Insurance Institute of India
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INSUNEWS

- Weekly e-Newsletter

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• Quote for the Week •

"The different between impossible and possible lies in a person's determination."
Tommy Lasorda

INSIDE THE ISSUE

Insurance Industry

Insurers to collect Aadhaar of agents to remove duplications – The Hindu – 16th July 2017

Regulator, Irda has asked insurance companies to collect Aadhaar, the 12-digit unique identity, of their agents for creation of an online database in order to eliminate duplications. The Insurance Information Bureau of India (IIB) will house the database.

The regulator said the creation of the database started with the issuance of Point of Sales person guidelines. The purpose was de-duplication of POS enrolled by insurers and insurance intermediaries, said the Insurance Regulatory and Development Authority of India (Irda).

Therefore, the Aadhaar number was taken as the unique identifying field to remove duplication, it said.

Going forward, the regulator said, it was viewed that the same logic could be extended to insurance agents and trained and qualified persons of insurance intermediaries that would include broker, qualified persons with Aadhaar number as the unique identifying field.

Further, Irdai is of the view that such a portal should be developed and housed in IIB as it has successfully demonstrated the understanding and capabilities in developing the POS portal. The IIB has been asked to develop the portal for uploading the Aadhaar number and other details of insurance agents on the lines of POS, the Irda said.

"The insurers are therefore advised to collect the same so as to be ready to upload the necessary information on the date to be communicated by the Authority in due course," it said. The portal will also be available to insurance intermediaries.

The insurance intermediaries have also been asked to collect the Aadhaar number and other details of trained and qualified persons of insurance intermediaries so as to be ready to upload the necessary information.

Source

The IIB was promoted in year 2009 by Irda to support the insurance industry with sector-level data to enable data-based and scientific decision making including pricing and framing of business strategies.

Back

India: Insurers urged to offer reinsurance to mutual microinsurers – Asia Insurance Review

A first-of-its-kind report on mutual and cooperative microinsurance in India has made key recommendations including creating broad models of self-regulatory organisations with robust governance systems, allowing Mutual, Cooperative and other Community-based Organisations (MCCOs) to take reinsurance capacity where required from commercial insurers and providing significant support for them to scale up and be sustainable.

The report, entitled "The Missing Chapter of Microinsurance in India: a Diagnostic of Mutuals", is published by the International Cooperative and Mutual Insurance Federation (ICMIF) and Insurance Institute of India (III). This country diagnostic study was conducted as part of the ICMIF's 5-5-5 Mutual Microinsurance Strategy. The 5-5-5 Strategy aims to provide mutual microinsurance solutions to five million low-income households, in five emerging markets (India, Philippines, Kenya, Colombia and Sri Lanka) over the next five years.

The study found that there are 15 mutuals and cooperatives, operating across 13 states in India, which are providing insurance-like services to approximately one million low-income people using risk retention or risk

sharing models. The mutual model can be found all over India except for the North Eastern states; most have their presence in rural India while a handful of them also have a presence in some urban slums. Over 90% of the policyholders are women, which makes these schemes very similar if not on a par with other financial inclusion products.

Thus, a distinct Alternative Risk Management (ARM) model exists whereby mutuals and cooperatives provide solutions (with the provision of services including health education, negotiated services in affordable hospitals, funeral support etc.), which transcend the typical realm of commercial microinsurance.

MCCOs invest about 20% of their resources in insurance education and awareness and also have robust grievance redressal systems. These MCCOs may not have the desired scale but have been able to show clear impact in protecting the lives and livelihoods of the poor by bringing insurance services to those who previously didn't have access to them.

With about 600,000 cooperatives in the country with a collective membership of over 250 million people, the potential for developing mutual and cooperative insurance for the poor in India is enormous.

The report identifies three broad action points at the macro, meso and micro level to help develop MCCOs in India.

Macro level: Advocacy for MCCOs

The report advocates specific enabling legislation leading to recognition (if not regulation) of MCCOs as a viable ARM mechanism for achieving inclusive growth.

However, appreciating the practical difficulties faced in regulating multiple small organisations, the study recommends creating broad models of self-regulatory organisations with robust governance systems, accountability to the communities that they represent, and responsibility to the society and the government at large.

The presence of robust internal governance mechanisms would assist the advocates in taking up the case more effectively with the governmental/regulatory agencies. International organisations like ICMIF can bring internationally accepted best practices into the country.

Dr George E Thomas, Professor at the College of Insurance of III, said: "We are hoping for a change in the regulatory environment to enable the expansion of those programmes focusing on the low-income segment."

Meso level: Organising MCCOs

MCCOs require assistance to organise themselves as an association or guild to enable collective and concerted action. The report suggests organising MCCOs under international forums, such as ICMIF. As policymakers may not be aware of the model and the parties involved may not have the capacity to secure their rights, there is a strong case for external support by way of advocacy and providing proof of concept.

Micro level: Creating evidence on the ground

The report calls for support for existing MCCOs with scaling up through financial and technical help, and help to establish new MCCOs to demonstrate proof of concept.

Most MCCOs need financial support in the form of capital infusion by way of soft loans, corporate social responsibility funds, reinsurance or access to capital markets. Support, in the form of knowledge and skills, in the areas of fund management, actuarial science, risk evaluation, risk management, underwriting and claim settlement could also empower MCCOs. The use of actuarial science and long-term probability studies, information technology support and data management systems are vital ingredients of modern day governance and risk management systems.

The report says that MCCOs should be allowed to take reinsurance capacity where required from commercial insurers. Such support may be treated as compliance to the Rural and Social Obligations of the insurer. As coinsurance does not follow the philosophy of risk retention and the community focus, core to the MCCO model, the same is not recommended. This would also provide for indirect operational supervision by making reinsurance mandatory above specific thresholds of risk exposure, in terms of numbers and/or amounts. Another solution would be creating a specific company (or a pool/wing under the national reinsurer) which

would provide insurance cover to MCCOs and all the rural and microinsurance programmes in the country, covering life, credit, cattle, crop, poultry, agricultural pumps, beehives, bicycles, agricultural implements etc

Source

The country diagnostic study is the first of three stages to implement ICMIF's 5-5-5 Strategy, the other two stages being the creation of an evidence-based country strategy based on the country diagnostic, and lastly the implementation of the country strategy through an intervention programme.

Back

Insurance Regulation

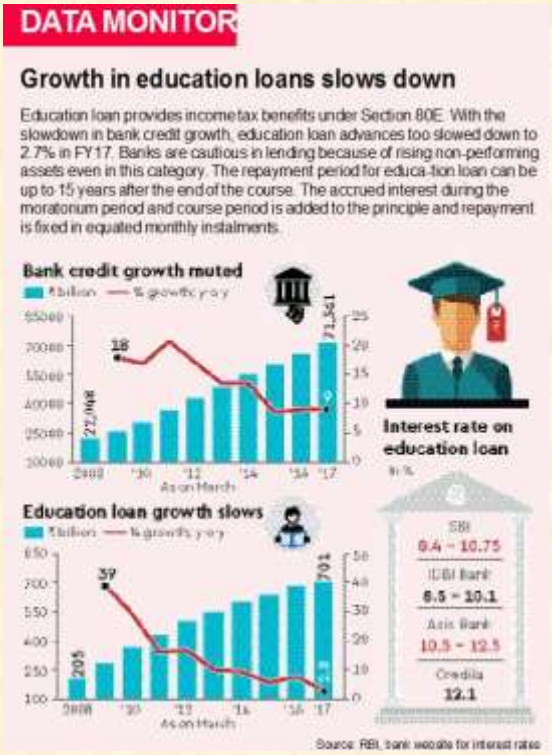
New IRDAI rules: Here is how policyholders are set to gain from new norms – The Financial Express - 17th July 2017

In order to ensure that the interests of policyholders are protected, Insurance Regulatory and Development Authority of India (Irdai) has come out with Protection of Policyholders' Interests Regulations, 2017. Every insurer will now have to put terms and conditions of every product that is offered for sale on its website, mention the unique identification number of the product, settle health insurance claims within 30 days from the receipt of the document and put in place proper procedures and mechanism to resolve complaints and grievances of policyholders.

A prospectus of any insurance product will state the scope of benefits, the extent of insurance cover, warranties, exclusions and conditions of the cover along with explanations. For life insurance, the prospectus will have to mention whether the product is participating (with profits) or non-participating (without profits).

The premium pertaining to health-related or critical illness riders will not exceed 100% of premium under the basic product. The premiums under all other life insurance riders put together cannot exceed 30% of premiums under the basic product.

Every policy will have to mention the free-look period of 15 days from the date of receipt of the policy document and 30 days in case of electronic policies. If the policyholder disagrees to any of the terms, he can return the policy and get refund of the premium paid. However, the insurer will deduct the proportionate risk premium for the period of cover and the expenses incurred by the insurer on medical examination of the proposer and stamp duty charges.



Life insurance policy

A life insurance policy will have to mention the manner of vesting or payment of profits such as cash bonus, deferred bonus, simple or compound reversion bonus. The policy will have to mention the date of commencement of risk, the date of maturity, premiums payable, periodicity of payment, grace period allowed for payment of the premium, the date of last instalment of premium and the implication of discontinuing the payment of premiums.

It will have to give details on how to revive a lapsed policy. It has to have details on assignment, loans on security of the policy and a statement that rate of interest payable on such loan will be set at the time of taking the loan. The policy will have to mention details of the insurers' internal grievance redress mechanism along with address and contact details of insurance ombudsman.

A death claim will have to be paid or rejected, giving all relevant reasons within 30 days from the date of receipt of all the documents. If the claim needs more investigation, the insurer will have to complete it within 90 days from the date of receipt of the claim intimation and claims settled within 30 days.

Non-life and health insurance

In case of general insurance, the policy will have to mention perils covered and excluded, deductible applicable, premium payable and the grounds of cancellation of the policy.

In a health insurance policy, the insurer will have to mention the sub-limits, co-pay limits, proportionate deductions and the package rates. The policy will have to mention pre-existing disease waiting period, specific waiting period, deductible as applicable and cumulative bonus, if applicable. Insurers will have to settle health claims within 30 days and in case of any delay they will have to pay interest at the bank rate plus 2% on the claim amount. In cases where the claim process warrants an investigation on part of the insurer, it will have to be done within 30 days from the date of receipt of necessary document. Analysts say the new guidelines are very consumer-friendly and will help reduce rampant mis-selling by agents.

Source

Back

Life Insurance

Social security for poor: Insurance schemes PMJJBY for life, PMSBY for accident cover great ideas, but Centre ends up paying bill - Financial Express – 19th July 2017

Though the insurance schemes the government came up with were a great way to provide social security to the poor—PMJJBY for life insurance and PMSBY for accident cover—it was always clear they were hugely under-funded. Against a premium of Rs1,529 per annum that LIC charges a 20-year-old for a 20-year cover for Rs 6 lakh going up to Rs 6,273 for a 45-year-old, the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) charged a mere Rs330 for everyone between 18-50. And as compared to Rs 100 per Rs 1 lakh of personal accident cover from non-life insurers, the Pradhan Mantri Suraksha Bima Yojana (PMSBY) charges a mere Rs12 per year for a Rs 2-lakh cover. While both schemes have got a large number of people insured—3.1 crore for life insurance and 10.1 crore for the accident cover—as FE reported earlier this week, the losses on both schemes are crippling.

As compared to a premium of Rs1,028 crore for the life policies in FY17, its second year of operations, the claims were for Rs1,249 crore, giving it a claims ratio of over 120%. In the case of the personal accident policy, the premium collected was Rs120 crore and the claims Rs205 crore, giving rise to a 171% claims ratio. In the case of the Pradhan Mantri Fasal Bima Yojana, another attractive insurance scheme, for crops, where the bulk of the premium is paid for by the Centre and state governments and where 3.8 crore farmers are enrolled, the claims ratio in FY17 was a whopping 86%—Rs19,424 crore of premiums collected vs the claims of `16,807 crore; if this is the situation in a year of good monsoon, imagine the claims in a drought year.

Certainly, in the case of the life and accident covers, getting in more customers will improve the risk profile, especially if they are younger. While no details are available of those enrolling under these policies in terms of their age/income profile, but one of the problems has been the slowing down of enrolments. If the number enrolled for life insurance rose 5.3% in the second year, this has slowed in the first few months of the current year.

There is, though, a limit to how much this will improve the claims ratio if the product is not correctly priced. In FY16, while the claims ratio in the life product was 52%—premium of `976 crore and claims of Rs 511 crore—

even the reinsurers made some money since the claims ratio was reasonable; in future years, even reinsurance premiums will go up significantly. While the government must try to get more people covered by PMJJBY and PMSBY, if the premiums are not going to be increased to adequate levels, the government has to, as in the case of crop insurance where the premium are market-determined, pay insurance firms the extra amount to ensure they can continue to service these accounts—in the case of crop insurance, this is why, while the FY17 budget had provided Rs 5,500 crore as the premium, the final outgo was Rs 13,240 crore. As in the case of asking banks to open and service JanDhan accounts, or asking the EPFO to promise an over-generous pension scheme, the government must fund its social security measures and not pass on the bill to someone else.

Source

Back

Govt insurance schemes: Claim ratio reached up to 170% in FY-17 – The Indian Express – 17th July 2017

The claims-to-premium ratio for the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) — a term life insurance policy — hit an unsustainable 121 per cent in 2016-17, the second year of operations. The ratio was an even higher at 170 per cent in 2016-17 for the Pradhan Mantri Suraksha Bima Yojana (PMSBY), under which payment of Rs 2 lakh is guaranteed in the case of accidental deaths or grievous injuries.

These schemes, launched in May 2015, were projected as path-breaking steps to provide affordable, universal access to essential social security protection. The annual premium payable under PMJJBY, which covers even suicidal deaths, is Rs 330 while the same is just Rs 12 for PMSBY. The premium amount has to be paid by May-end every year for renewal and the policies are linked to the beneficiary bank accounts.

In the first two years of the schemes, the claim-to-premium ratios were 88 per cent for PMJJBY policies, under which the sum assured is again, Rs 2 lakh, and 121 per cent for PMSBY. Compare this with the claims ratio of 40-45 per cent for usual personal-accident and term life covers.

Very high claim ratios have caused a sense of discomfort among insurers over the policies, particularly PMSBY. Mostly, public sector insurance companies like New India Assurance, National Insurance Company and United India Insurance offer the extremely low-cost policies under PMSBY.

According to sources, the insurers have made several representations to the government, asking for a major increase in premium amount so that the losses from PMSBY don't surge. "The companies have written to the government suggesting that PMSBY be repriced from Rs 12 to Rs 75-100 while agreeing to give a higher accident cover of `4 lakh," an actuary with a state-run insurance company told FE.

The government is, however, still on a wait-and-watch mode as it is hopeful that once the pool of policy holders reach a critical mass, claims ratio could climb down. Analysts also feel that the trends in the two schemes meant for the poor need to be watched for another couple of years before repricing them.

"It (claims ratio in PMJJBY) is not very alarming as of now. But, if this trend continues year after year, then something has to be done in terms of pricing," said S B Mathur, former chairman of LIC and Life Insurance Council.

Source

Back

Life insurers' June premium up 13% at Rs 14,466 crore - The Economic Times – 14th July 2017

The new business premium of life insurance companies rose 13 per cent to Rs 14,466.13 crore in June, shows data from sector regulator Irdai.

New premium income of all 24 life insurers in the country was at Rs 12,810.04 crore in June 2016.

Country's largest life insurer LIC reported an increase of 11.7 per cent in premium during the month at Rs 10,450.47 crore, as against Rs 9,354.52 crore a year ago.

For the rest 23 private sector players, the total business premium in June increased 16.2 per cent to Rs 4,015.65 crore from Rs 3,455.52 crore, the Insurance Regulatory and Development Authority of India (Irdai) data showed.

Among private players, SBI Life's premium income jumped 37 per cent to Rs 805.55 crore from Rs 588.32 crore a year ago.

ICICI Prudential Life's new premium income during the month was up 12.7 per cent to Rs 668.69 crore against Rs 593.55 crore and HDFC Standard Life reported an increase of 13.4 per cent at Rs 685.31 crore.

DHFL Pramerica Life witnessed a jump of over two times in premium income at Rs 131.51 crore and Canara HSBC OBC Life stood at Rs 106.73 crore, up from from Rs 80.47 crore a year ago.

Sahara Life's premium income fell to Rs 1.82 crore from Rs 2.44 crore a year ago.

Source

Cumulative premium collection by all insurers during April-June of 2017-18 rose nine per cent to Rs 33,156.16 crore from Rs 31,392.55 crore, showed the data.

Back

Health Insurance

'Policy changes needed for affordable healthcare' - The Hindu Business Line – 19th July 2017

To make healthcare affordable, policy changes such as reduced tax on healthcare and bringing more people under insurance cover are needed, said TN Ravishankar, President, Indian Medical Association, Tamil Nadu chapter.

Addressing a conference on 'Affordable healthcare for all – A way forward for TN,' organised by the Confederation of Indian Industry, Ravishankar said the cost of healthcare has increased over the years because of rising cost of diagnostics and lack of access to quality care. "But putting a cap on professional services will not bring the cost down," he added. Instead, to make healthcare affordable, the government should bring in changes at the policy level and reduce tax or provide rebate for healthcare services, he added.

Raju Sivasamy, General Secretary, Association of Healthcare Providers of India, said the state government should consider giving subsidy for electricity charges to hospitals, which are going up in the light of frequent power cuts and rising diesel prices for back-ups.

Source

PJ Joseph, Member – Non Life, Insurance Regulatory and Development Authority of India, said that most of the healthcare costs currently incurred are out of pocket expenses. Insurance companies should come up with products that are sustainable and at the same time affordable to consumers at different income levels, he added.

Back

General Insurance

Private insurers reap a windfall from crop cover scheme - The Hindu Business Line – 20th July 2017

Farmers' distress is likely to cause yet more trouble to the government.

Contrary to Agricultural Minister Radha Mohan Singh's claim that insurance companies, mostly in the private domain, have not unduly benefited from the Pradhan Mantri Fasal Bima Yojana (PMFBY), official data shows that they would have made a windfall of over Rs 16,700 crore in 2016-17. Participating in a debate in the Lok Sabha on Wednesday on the farmers' condition, many Opposition party leaders alleged that the crop insurance scheme had been designed in such a way that private insurance firms were favoured.

In fact, Singh admitted that there were shortcomings in the implementation of the scheme and that the government was learning from the experience to address the problems. Eleven general insurance firms have collected a total of Rs 20,374 crore as crop insurance premium during the previous kharif and rabi seasons, but paid out only Rs 3,655 crore to settle the claims, data tabled in Parliament on Tuesday showed. The States where most of the claims were settled were Maharashtra, Karnataka and Uttar Pradesh.

Under PMFBY, currently implemented in 14 States, farmers who are accessing institutional credit have to compulsorily have insurance cover for certain identified crops by paying part premium. The rest of the premium is paid by the Centre and the respective State governments.

"We have asked the States to set up their insurance companies. Punjab and Gujarat have decided to have their own companies. Other States should follow suit. If the States are keen to protect farmers from malpractices by private companies, they should take this step immediately," said Singh.

During the 2016 kharif season, the total premium collected was Rs 15,686 crore and claims paid was Rs 3,655 crore. In the rabi season, on the other hand, the total premium receipt was Rs 4,688 crore and claims settled were a mere Rs 22 crore, according to a reply by Minister of State for Agriculture Parshottam Rupala. During the kharif season, reported claims were Rs 5,621 crore, of which Rs 3,634 crore were settled. During the rabi season, claims so far received were for Rs 29 crore, of which Rs 22 crore worth were settled.

Vikas Rawal, professor of economics at the Jawaharlal Nehru University, said farmers were disinclined to take insurance cover for their crops because they were never designed to help them. They do not cover the real risk for farmers, he said, adding that they only help the banks who have given loans to farmers. "Most of this claim money would have gone directly to the banks, rather than to farmers," he said.

Source

Siraj Hussain, former Agriculture Secretary and Visiting Fellow at the Indian Council for Research on International Economic Relations ini New Delhi, however, defended the involvement of private companies "because they bring in efficiency and transparency."

Back

Revamped crop insurance scheme falters in settlement of claims in drought hit areas – Mint – 20th July 2017

A revamped crop insurance scheme launched by the government in 2016 has brought more crop area under insurance but faltered in its promise of faster settlement of claims and providing relief to farmers in states hit by severe drought in an otherwise normal monsoon year.

Under the revamped Pradhan Mantri Fasal Bima Yojana (PMFBY), insurance companies collected Rs 15,686 crore in premium from farmers, the centre, and state governments for the Kharif (summer crop) of 2016, the government told the lower house of the Parliament in a written reply on 18 July.

Insurance companies have received claims of Rs 5,621 crore so far (for Kharif 2016), but have settled claims for just 65% or Rs3,634 crore, data included in the reply shows. The settlement ratio is poor given that claims are submitted not by farmers but the government machinery on their behalf. Also the claims settlement has been delayed by more than seven months as the farmers harvested their crops in November last year.

"While insurance companies have raked in a lot of money through premiums, PMFBY has failed on its two core promises- faster settlement of claims and providing relief to drought hit farmers in states like Tamil Nadu," said Yogendra Yadav, member of Jai Kisan Andolan, a pan India farmers' movement, and president of political party Swaraj Abhiyan. The data shows that in Tamil Nadu—reeling under its worst drought in 140 years—insurance companies collected Rs 963 crore as premium while reported claims stood at just Rs 22 crore.

Yadav added that "PMFBY is the only insurance in the world where the insuree does not know he is insured" referring to the fact that for farmers who avail subsidised crop loans insurance premiums are deducted automatically, often without their knowledge. Under PMFBY, like in earlier schemes, farmers do not have any insurance document which shows the extent of coverage and premium paid.

The litmus test of any insurance is how fast claims are settled and the performance of PMFBY has been poor so far, said Ashok Gulati, agriculture chair professor at the Delhi- based Indian Council for Research in International Economic Relations. "While state governments delayed paying their share of premium, thus delaying claim settlement, the premium rates earned by companies did not come down with higher area coverage," Gulati said, adding, "the scheme was enforced in a hurry and the government ended up paying more to insurance companies."

Gulati further said that states continued using an archaic and bureaucratic machinery to assess crop loss which delayed filing of claims, (against the promise of using new technology like drones, satellites and smart phones to transmit data on crop loss).

Responding to a debate on agrarian distress in Parliament, agriculture minister Radha Mohan Singh admitted on Wednesday that there were hitches in the first year roll-out. "We expect the claims to go up to 63% of premium collected (in 2016-17)," Singh said, adding, "insurance companies made use of the situation where states' delayed estimating crop loss... we have told states they can float their own insurance companies. Gujarat and Punjab are planning to do so." "We have received complaints against insurance companies from states like Rajasthan and Tamil Nadu and the government will investigate," Singh said.

Source

Finance Ministry warns PSU general insurers on huge underwriting losses - The Indian Express – 18th July 2017

The Finance ministry has warned state-owned general insurance companies for huge underwriting losses and their dependence on investment income for profits. In a letter to the chiefs of PSU non-life insurers, the Department of Financial Services said, "It has been brought to the notice of this department that the public sector general insurance companies (PSGIC) are violating government advisories leading to huge underwriting losses. As a result, these companies are solely dependent upon the investment income (profit from sale of investment)."

"These are limited investments and are fast depleting as a result of indiscriminate disposal by the companies to make up for the losses on underwriting premiums. Such an arrangement is not sustainable in the long run and has the capacity to permanently harm the competitiveness of the public sector insurers," the DFS letter said.

The four PSU non-life insurers are: New India Assurance, Oriental Insurance, United India and National Insurance.

According to the Insurance Regulatory Authority of India (IRDAI), the underwriting losses of the non-life insurance companies rose to Rs 14,962 crore in 2015-16, from Rs 10,576 crore in the previous year. The underwriting losses increased by 41.47 per cent over previous year, it said. IRDA is yet to come out with losses for fiscal 2016-17.

Of this, PSU insurers' losses increased by 54.42 per cent to Rs 10,839 crore in 2015-16 from Rs 7019 crore in 2014-15. The private sector insurers' losses increased to Rs 3,662 crore in 2015-16 from Rs 2495 crore in 2014-15. The government's warning has come at a time when PSU insurers are getting ready to come out with initial public offers (IPOs) and list their shares on the bourses.

The DFS letter cited one case of violation of advisory/ internal circulars on health insurance and stated that "clarification has been called from a PSGIC and disciplinary action is also contemplated". "It may be noted that an appropriate pricing mechanism for pricing group health insurance should take into account the existing incurred claims ratio (ICR), management expenses, medical inflation, commissions, likely increase in quantum of claims due to ageing of covered group, increase in size of group, cost of underwriting of business and other associated factors," the letter said.

"Thus, in order to protect the interests of the policy holders, ensure that the PSGICs continue to be effective players in the market for provision insurance services on a long-term basis and ensure that unhealthy underwriting practices in these companies do not cause unnecessary financial strain on their financial stability, it's desirable that prudent underwriting practices suggested in government advisories are followed strictly," the DFS letter to insurance CMDs said.

On the high underwriting losses, KK Srinivasan, Former Member, IRDAI, said, "the excuse of some PSU Insurers that private sector insurers are also making underwriting losses is flimsy. The proportion of underwriting loss to total premium written in PSU insurers is alarming.

For example, the total premium of New India, the largest non-life PSU, is only double that of ICICI Lombard the largest private sector non-life insurer, but its underwriting loss is over seven times that of ICICI Lombard. Alarming indeed." "It is high time that the government moved in and punish PSUs which are indulging in reckless sale of investment assets to cover up their underwriting losses before it is too late," Srinivasan said.

However, PSU insurers said they are making efforts to bring down underwriting losses. "We are adhering to careful underwriting of GMC (group medi claim) in line with the avowed objective of commercial prudence. OIC's approach of prudent underwriting is acknowledged in the Indian market.

Hence we are comfortable with the guidelines since we are already following the same. Being fully owned by the government, we are committed to actively participate in the mandated programmes such as PMFBY and PMSBY and strive our best to marry commercial prudence with our obligation to achieve spread of insurance to the bottom of the pyramid," Oriental Insurance (OIC) CMD AV Girija Kumar said.

"We are deeply committed to control underwriting losses. And in the interests of policyholders and shareholders we have unhesitatingly provided best actuarial estimates reserving fully as of March 31, 2017 and no liability was carried forward. This highlights OIC's commitment to excellence in governance practices. We are looking

forward to the future with confidence as a company with strong financials and investment book and particularly sound underwriting and governance practices." New India Assurance, the largest insurer, suffered an underwriting loss to the tune of Rs 3,500 crore in 2016-17 primarily due to three big fire incidents in the year as well as the Chennai and Wardha cyclones. In FY16, its underwriting losses were Rs 3,100 crore.

Source

Back

General insurers begin FY18 on strong note - The Hindu Business Line – 14th July 2017

The gross written premium (GWP) collection of the general insurance industry grew to Rs 33,303 crore in the first quarter, up 22 per cent from Rs 27,310 crore in the corresponding period a year ago, according to data from the regulator IRDAI. Having crossed Rs 1.27 lakh crore in fiscal 2017, the industry is now eyeing to clock Rs 1.5 lakh crore business in the current fiscal. However, the Q1 figures do not include the crop insurance segment that has driven the industry growth by adding over Rs 20,000 crore in fiscal 2017.

Crop insurance for the current fiscal will start shortly with kharif sowing. Still, the industry may not repeat the business growth history this year, as it grew 30 per cent last year. "The industry will not grow at the same pace as it did last year, when the Pradhan Mantri Fasal Bima Yojana (PMFBY) was launched. We expect the PMFBY premium to be Rs 28,000 crore as against Rs 21,000 crore last fiscal," Sanath Kumar, Chairman and Managing Director, National Insurance Company, told PTI.

According to Kumar, "the industry growth should top 20 per cent in the current fiscal too." National Insurance has won some tenders in kharif from some States, but the accounting of the premium will take some time, he said, adding "it has come through the portal from banks and also that of non-loanee farmers. It should be possible to account from August," he said.

Premium, Kumar said, has gone up in the health, motor, and to some extent, fire as well. But Rikhil Shah, Chief Financial Officer at SBI General Insurance, thinks the industry will fare better, saying "given the way the industry is moving, we could see a repeat of last year's performance this fiscal as well." Talking about SBI General's performance in Q1, Shah said, "We grew at 33 per cent and our profit is in line with what we had budgeted for this year." During this year, he expects growth to be around 35 per cent and achieve the budgeted profit.

R Chandrasekaran, Secretary General, General Insurance Council, said if the present growth momentum continues, the industry may cross Rs 1.5 lakh crore by this year. Unlike crop insurance, industry growth is likely to come from segments such as motor, health and personal accident. "We expect the motor, health and personal accident segments to continue to drive growth this year as well," Mukesh Kumar, Executive Director at HDFC Ergo, said. Commenting on Q1 performance of HDFC Ergo, he said, "We have had a good beginning in Q1. Including our subsidiary HDFC General, we grew 72 per cent, taking our market share to 5.25 per cent from 4.85 per cent in the March quarter."

"As the base effect will come in this year on crop insurance, we believe overall growth will moderate to around 20 per cent," Mahesh Balasubramanian, Chief Executive at Kotak General Insurance, said. On the Q1 show, he said, "We ended the first quarter with Rs 36 crore in premia from Rs 10 crore in the year-ago period. This is very well in line with our plan of growing over 130 per cent," he said.

Source

Back

IRDAI Circular

Terms and Conditions of Life Products for F.Y. 2017-18 is available on IRDAI website.

Source

Back

Global News

Indonesia: Reinsurance business forecast to become more profitable – Asia Insurance Review

The profitability of reinsurance business in Indonesia is expected to increase following more efficient underwriting practices and increased reliance on underwriting activity, Fitch Ratings says in a new report titled "Indonesian Reinsurance Dashboard 2017".The profitability of the sector has been strong in the previous few years, recording a five-year average return on equity of 23%, due to local capacity optimisation, as reflected in a lower combined ratio of 83% in 2016 (2015: 91%).

The industry's capitalisation in also likely to increase in 2017 due to capital injections. Local capacity optimisation is likely to trigger major growth in Indonesia's reinsurance industry and improve the sector's competitiveness in Asia, says Fitch.

The agency expects too that the industry's retention ratio to increase in 2017, as reinsurers receive more capital from parent companies. The industry's mitigation of catastrophe exposure has also improved, with most Indonesian reinsurers able to cover a return period of around 400 years, more than the Financial Services Authority of Indonesia's requirement of 250 years.

Direct insurance

In a separate report titled "Indonesia Insurance Dashboard 2017", Fitch says that positive economic developments should boost Indonesia's insurance premium growth.The international rating agency expects a rise in property, credit guarantee and engineering insurance following a larger government budget for infrastructure.

This is despite slower growth of nonlife premiums in 1Q17. The loss ratio for non-life improved following lower expense claims for property and motor vehicles in 2016. Fitch expects this lower trend to continue along with manageable protection from reinsurance coverage and expected growth in nonlife premiums. Moreover, Fitch estimates that motor premiums will not be significantly hurt by the tariff hike effective since April 2017, since over 70% of vehicle sales and a large proportion of motorbike sales are sold through financing schemes, whereas vehicle financing requires the buyer to take an insurance package.

As for life business, Fitch believes the sector will continue to dominate total industry premiums. Bancassurance's share of life premiums overtook that of agents in 2016, and Fitch says bancassurance still holds great potential as the most effective distribution channel -- taking into account its customer base, convenience and competitive pricing. Expansion to other channels should also continue, such as e-commerce which is growing rapidly.

Source

Back

Cambodia: Govt urged to widen investment channels for insurers – Asia Insurance Review

The insurance industry has called on the Cambodian government to open the door to more investment options so that the sector can more gainfully tap large pools of funds. The lack of investment channels has forced insurers in Cambodia to rely on underwriting for profits instead of investment returns, reported Phnom Penh Post.

“The government has to support the development of a diverse and significant securities market in Cambodia to provide investment options that are suitable for insurance companies seeking to diversify the investment of their capital and reserves,” said Mr Huy Vatharo, Chairman of the Insurance Association of Cambodia (IAC).

Most investible funds are channelled into real estate or bank deposits or back into the insurance company for growth. Cambodia’s insurance sector has grown exponentially since the establishment of the first state-run insurance company in 1990. Seven local and international insurers now provide general insurance coverage, while life insurance, first established in 2012, is served by four insurers.

According to Mr Vatharo, total insurance premiums increased fourfold in the last five years, from US$30.2 million in 2011 to $113.6 million last year. While the amount invested in securities remains negligible, Mr Vatharo said it appears to be increasing as insurers diversify their investment portfolios. Currently, though, the local bourse lacks liquidity, a situation which deters more investments. Mr Antoine Fontaine, partner of law firm Bun & Associates, said insurers have limited options in investments.

“The stock exchange is still nascent; access to real estate is very restricted for foreign companies; private equity is generally considered neither as a sufficiently reliable nor liquid asset; and the Kingdom does not yet issue government bonds,” he said.

Moreover, insurers must satisfy a minimum capital requirement that mandates them to deposit 10% of their registered capital with the National Treasury. Furthermore, they must meet solvency requirements that require an additional 50% of their registered capital to be deposited in a commercial bank, as well as face restrictions on how they invest their float.

Source

Australia: Pressing need for reform now to cut healthcare costs - Asia Insurance Review

The health insurance industry must work with the government to reduce healthcare costs, which would result in lower premiums, Mr Craig Drummond, Chief Executive of Medibank, which is Australia's largest health insurance provider, has urged.

Saying that the sector is at a critical juncture and the time to act on reform is now, he pointed out that the country relied too heavily on unnecessary hospital treatment compared with other parts of the world, reported The Australian Financial Review.

Voicing concern over an affordability crisis in health insurance, he highlighted Australia's soaring cost of living which he warned is contributing to the mass exodus of young people from private health insurance policies.

"We should all be concerned about where we are at in the system. There are pressures; it is not dire and the best way to ensure it doesn't become dire is to deal with those issues," said Mr Drummond. He added: " It is in our best interests if we can lower the costs of what we can do because we will have fewer customers dropping out.

"But the costs are being driven by the system. We are passing on costs; we are not generating the costs growth. But if we don't front into these issues, we will be subject to more scrutiny."

Source

Worries over premiums, which have increased by 55% since 2009, have led to the federal government commissioning a Senate inquiry into the value and affordability of private health insurance.

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Comments

Open architecture in insurance sector – Mint – 17th July 2017

Experts has given their comments on whether open architecture in insurance distribution (where distributors can sell products of multiple insurers) will bring greater efficiencies or will it be counterproductive.

Kapil Mehta, co-founder, SecureNow Insurance Brokers.
Open architecture is good if two conditions are met. First, it should operate at the point of sale, where choice is presented to customers. Second, the salesperson should represent the buyer and not the insurer. These two conditions are not properly met.

Corporate agents can sell multiple insurers' products. At the aggregate corporate level, this condition is fulfilled but at the sales level, only one insurer's products are offered, making open architecture break down where it matters most—the front line. The purpose then, to partner with multiple insurers, is to negotiate better terms rather than offer choice.

When choice is provided, buyers assume that their interests are put ahead of the insurers. But that is not always true as agents that sell multiple products, represent insurers. In many of the newer distribution entities such as Insurance marketing Firms (IMFs), Common Service Centers (CSCs) and web aggregators, it is not immediately clear whose interest comes first. This anomaly should be corrected by having one of two simple distribution models: either be an agent and sell one insurer's products or be a broker and follow open architecture. All intermediaries must fall into one of these categories. There also needs to be a product-wise distinction where only licensed brokers can follow open architecture on commercial insurances, which are more complicated than individual products.

Tarun Chugh, managing director and chief executive officer, Bajaj Allianz Life Insurance Co. Ltd
Open architecture will be a game changer for the life insurance industry. As seen in the mutual funds space, investors can buy multiple funds from one broker. Similarly, in life insurance, customers can buy plans from a bank that acts as a broker for more than one insurer. Hence, the model empowers customers to select their life insurance plans as per their choice at competitive prices. It will also reduce chances of mis-selling, with the intervention of multiple regulators like Reserve Bank of India (RBI) and Insurance Regulatory and Development Authority of India (Irdai). The compliance and monitoring structure enforced by Irdai is bound to improve customers' buying experience through bancassurance channels. For the banks, this will increase productivity and also boost competition. Public-sector banks are slowly seeing the benefit of third-party income and we expect they will see the gains in times to come. A few private-sector banks have already moved to a semi-open architecture and are seeing the benefits.

Open architecture will result in larger insurance penetration, accelerating financial inclusion and lower distribution costs. The model will find its merit when insurers and distribution channels work together in identifying customer needs and offering the right product. It would be good to see us move to open architecture so that customers get complete choice on a level field.

Anuj Mathur, chief executive officer, Canara HSBC Oriental Bank of Commerce Life Insurance
The enabling environment of the regulations, to promote multi-insurer tie-ups, is a welcome move. But it is pertinent to note that various distributors (most importantly banks) have different priorities and hence it is critical to evaluate the issue from their perspective. What this means is, we should evaluate the value that the regulation brings from a distributor perspective and, most importantly, what is the benefit that the end consumer would get because of this. In this context, it is important that open architecture is not mandatory and it has been left to the distributors to make their choice.

We prefer the tied model (where a distributor can sell insurance products of only one insurance company in the same line of business) to open architecture as this allows both insurers and the distributors to invest in developmental areas like training, system integration and technology-driven service-oriented initiatives. Insurance is a long-term product and it is critical that the customer is offered the right solution and, most importantly, serviced; and engaged over the period of a policy (typically 15-20 years). The challenge with insurers is to ensure that the value of insurance is reiterated to the consumer over the product's life cycle. A tied model, therefore, allows the insurer, as well as the distributor, to think long term. It is key to customer centricity and is critical for the growth of the industry.

Rohan Sachdev, leader - financial services advisory services, EY India
The idea around open architecture was two fold: greater options for customers when reaching out to a bank for buying insurance, and to reduce the skew in the industry with a few bank-led insurers capturing the market.

But in hindsight, there are challenges around open architecture and these will need to be worked on.

Open architecture has benefited insurers that already had strong bank partners as banks were not keen on experimentation. Hence, the skew continues against non-banking insurers that operate without a financial partner, while the already strong Banking, Financial services and Insurance (BFSI) (BFSI)-led insurers are becoming stronger.

Most banks focus on selling Ulips, which are the current driver of growth. For example: in first quarter, a few bank-led insurers marked over 80% growth. Within Ulips, however, there is not much scope to offer customers different options as the ability to innovate is limited. Hence, the fact that even though one bank is selling multiple insurers' policies, the focus on Ulips negates the customer-first agenda. The need for training of staff within banks on additional products is a challenge as insurance is only a cross-sell item. Hence, the insurers that are succeeding are only those that are ready to invest heavily in the initial years with own manpower at bank branches. Thus it is not a very efficient operating model.

Source

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