Insurance Institute of India
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INSUNEWS

- Weekly e-Newsletter

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• Quote for the Week •

"Great works are performed not by strength but by perseverance."

Samuel Johnson

INSIDE THE ISSUE

Insurance Industry

Moody's: Stake sale in insurance arms to help banks on bad loans - The Pioneer – 6th Oct 2017

The recent sale of stake by some Indian banks in their insurance business would help in dealing with the issue of their non-performing assets (NPAs), or bad loans, and improve balance sheets, American credit ratings agency Moody's said on Thursday. Earlier this week, state-run SBI Life Insurance (SBI Life) completed its initial public offer (IPO) issue, while the privately-run ICICI Lombard did the same last week.

"The initial public offerings (IPOs) of these banks' insurance subsidiaries are credit-positive because the banks will receive proceeds that will strengthen their loss-absorbing buffers," Moody's Investor Services said in a note released in Singapore.

"The listings also unlock the value of the insurance subsidiaries for any future sell-down by the banks," it said. The SBI Life IPO was oversubscribed by 3.58 times, receiving bids for over 31.55 crore equity shares as against 8.82 crore shares offered. ICICI Lombard received bids for over 18.35 crore equity shares, which signified an over-subscription of 2.98 times.

"We expect that SBI will use some or all of the gain to strengthen its loan-loss reserves for non-performing loans (NPLs) and thereby limit pressure on its profitability," Moody's analysts Alka Anbarasu and Jason Sin said in the note. "The gain equals about 300 basis points of the bank's NPLs as of June 2017, and will more than offset the additional provisioning required for the 12 large NPL accounts cited by the central bank in a June 2017 assessment," it added.

The RBI has identified 12 large accounts with exposure of more than Rs 5,000 crore and more than 60 per cent of which was recognised as NPAs. Following the passing of the Insolvency and Bankruptcy Code (IBC), banks have to refer to the IBC for these accounts. The accumulated NPAs of state-run banks went above a staggering Rs 8 lakh crore at the end of the last financial year.

Source

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To grow, Indian insurance companies need IPOs – Mint – 9th Oct 2017

The Indian insurance sector is conceivably as longstanding as the banking industry, but it has seen a sea change in business expansion and disclosure standards over the past 10-15 years. The Insurance Regulatory and Development Authority of India (Irdai), which was instituted in 2000, opened the insurance sector to private enterprises allowing Indian companies to partner with foreign establishments. This has redefined the insurance sector, allowing common people to have adequate financial cover at reasonable cost. A developed and evolved insurance sector is a catalyst for economic development of a country. It provides long-term funds for various developmental activities and simultaneously strengthens the risk-taking ability of the country.

Strong insurance IPO pipeline

This year is a landmark year for the Indian insurance sector as a spate of initial public offerings (IPO) are expected from leading insurance companies, with at least 5-6 in advanced stages of hitting the bourses. Irdai's move to relax capital raising norms last August (allowing insurance companies over 10 years to go public), has pushed many companies to tap Indian capital markets. Industry estimates suggest that insurance companies are eyeing a mop-up of Rs30,000-35,000 crore this financial year. Union Cabinet has also approved the public listing of five state-owned general insurance companies, and reduction of government's stake to 75% from

100%. The current buoyancy in Indian stock markets, which are trading near all-time highs, should also support these public issues.

Indian insurance sector consists of 57 companies, out of which 24 are life insurance, 31 general insurance, and two are re-insurance companies. Ironically, there are only three listings on the stock exchanges.

However, the public listing initiative by insurance companies has gained tremendous momentum this year, with growth potential in the sector and acceptability among institutional and retail investors. This signifies increasing traction in the sector on the IPO front. Listing is also a step towards improving disclosure standards and their periodicity, which will make businesses answerable to investors, and society in general. Till a decade ago, there was little transparency in terms of policy details, claims and surrender rates. The insurance regulator changed the landscape by bringing in more disclosures.

Growing accountability for insurers

India's economy gives further impetus to international investors' interests, leaving constructive circumstances to attract IPOs in the insurance sector. A public listing fundamentally amends a company's legal and economic structure. The management becomes more accountable to a new group of shareholders, unlike the concentrated ownership of a private company. Information regarding the company's financial health and operations, which were kept private, gets publicly disclosed. This reflects on the company's performance in many areas including: growth, innovation, managing fraud, customer service, and regulatory compliance.

The IPO channel is essentially taken by companies to raise capital for expansion of operations, increase liquidity for shareholders, improve brand image and create valuable currency stocks that can be used to make acquisitions and compensate employees. An IPO also enhances a company's public profile—increasing its visibility and giving recognition of its products and services. This progressively benefits customers as the company constantly brings in better products and enhanced service standards to remain proficient, while outspreading penetration of insurance services.

Indian insurance IPO market is taking off at a time when the sector itself is poised for a giant leap. India's insurance market is expected to quadruple in size over the next 10 years from its current size of $60 billion, according to a report published by India Brand Equity Foundation (IBEF), an initiative of the Ministry of Commerce and Industry, Government of India. This is an opportunity waiting to be harnessed. India currently accounts for less than 1.5% of world's total insurance premiums and about 2% of its life insurance premiums, despite being the second most populous nation.

India's insurable population is anticipated to touch 750 million by 2020, with life expectancy reaching 74 years. In addition, life insurance is projected to comprise 35% of total savings by end of this decade, as against 26% in 2009-10. There is substantial potential for growth in the sector due to several factors that include initiatives like Pradhan Mantri Jan-Dhan Yojana aimed towards enhancing financial inclusion, raising financial literacy along with increase in domestic savings, expanding coverage of crop insurance, expected revival of the investment cycle, and increasing penetration of auto and health insurance. Demographic factors such as a growing middle class, young insurable population and growing awareness for protection and retirement planning will also support the growth of Indian insurance companies. The country is the 15th largest insurance market in the world in terms of premium volume, and has the potential to grow exponentially. This certainly makes a strong case for insurance companies to unlock value and tap stock markets for future expansion plans.

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'Customers need more personalised products' - The Hindu Business Line – 10th October 2017

Customers no longer want the usual products that they have been offered for the last several years, but want personalised offerings – this was the general consensus at the BIMTECH Insurance Colloquium organised by the Birla Institute of Management Technology.

The first panel discussion on 'Issues, resources and talents: expanding the IT frontier in insurance', saw a healthy deliberation over the disruption technology has made in the insurance sector. The event, which saw a mix of senior executives as well as college students, had a large turnout with 150 in attendance.

The senior executives included Kalpana Sampat, MD and CEO, Swiss Re; Srinivas Rao, MD, Life and Health, Munich Re India Services Pvt Ltd; Tapas Nandi, CEO, JB Boda Insurance Brokers Pvt Ltd; and Manoj Jain, MD, Shriram Life Insurance Co Ltd.

Customer satisfaction

In the technology era, the panelists agreed that the entire focus of insurance companies has now shifted from being product-centric to customer-centric, where providing customer experience and satisfaction are at the forefront of their businesses.

"Customers no longer want the usual products which have been offered for the last several years. The shift is now towards offering them a personalised product," said Sourabh Chatterjee, Head, Technology Direct Sales and Digital Marketing, Bajaj Allianz General Insurance Co ltd.

Slow implementation of technology is often attributed to the mindset that the insurance industry has had. The panel unanimously acknowledged this and pointed out that in the present era, without innovations, quick adaptability, agility and collaboration, any insurance company would find it difficult to survive and would get wiped out.

With the advent of technology, security breaches and concerns arising out of them are also of utmost importance to the sector. "We have had ethical hackers come into our team to test our assets," said Chatterjee. BusinessLine was the media partner for the event.

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Life Insurance

Cap on exit penalties for traditional plans – Mint - 9th Oct 2017

High exit penalties on Ulips added to insurance companies' profits, till they were capped. However, they still exist for traditional insurance plans. We asks the experts if exit loads on traditional plans too need to be capped.

Sanket Kawatkar, principal and consulting actuary, life insurance (India), Milliman India Pvt. Ltd

In the case of unit-linked insurance plans (Ulips) it's true that surrender profits have come down after the surrender penalties were capped, but the lapse rates haven't really come down in many insurance companies. So more than the high surrender penalties levied earlier (which were designed to recover the high up-front costs, and to deter policyholders from lapsing early), it was the high levels of lapses that contributed to high lapse profits in the past. And this is primarily related to how the business was sold (or missold). So, it's not possible to address the issue of misselling by simply capping surrender penalties.

Coming to traditional plans, currently the implicit surrender penalties on traditional products are high, leading to high lapse profits if lapse rates are high. Of course, in case of participating products, shareholders are entitled to only 10% of such profits. However, given that the issues in the industry have been on 'distribution' front (such as: high up-front costs, misselling resulting into high lapses and low consumer awareness) and given the experience of Ulips, I don't think it is appropriate to cap the implicit surrender penalties in traditional products in order to improve the persistency levels in the industry. Instead, measures are required to address the problem where it actually belongs: from the 'distribution' side.

High surrender penalty in life insurance products in itself is not an issue. Low consumer awareness, lack of appropriate level of training to distributor, market conduct of the distributor, resulting misselling and high lapses, high distribution cost are the real issues and we need to address them directly. If these issues are addressed, high surrender penalties wouldn't actually be an issue because not many policyholders would lapse to begin with.

K. S. Gopalakrishnan, chief executive officer, Aegon Life Insurance Co. Ltd.

From a customer's point of view the comparison is straightforward. If I break a recurring deposit with a bank, I will get my money back with some interest income. Why can't traditional life insurance plans return my money with some interest income?

Life insurers incur significant costs in selling the plan and in issuing a policy. If I pay Rs 5,000 premium, more than half of it in the first year will go towards distribution costs. And then the life insurer pays stamp duty,

incurs processing costs in issuing the policy and also has to pay for any death claims. Thus, the life insurer is probably left with only a small amount at the end of the first year of the policy. The expenses from the second year will be lower and the situation will get better for me as a customer. But it will still take several years before my 'account value' becomes equal to the premiums I have paid. So if I stop paying premiums any time during the first few years, the life insurer does make some profits in most of the situations and incurs a loss in other situations (particularly when the premium amount is small). In a with profits business (plans where there is a bonus) the profits (and losses) get shared by customers who are continue to pay premiums.

The real issue therefore is the high costs that are incurred in selling and issuing these plans. As a customer, my question is a fair question: what happened to my money? I believe that technology can play a significant role in bringing costs down and also improve transparency of these plans.

P. Nandagopal, founder and chief mentor, OpenWorld Insurance Broking Ltd
Whether rules permit huge surrender charges in traditional par or non-par policies is beside the point. Is it good for the customers or does it just favour the insurer, is the key issue. Traditional investment cum insurance plans are, prima facie, anti-customer. They are non-transparent and hardly provide any meaningful returns, thus eroding value of customers' hard-earned savings.

They have no place in the modern financial world unless they bring down their huge hidden costs. The only justification they provide is the so-called guaranteed return. Anyone who understands the intricacies of risk-return rewards would realise that such poor guarantees mean nothing in a long-term investment product. But Insurance companies continue to sell and profit from them because they provide the most lucrative opportunity to create value for their shareholders.

The hidden value for the shareholders in a traditional policy is the sum total of subtractions the company makes from returns earned on customers' savings. And even when the customer wants to pull out of a policy, the surrender charges make sure insurers are provided with some profits even from surrenders. This situation is more like: tails the company wins and heads the customer loses. If the customer continues to pay premium each year—the insurance company takes away a sizable value every year, which is unknown to the customer. If the customer likes to exit, then too the company makes money by imposing huge surrender penalties that hardly leave any cash in the hands of the frustrated customer. In my opinion, there is no justification for traditional plans to impose such high exit loads or for such high surrender penalties. A sweeping reform to rationalize the charge structure of traditional plans, like it happened in the case of Ulips is long overdue.

Kapil Mehta, co-founder, SecureNow Insurance Broker Pvt. Ltd
Are surrender charges in traditional life insurance fair? Three sub-questions must be understood to answer this. Are reasonable policyholder expectations being met in surrenders? Are surrender-related profits distributed fairly? Does the insurer have an incentive to let surrenders remain high? The answers are no, yes and maybe, respectively.

Policyholder expectations are set through conversations with agents and salespersons, brochures and documents. Surrender will always be low priority at sale and unlikely to be discussed. Therefore, in most cases customers are not aware of the surrender costs. The most common query I get in life insurance is about low surrender values. That's why the industry and regulator should reduce surrender costs. The industry should consider surrenders similar to Ulips, where there are no surrender costs after 5 years. Alternately, they should allow withdrawals at low cost in emergencies such as death or ill health in the family. It is also important that surrender penalties be highlighted prominently at the time of sale.

Regulations ensure that profits are distributed fairly because at least 90% of surplus must be redistributed to policyholders in the case of participating plans. So, the main beneficiaries of profits from lapses are policyholders who do not surrender. This is consistent with the concept of a participating fund and pooling of risk. But in the case of non-participating plans the surrender profits can be taken completely by the insurer and this is where high cost of surrenders hurt customers.

Finally, the insurer's perspective makes a difference in designing life insurance policies. Insurers who take decade-long views see more value in retaining and renewing business. Insurers with a short-term orientation may be less concerned about lapses. Public recognition of insurers with high renewals (as well as those with low persistency) can constructively highlight these differences.

Source

Health Insurance

Why your cashless health insurance claim could be denied - The Economic Times – 11th October 2017

A health insurance policyholder pays his annual premiums diligently with the hope that in case of hospitalisation, the insurance company will bear the costs up to the limit of the policy's sum insured amount. As part of the contract, the insurance company is liable to pay the claim to the hospital on behalf of the insured. However, there can be times where the insurer will not settle your claim. Read on to find out why this can happen.

Know your claims

The insurer processes every claim received from two angles - cashless or reimbursement claims, and on the basis of network or non-network hospitals.

In a cashless claim, the policyholder is not expected to pay the hospital bills as the insurer reimburses the same. In a reimbursement claim, the policyholder has to pay the hospital bills and then it is reimbursed by the insurer.

Some hospitals enter into an agreement with insurers to offer cashless claims for every hospitalisation. Such hospitals are part of the list of network or empanelled hospitals. Those that are not on such a list are called non-network hospitals and claims are processed on a reimbursement basis and not on a cashless basis.

Of late, hospitals and insurers have started entering into agreements even for certain treatments, procedures and operations like knee replacement. Such an arrangement is known as preferred network hospitals or agreed network hospitals and the claim is cashless.

In addition, insurers may even have a negative list. Insurers prefer not to settle claims from these hospitals.

When a cashless claim can be denied

As a policyholder, one should be aware that even a cashless facility can be denied in a network hospital. Such an incident may arise if the information sent by the hospital is insufficient or if the ailment is not covered under the policy or if the request for pre-authorisation is not sent in time. "In a cashless situation, the hospital might not be able to give all the details required for the insurer to arrive at a decision. When an insured approaches a hospital with some symptoms, the treating doctor might not know the specific diagnosis and consequently the insurer might not be able to decide on the admissibility," explains Parag Ved, executive vice president, consumer lines, TATA AIG General Insurance.

But, even if the cashless facility is denied, one can subsequently, on discharge from the hospital, submit the claim for reimbursement.

At times, there could be a medical emergency and one may have to get oneself or a family member admitted to the nearest hospital which may turn out to be a non-network hospital. "If the policyholder is seeking treatment at a hospital which is not emplaned with the insurer, the request for cashless claim will be denied," says Anurag Rastogi, chief actuary and head - retail underwriting and claims, HDFC ERGO General Insurance Company. In such a case, the claim will only be processed on re-imbursement basis.

Once admitted in hospital

Hospitalisation can either be a planned one or it can be a medical emergency. Under either of these circumstances it's important that the insurer is intimated immediately upon hospitalisation by submitting the pre-authorisation form. In a planned hospitalisation, intimate the insurer early on about the forthcoming claim.

And if it is an emergency hospitalisation, the claim intimation must be sent to the insurance company within 24 hours. "In planned admissions, always take the pre-authorisation from the insurer/third-party agent (TPA) in advance before admission. This will ensure that there would be no hassles at the time of admission for doing the necessary paperwork," says Ved. Some of the information other than basic details that one may share with the insurer will include policy number, name of the insured person who is hospitalised, nature of illness or injury, date and time in case of accident.

To keep the cashless claims settlement smooth, ensure that the pre-authorisation form has been filled up by the treating doctor with all the information about the treatment and the expected cost of treatment and is sent to the insurer.

After leaving the hospital

Once the patient is discharged from the hospital, in case of a cashless claim, the insurer settles the bill. However, in case of a claim on reimbursement, the insured has to pay all hospital bills and collect the original documents of the treatment undergone and expenses incurred. Along with some other documents, they have to be sent to the insurer to get them reimbursed.

Some of the indicative list of documents that needs to be sent includes

•Filled up claim form along with the original discharge summary,
• Doctor's consultation reports, hospitalisation and other medical bills,
• Receipts in original,
• Investigation reports, self-declaration or an FIR in case of accident cases.

It's better to get the list of required documents from the insurer as each one would have its own specific list. The insurer may ask for additional documents, so follow up with them to ensure that they have received all required documents.

If the hospital is not registered, you will need to get information such as the number of beds, availability of doctors and nurses round the clock and its registration number on a paper with the hospital's letterhead on it. In case of non-network hospital, you may have to get the hospital and doctor's registration number in hospital letterhead and get the same signed and stamped by the hospital.

The claim settlement timeline

According to the Insurance Regulatory and Development Authority of India (IRDAI) guidelines, an insurer has to settle a claim within 30 days from the date of receipt of the last necessary document. In the case of delay in the payment of a claim, the insurer is liable to pay interest from the date of receipt of last necessary document to the date of payment of claim at a rate 2 percent above the bank rate.

However, the insurer may initiate an investigation before paying the claim. Such an investigation has to be initiated at the earliest, i.e., not later than 30 days from the date of receipt of last necessary document. In such cases, the insurer has to settle the claim within 45 days from the date of receipt of the final document. If they delay it beyond 45 days, the insurance company will have to pay the policyholder an interest at a rate of 2 percent above the bank rate from the date of receipt of last necessary document to the date of payment of claim.

What you should do

In order to keep the claim settlement process smooth, it is not enough to just disclose all material health information to the insurer at the time of buying the policy but even intimating the insurer with the requisite information at the time of admission in a hospital plays an important role. So if you or a family member is getting admitted in a hospital, make sure you have all the required paperwork handy and know the claims settlement process of the insurer. If it so happens that it is not a network hospital or if the particular procedure is not covered, you will have to pay up the hospital bills upfront and get the amount reimbursed later.

Source

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General Insurance

Premiums set to cost more after listing of insurers - Financial Chronicle – 9th Oct 2017

Listing of non-life insurance companies on the bourses has brought back the industry's focus on profitability, which for the past decade was driven purely by topline.

However on the flip side, this will result in premium rates rising for individuals and companies.

Already loss making segments such as group health insurance (health insurance covers bought by corporates for their employees) have seen premium rates going up by 40-50 per cent.

The other insurance segment that is likely to see a rise in premium rates is motor own damage covers.

According to industry sources, already the four public sector general insurers, who control more than half of the market share, are being less aggressive on group health covers.

Barring one or two players, all the general insurance companies continue to make underwriting losses (losses from operations) while some manage to report overall profitability from their investment book.

KG Krishnamoorthy Rao, managing director and chief executive officer at Future Generali India Insurance told Financial Chronicle, "With the lowering of interest rates, the investment income of the general insurers has taken a hit.

There is a need to bring in underwriting discipline among insurers.

Listing will bring in more transparency and investors will question if insurers continue to report underwriting losses, which will definitely contribute in improving profitability."

"The main segments where insurers are making losses are group health and third party motor covers. Group health is already begun seeing an increase in premium rates. Now since motor third party rates are regulated, the rates on motor own damage will have to rise to compensate the lower premium rates in motor third party insurance policies. Even property covers are not underpriced and will see an increase," added Rao.

Since the industry was de-tariffed, insurers have been offering 30-70 per cent discount on motor own damage covers in various categories of motor covers. Said another head of a private general insurance company, "Private insurers had completely vacated the loss making group health business, which was largely being underwritten by public sector general insurers. Now with the four PSUs planning to list, there maybe pressure from the ministry to improve their books. So we are seeing that they are moving away from those risks which have adverse claims history."

Listing will bring in compliance and improve the service levels of insurance companies, said an insurer. Prior to 2007, the non-life insurance industry was under tariff controls. The insurance regulator lifted price controls in 2007, which led to cut throat competition among insurers to grab high volume corporate covers.

As a result, for the past 10 years, companies have enjoyed steep discounts while buying insurance for their assets as insurers continued to offer steep discounts to grow their topline despite many of these sectors having adverse claims history.

As a result most insurers continue to make operating losses, but managed to register overall profits with the help of their investment book.

The country's largest private non-life insurer ICICI Lombard General Insurance launched its Rs 5,700 crore Initial Public Offering (IPO) last month. It was the first IPO from the non-life insurance industry. On the other hand the country's largest non-life insurer New India Assurance IPO has already got the nod from Sebi. The other three public sector general insurance companies—National Insurance, Oriental Insurance and United India Insurance Company will list next year.

The Rs 11,370 crore IPO of the country's only reinsurer General Insurance Corporation of India (GIC Re) will open this week. State-owned GIC Re IPO is in a price band of Rs 855-912 per share. The IPO will open on October 11and close on October 13. Through the initial share sale, the national reinsurer will dilute 14.22 per cent of its post-offer paid-up equity share capital. Of this, the government will dilute 12.26 per cent stake and the corporation itself will dilute the balance 1.96 per cent, the company had said last week.

Source

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Impediments to the spread of crop insurance in Indi - Economic and Political Weekly - September 2, 2017 – Vol LII No 35 – pg 16 – 19

The Government of India aims to double the crop insurance coverage to 50% through the Pradhan Mantri Fasal Bima Yojana by 2018. By analyzing the agricultural household data, the article comments on the feasibility of attaining this target by looking at the past performance of similar schemes. Few critical areas where efforts need to be concentrated in order to increase coverage are discussed.

Source

Author – Subhankar Mukherjee and Santanu Bhadra

Reinsurance

ET Q&A - Foreign Investors are Looking at GIC Re as Dominant Player in India - The Economic Times (Delhi) – 12th October 2017

General Insurance Corporation of India (GIC Re) plans to focus on techni cal underwriting to im prove profitability and begin making profits from underwriting as well instead of just investments over the next 3-5 years, Alice G Vaidyan, chairman, told Shilpy Sinha and MC Govardhana Rangan in an interview. The company's IPO, which opened on Wednesday, includes an offer for sale of shares by the government. Edited excerpts:

What is the investor response so far to the issue going by the roadshows?
We are excited by the response, from both domestic and foreign investors.People are asking for clarifications on how you price the risk and how you analyse the risk because reinsurance is a new business. We are not a direct life insurer or a direct non-life insurer.It is the first insurance company to be listed by the government. Analysts tell us that we will be the second-largest financial services company after State Bank of India in market cap and among 10 large companies overall.We will be in the top five reinsurance companies in the world in terms of market capitalisation. In terms of revenue, we are ranked 12th.

Didn't the international investors ask you about the valuations reflected in the gap between revenue and market cap vis-à-vis global peers?
Given the market growth, we will be in top 10 next year. That will be a question that will come next. We are rated by AM Best Awith stable outlook. We are consistently growing at CAGR of 32%. This growth is going to continue. We have excellent track record, consistent dividend paying and profit making. It gives us strength. We sourced business in the international market through brokers for the last 45 years. We have offices in five but we write business in 161 countries.Foreign investors are looking at the company as a dominant player in the market... We have 70% share in India.

Is there a concentration of risk? Also, 29% of your book is crop insurance.What if there is a bad monsoon?
I want to diversify geographically. Analysts tell me we are in a sweet spot in the fastest-growing market. If you ask me, I would like to diversify across lines of business and geographies. It gives me a natural hedge. From a small base, crop has grown. Government is talking about increasing the gross cropped area from 29% to 50%.It will grow by 15-20%. Our growth will be in line with the industry. All segments will grow well.

You were the sole reinsurer to the market and now there are foreign reinsurers. How do you deal with rising competition?
I don't see competition from reinsurers opening branches. They were writing business sitting in Zurich and Munich. Now they have opened offices. There is room for everyone to grow. We are in the markets for 45 years. We have amply demonstrated our support and stood by them in good and bad times. Also, bigger reinsurers are not very aggressive with the pricing. They are in for sustainable profit.

You have incurred underwriting losses or meagre profits, which is reflected in the combined ratio of 100 or above it. How do you make underwriting profits?
We are looking at a combined ratio of 95-100% in the short term. We have key performing targets and all based on combined ratio. We are walking away from accounts that are not profitable. We are holding on to technical pricing. The other thing is how we are designing non-proportional treaties for the markets. Third, to diversify effectively will give me a natural hedge. Fourth is to buy protection for all major classes. All these forces will come into play... The market will only grow. We are talking about penetration of 0.8% against the 2.8% global average. There is a huge gap and we have to reach there. India wants to move to insured and pensioned society. With government's crop insurance scheme, the awareness has gone up. Now, farmers are asking for insurance cover.

Realisation from the IPO would be meagre for the company as most of the proceeds will go to the government. What use would that be?
We need to fund not only the growth but we are also looking at maintaining solvency above 2. We have Lloyd's ambition and if we are lucky we will have presence there this year. We are looking at Asean and Latin America markets for growth. We want to be spread all across the globe.

You had investment yield of 12.34% with 55% investment in government securities. Will you look to change your investment strategy?

Source

We are planning to bring down our equity book, which on book value is 20% but market value is 50%. Rating agencies tell us that equity books are volatile and we should bring it down. From book value of 20%, we will try to bring it down to 18% slowly.

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IRDAI Circular

Source

Gross direct premium underwritten for and upto the month of September 2017

Source

First Year Premium of Life Insurers for the Period ended 30th September, 2017

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Global News

Australia: Major shakeup in private health insurance to be announced – Asia Insurance Review

The most comprehensive reforms to hit the private health insurance industry in almost 20 years are scheduled to be announced today, including discounts on premiums for those aged under 30 and a drive to make a mental health safety net part of standard coverage. Health Minister Greg Hunt will today announce a list of private health insurance reforms, including categorising policies as Gold, Silver, Bronze and Basic Bronze, and more power for the Private Health Insurance Ombudsman, reported The Australian.

The key reform that will immediately translate to lower premiums next year is a measure to cut prices on the prostheses list, which sets the price insurers must pay for medical devices. The insurance industry has long argued it is overcharged, compared to Australia's public system and those in comparable countries.

The prostheses reform is said to represent A$1.5 billion (US$1.17 billion) in savings to the private insurance industry over the next four years. The measure includes a four-year agreement between the government and the Medical Technology Association of Australia.

To attract young people to take out health insurance, insurers will offer discounts of 2% a year for a maximum of five years for people aged between 19 and 29. The discounted rate would remain until they are 40, after which it would be phased out. Attracting more young people into private health insurance is critical to keeping the sector sustainable in an ageing population.

In the mental health arena, privately insured patients entering hospital with a mental illness will be offered an immediate upgrade of their policy to fully cover mental health, with no waiting period, reported ABC. Recent industry statistics have shown that mental illness has now overtaken non-Caesarean childbirth as the leading causes of hospitalisation for women under 30. For men under 30, mental illness is in the top three causes of hospitalisation, after dental and sporting injury.

Under the revamp, health insurance products will be categorised into four levels of cover — Gold, Silver, Bronze and Basic — to help consumers understand what types of services their insurance buys. The government believes new categories will help Australians compare private health insurance products and shop around for a better deal.

Health insurance premiums have increased by an average 5.6% a year since 2010. Rather than an annual premium rise of 5-6% next April, the government aims through the revamp to keep premium increases as low as 3%.

Basic entry policies (so-called "junk policies") that only cover treatment in a public hospital will continue because the thousands of people with these policies would face a 16% premium rise to move up to the next level of cover if they were scrapped.

Source

The role of the Private Health Insurance Ombudsman will be expanded and strengthened, allowing it to conduct inspections and audits of private health insurers to ensure they are meeting regulatory obligations.

Nepal: Health insurance law enacted – Asia Insurance Review

The Parliament this week passed a Bill to introduce health insurance for all citizens in Nepal.

The Health Insurance Act is deemed necessary to reduce the financial burden on ordinary people of bearing the cost of medical treatment.

A five-member family can join the health insurance scheme at a premium of NPR2,500 (US$24) a year. In return, the family would be covered for up to NPR50,000 for the year at government-run hospitals or primary healthcare centres. A family of more than five has to pay an additional NPR450 for additional coverage of NPR10,000 for each extra member, reported Kathmandu Tribune.

There is a provision in the new Act for the government to bear the insurance premium for poor people, the disabled, single women, senior citizens and orphan children.

Source

The insurance policy has to be renewed every year. Those covered by the insurance will be able to receive diagnosis and lab test services as well as medication. The health insurance scheme however does not cover plastic surgery, expensive spectacles, hearing aids and injury suffered in a drunken brawl.

Back

Indonesia: General insurers optimistic of 6-7% premium growth this year – Asia Insurance Review

The General Insurance Association of Indonesia (AAUI) is optimistic that the non-life insurance market would grow by up to 7% for the whole of this year, although the sector saw a decline in business of about 4% in the first half of this year.

Mr Dadang Sukresna, AAUI Chairman, estimates that non-life premiums would grow for this year as a whole, though at a single-digit rate. He projected that general insurance premiums would increase in the range of 6%-7% this year.

He noted that the non-life sector declined by 4% to IDR29.1 trillion (US$2.15 billion) in the first six months of this year, compared to IDR30.3 trillion in the corresponding period in 2016.

"Although the premiums dropped, claims also fell," he said. Claims dropped by 9.6% to IDR12.4 trillion in the first half of this year compared to the corresponding half last year.

For the growth of the insurance industry, Mr Dadang hopes that infrastructure projects in the country would run well. The infrastructure sector has become one of the largest contributors to the performance of the general insurance market in the country. Infrastructure projects planned for completion by 2019 across the country include seaports, power plants, railways, toll roads, and airports.

Actuaries

Mr Dadeng, who was speaking last week at a college campus, also called for the training of more actuaries for the insurance industry. He said: "Of the 81 AAUI members, only 37 have actuaries."

Source

He said: "As more and more young people know about insurance, they will share the information or knowledge they get about insurance with their family. In addition, this generates their interest in joining the workforce. This industry continues to see a lack of human resources because it is growing."

Back

Hong Kong: Regulator to accelerate approval for online licences – Asia Insurance Review

Hong Kong's Insurance Authority plans to introduce a licensing fast track for online-only insurance companies, accelerating an approval process which currently takes about 12 to 18 months.

Insurance Authority CEO John Leung Chi-yan, speaking at a regulatory conference in Hong Kong earlier this week, said that the fast track will apply to online-only insurers providing direct sales of basic life insurance, travel or personal accident coverage, reported the South China Morning Post. He stressed that the accelerated process will not apply to more complex insurance products requiring consultation with agents.

"For the more complicated life insurance products, which would require policyholders to contribute money for 20 or 30 years, it would not be appropriate for these to be sold online," he said. "Qualified salesperson should clearly explain the products to customers."

"Generally it would need 12 to 18 months for a traditional insurance applicant to get a licence. The fast track will be a separate queue for us to handle the application, so the process would be much faster," he said.

"We believe there are advantages in encouraging more insurance companies to sell products online or via other digital channels. These types of digital sales would usually be cheaper as customers do not need to pay commissions to salespersons," Mr Leung added.

Source

He also said the Insurance Authority would introduce a regulatory "sandbox" to allow insurance companies to conduct pilot trials on new products.

Back

China: Insurers to see mixed solvency trend – Asia Insurance Review

The Chinese insurance sector sees mixed prospects for solvency ratios, with the ratio rising in the first half of 2017 for life insurers, ending the decline seen in 2016, while that for P&C companies continued to fall, says Moody's Investors Service in a report issued yesterday.

"Moody's expects the future trend of solvency ratios for life insurers to be driven by various regulations, including the clampdown on short-term savings-type life insurance products," said Mr Edwin Liu, a Moody's Associate Analyst. "At the same time, the solvency of P&C insurers is still declining, reflecting decreasing profitability because of motor insurance deregulation and dividend distributions by some major insurers."

Mr Liu added: "Furthermore, the divergence in solvency between the large and small insurers has become more acute in this increasingly competitive sector, a trend that we expect to continue."

Moody's expects that the continued product mix improvement evident among life insurers will bode well for their solvency ratios in the coming 12-18 months, and this shift is evidenced in the increase in the share of traditional life products to more than half of the industry's product mix in the first half of 2017, compared with below 30% in 2015.

Source

The improvement in product structure with higher protection elements is positive for insurers' solvency because these products have lower interest rate risks, given less reliance on spread gains, and therefore have lower capital requirements under the China Risk-Oriented Solvency System (C-ROSS).

Back

Australia: 9% of travellers go abroad without insurance – Asia Insurance Review

One in 10 (9%) Australians went without insurance on the most recent occasion they travelled overseas, and 52% of uninsured travellers are likely to participate in risky behaviour, like water sports or rock climbing, according to the most recent Survey of Australians' Travel Insurance Behaviour, commissioned by the Department of Foreign Affairs and Trade (DFAT).

While over 90% of Aussies who travel buy insurance, the survey findings show that Aussies should take travel insurance more seriously because most do not really understand their travel insurance coverage. For example, among those that did travel with insurance, 87% were unsure about which countries their travel insurance covered.

"When purchasing travel insurance, it is important to ensure that the insurance will cover all the places to be visited; all the activities planned, and any pre-existing medical conditions and current medical treatments," said DFAT officials.

The survey revealed other findings. These include: the majority (70%) of travel insurance policies bought are single-trip policies. A third (33%) self-identify as having chosen the cheapest quote available, without due consideration of other factors. In addition, 87% of travellers aren't certain that standard insurance policies don't cover motorcycle riding overseas.

Source

The sample size for the travel insurance survey, carried out online between 25 May and 5 June 2017, was around 1,100.

Sri Lanka: Reinsurer to draw up plan for crop insurance – Asia Insurance Review

Sri Lanka's state-run reinsurer, the National Insurance Trust Fund (NITF), will prepare a plan to insure key agricultural crops for up to LKR40,000 (US$261) an acre against natural disasters.

Paddy, maize, soya, large onions, potato and chillies will be covered under the scheme, according to a government announcement.

The move follows approval from the Cabinet of the the proposal tabled by Agriculture Minister Duminda Dissanayake. This development takes place against the backdrop of an ongoing drought that has affected 1.9 million people.

Source

The NITF already provides cover for natural disasters, with most of the risks re-insured abroad.