rapidly ageing population as well as changes in the life insurance product structure.

"No one is looking for long-term deposit products anymore. Life insurers also encourage their planners to sell variable insurance products, probably the only thing life insurance planners can sell at the moment. For this reason, they are in exodus to non-life insurance firms," an insurance planner said.

Source

The KLIA said that 118,000 life insurance planners were registered with the agency as of 30 June, down nearly 40,000 from its 2013 figure of 153,000.

Global: Improved economic momentum alone will not close current profitability gaps in major non-life markets – Asia Insurance Review

More work needs to be done if still-existing shortfalls in the profitability of the non-life insurance market are to be redressed, despite modest premium rate hardening since late 2017, according to the latest sigma report from the Swiss Re Institute titled "Profitability in non-life insurance: mind the gap".

Most major markets remain in a phase of below-average profitability. The decline in profitability of recent years reflects the soft underwriting cycle, weak investment performance, and the high level of capital funds.

Sector ROE slipped further to 6% last year, from 7% in 2016 and the roughly 9% achieved annually between 2013 and 2015.

The sigma estimates that underwriting margins need to improve by at least 6 to 9 percentage points in the major western markets, by 5 points in Japan, and by 1 point in Australia and China if insurers are to deliver an acceptable return to investors in the future.

The assumed target return on equity (ROE) ranges from 10% for mature western markets to 15% for China, partly reflecting differences in interest rates and past performance.

The current economic momentum will benefit future profitability through higher interest rates and investment returns but it won't be enough to close the gaps, says the report.

At the same time, tighter labour markets are expected to push up wage and claims inflation. Thus, premium rates need to increase more than claims trends to achieve sustainable improvement in profitability.

2017 cat season may have triggered an inflection point

Underwriting conditions are still soft in 2018, particularly in commercial insurance, but seem to be passing through an inflection point. This is on account of the large hurricane losses in 2017 which set the stage for a price correction. Commercial line premium rates started to rise at the end of 2017.

"The catastrophe losses in 2017 sparked a modest change in market dynamics", said Mr Edouard Schmid, Swiss Re Group Chief Underwriting Officer. "However, it remains to be seen how strong and sustainable the market firming is.

Rate increases for accounts and commercial lines of business not affected by the catastrophe losses, for instance, have been below initial expectations." In personal lines, there has been moderate rate hardening in several key markets for a few years already.

Economic developments alone will not close the profitability gap

Underlying economic growth improved strongly in 2017, and this is expected to continue in 2018, putting upward pressure on inflation and interest rates. Central banks in many countries are already withdrawing monetary stimulus to ward off overheating. This signals a changing operating environment for non-life insurers.

"Under the current stronger economic conditions, we expect interest rates in mature markets to continue to rise moderately, which should support insurers' earnings through higher investment returns", says Jérôme Jean Haegeli, Group Chief Economist at Swiss Re.

However, "macroeconomic developments alone are unlikely to generate sustained improvement in non-life sector profitability. The trend of declining investment yields has bottomed but at the same time, the increase in long-term interest rates that we foresee is not substantial."

Moreover, tighter labour markets are projected to push up general and claims inflation, creating an offsetting effect on profitability.

The accelerating claims inflation will have the added impact of eroding the adequacy of claims reserves and further affirms that, in order to achieve sustainable improvement in sector profitability, insurance premium rate increases in excess of rising claims trends will be needed.

The pressure on insurers' profits has heightened interest in innovation. Investments in technology have led to efficiency gains and compressed margins for the distribution system of commoditised business, and in some lines also to lower claims costs.

Source

Initially, the benefits for insurers' profitability are clouded by the gains being partially passed on to consumers, and also by the cost of the investment. In the long run though, investments in data and advanced analytics improve underwriting and insurability of increasingly complex commercial risks, be it through improved affordability, access or better ability to underwrite new and hard-to-quantify risk.

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