भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

Insurance Institute of India

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INSUNEWS

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• Quote for the Week •

"Understanding someone properly involves learning from him, and learning from someone properly involves changing oneself."

Hans Kung

INSIDE THE ISSUE

Insurance Industry

6 customer-friendly changes the new insurance regulator should make – Mint – 21st May 2018

The insurance industry, in its liberalised avatar, is young. Where large international insurers are over a 100 years old, we have been in existence for just 18. If business is a race, then these 18 years are just a start off the block. But what a start it has been. Between 2000 and 2005, the basic regulatory framework was established. From 2005 to 2010, new products such as term insurance and unit link were established, and bank distribution was allowed. Between 2010 and 2015, products came into the spotlight dramatically as unit-linked life insurance was restructured for better returns; and the industry saw its first years of degrowth. In 2015, the new insurance law increased foreign ownership to 49%.

This is the backdrop in which Insurance Regulatory and Development Authority of India's (Irdai) new chairman has taken charge. These periods of change are opportunities for the industry to pause, reflect, plan and start anew. The next phase must bring policyholders centre-stage. Some initiatives that can achieve this are listed here.

Make participating policies more consumer friendly: Even though participating plans are savings oriented, investment returns are poorly communicated. Annualised returns are not stated and bonuses are declared as sum assured increases. Getting out of these policies mid-way is expensive. In the early years, policyholders may want to move out because the insurance was mis-sold; in later years because money is needed. Often, the surrender value is low, and there should be a higher threshold of money returned.

Build complaint handling capacity: A recent paper, Fair Play in Indian Health Insurance, published by the National Institute of Public Finance and Policy, specifies that India has the highest complaint rate compared to places such as Canada, Australia, the UK and California, which have similar common law jurisdiction. The paper also argues that complaints in India are significantly understated because litigation rates are low.

Customers do not have access to timely resolution. A customer can approach the regulator, an ombudsman or the courts. The regulator does not evaluate complaints but sends them back to insurers for reassessment. The ombudsman process is slow and commercial or high sum assured cases are outside its purview. Resolution by courts is a long-drawn process. To build capacity, Irdai can have insurers appoint independent ombudsmen, or help staff the existing ombudsmen offices better.

Strengthen public disclosures: Public disclosures should now be made more usable by policyholders.

Persistency, claims and surrender rates should be declared product-wise rather than in aggregate. Some definitions need to be modified. Specifically, persistency is overstated as it includes single-premium policies that are not meant to be renewed.

Insurers must follow common definitions. For example, some insurers express claim complaints on a base of total policies rather than total claims. This deflates the incidence rate.

Introduce more flexibility in commercial insurance: Commercial policies bought by companies are a significant part of the industry and a well-established way to provide insurance for its employees. For example, group health insurance covered 72 million lives in 2016-17 compared to 32 million by individual health products. Currently, the degree of regulatory supervision across individual and commercial products is similar.

This should not be the case because in commercial policies, both the buyer and the seller are companies with the ability to understand products, identify the best options and negotiate. Relaxing product, policy wording and compensation restrictions in this commercial segment will fuel growth and benefit policyholders.

Enable insurers to participate in large government schemes: The government has introduced several large-scale insurance schemes such as in crop insurance and the National Health Protection Mission. These schemes deepen insurance penetration but also present a dilemma for the industry.

All insurers would want to participate, but the rock-bottom prices offered by the government or discovered through an auction process may be unviable. Irdai will need to manage its potential conflict of interest in this area. It is not independent of the government and yet must represent the needs of the industry.

Simplify distribution: Over the past decade, many new distribution channels have been created—agents, corporate agents, web aggregators, brokers and insurance marketing firms. For a customer, the distinction between these channels is blurred. Both corporate agents and brokers can offer products of multiple insurers. This makes it hard for customers to know whether the distributor is representing their interest or the insurers'. Distribution could be simplified to just two models, agents and brokers. Agents sell one insurer's products and represent the insurer, whereas brokers, who operate with an open architecture, sell multiple insurers' products and represent clients.

Source

The insurance industry has had a tumultuous 18 years. An insurance veteran facetiously told me that initially insurance was seen as a sunrise sector, then sunset and now sunrise again. This is a perfect canvas for the new insurance regulator to paint on.

Back

Life Insurance

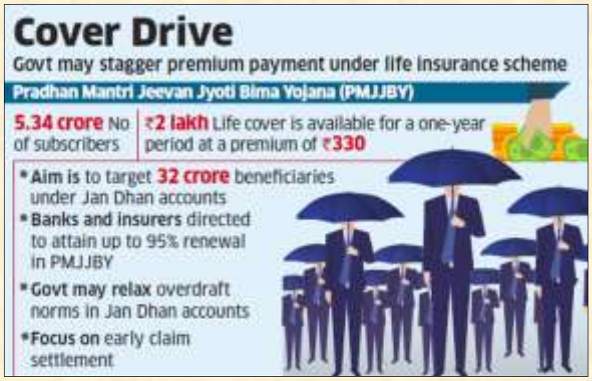
Quarterly premium likely for flagship insurance scheme - The Economic Times (Delhi edition) – 23rd May 2018

In a major push to its financial inclusion programme, the government is looking to revamp its flagship life insurance scheme with an option to stagger the Rs 330 premium quarterly to make it more affordable.

This comes in the wake of the finance ministry directing the state-run banks and public sector insurers to attain full renewal in accident insurance and 95% renewal in life insurance schemes.

The ministry has noted in its directive that the aim is to enrol all Jan Dhan account holders under these two insurance schemes. Banks were further asked to make subscribers aware of the need to keep sufficient balance in their bank account towards the renewal of premium. "Based on our feedback, we are now looking at quarterly payments in Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY).

The scheme is primarily intended towards weaker sections of the society who may not be in a position to pay the whole premium at one go," said a government official aware of the developments. Under the PMJJBY scheme, life cover of `2 lakh is available for a one-year period at a premium of Rs 330 and is renewable every year.



At present, there are 5.34 crore subscribers under the scheme, and there are around 32 crore beneficiaries under the Jan Dhan Yojana. The government after PMJDY had launched two insurance schemes under its social security drive called 'Jandhan se Jansurakhsa.' There are at present 13.52 crore subscribers under Pradhan Mantri Suraksha Bima Yojana (PMSBY), which provides an accident cover of Rs 2 lakh for accidental death.

"We are also looking to rope in gram panchayats, women SHGs and local level banking correspondents to push the scheme," said the above quoted official, adding that the finance ministry has also directed banks and insurers to act in unison and utilise their IT infrastructure to push the scheme. Encouraged by the recent success through Gram Swaraj Abhiyan in which around 17,000 villages were covered, the government is also looking to link financial inclusion with its other schemes such as Mudra Yojana.

A proposal is also being considered to relax norms for getting Rs 4,000 overdraft in Jan Dhan accounts, said a government official aware of the deliberations.

Finance minister Arun Jaitley in his 2018-19 budget speech had said that the government will expand the coverage under Prime Minister Jan Dhan Yojana by bringing all 60 crore basic accounts within its fold and undertake measures to provide services of micro insurance and unorganised sector pension schemes through these accounts.

Source

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Term of the day: Insurance persistency ratio – Mint – 21st May 2018

In life insurance, persistency ratio is an important metric to track as persistency is a key driver of profitability for an insurer. In insurance parlance, policy retention is known as "persistency" and "persistency ratio" measures how long customers stay with their policies, by looking at the number of policy renewals year after year. The ratio is measured both by the policy number and premium collected. Persistency ratio that's disclosed by the insurance company measures the number of policies (both by count and premium) that continue in its books by the end of the first year (13th month persistency), second year (25th month persistency), third year (37th month persistency), fourth year (49th month persistency) and fifth year (61st month persistency).

It's important for insurers to maintain a persistent book as it not only contributes to profitability, but also helps in reducing costs through economies of scale. Even for customers with life insurance policies that bundle as investment plans, it is important to continue with the policies to benefit from it fully.

Source

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General Insurance

Non-life insurers gross premium up 14% at Rs 13,881 crore in April - The Economic Times – 24th May 2018

Gross premium of non-life insurance companies rose by 14 per cent to Rs 13,880.74 crore in April compared to the same month of last year, according to the Irdai data.

Non-life insurance firms had recorded gross written premium of Rs 12,198.60 crore in April 2017.

Of the 33 non-life insurance firms, 25 are general insurers, six are standalone private players and two are specialised public sector undertakings.

The 25 general insurers wrote a collective premium of Rs 13,193.44 crore in April this year, up by 13.4 per cent from Rs 11,636.08 crore year ago same month.

For the standalone private sector health insurance providers, the gross written premium during the month rose by 29.2 per cent to Rs 612.81 crore against Rs 474.26 crore year earlier same month.

The two specialised PSU insurers --Agricultural Insurance Co of India and Export Credit Guaranteed Corporation of India--had a collection premium of Rs 74.49 crore in April, down by 15.6 per cent from Rs 88.26 crore, showed the data from the Insurance Regulatory and Development Authority of India (Irdai).

Source

Back

New India Assurance to offer cover for Indian ships - The Hindu Business Line – 23rd May 2018

State-run New India Assurance Co has ventured into the ship insurance business by offering the protection and indemnity (P&I) cover to Indian registered vessels that ply only on local routes, taking the first few steps with the aim of breaking into a segment now dominated by European underwriters.

New India Assurance has offered the maiden cover to two Type 2 river sea vessels run by Mumbai-based SVS Marine after it was approved by the sector regulator, the Insurance Regulatory and Development Authority of India (IRDAI).

"This is the beginning of P&I insurance in India," said Capt SP Rao, Chairman of SVS Marine.

Coverage details

The New India Assurance cover has a limit of $5 million per vessel. "With re-insurance support, we can stretch it by another $10 million," Sanjiv Singh, a deputy general manager at New India Assurance said, adding that the cover is being issued only to coastal ships to start with.

That is still a pittance compared to the P&I cover issued by London-based International Group of P&I Clubs, a 13-member group which insures close to 90 per cent of the world's merchant ships, placing a $1-billion limit on individual claims that involve pollution damage and wreck removal.

Yet, the timing of the launch of India's first P&I cover is significant.

US sanctions

The withdrawal of United States from the nuclear accord with Iran and the reinstatement of sanctions on the Persian Gulf nation has plunged countries such as India into uncertainty over oil purchases from Iran, India's third-largest supplier, particularly on getting P&I cover for ships hauling Iranian crude.

"Depending on the demand and product committee's review, probably we can offer the P&I cover to ships transporting Iranian crude. But, not right now. We will have to file a separate product and take the approval of IRDA for that, which will be more of an amendment to the existing product," Singh at New India Assurance said.

Why P&I?

This cover will come in handy in case of an emergency in Iran, said Rao at SVS Marine recalling that the earlier Western sanctions on Iran had forced the government to think of an Indian P&I cover.

With European insurers backing off from giving cover to ships bringing Iranian crude due to the sanctions, India had to formulate an emergency third-party liability cover of $50 million per shipment through state-run United India Insurance Co.

United India Insurance also offered an additional $50-million cover on hull and machinery to protect the ships against physical damage. Indian shipowners, though, did not take the cover offered by United India because it was considered "inadequate".

"We have suggested to New India Assurance not to cover ocean-going ships for the time being. Let them first settle down by covering coastal ships for three-four years, gain experience and then get into ocean-going vessels.

Because, in case of a pollution incident in the US, the liability is unlimited. Japan took 23 years to settle down. Now, they are a member of the IG Clubs," Rao said.

The idea for the New India Assurance P&I cover was given by shipping veteran Capt JC Anand who ran the Indian Register of Shipping (IRS) for many years and was instrumental in the Indian ship classification society gaining full member status at the International Association of Classification Societies (IACS).

Anand and Rao floated a Section 8 entity called The Maritime Protection & Indemnity Association of India (MPIAI) with the motto of starting an Indian P&I.

"Since we didn't have the financial muscle, we approached all the four State-run insurers; but only New India Assurance came forward to launch a product. We will give them technical and claims support," Rao added.

Source

Back

ICSI to provide insurance cover for its members - The Hindu Business Line – 18th May 2018

The Institute of Company Secretaries of India (ICSI) has tied up with New India Assurance and Oriental Insurance to protect its 55,000 members from liability arising out of frauds and financial disputes.

The Individual Professional Indemnity cover starts from Rs. 10 lakh for a premium of Rs. 1,000-1,200. Makarand Lele, President, ICSI, said the liability on the company secretary is rising with frequent changes in regulations.

The institute has 600 insolvency resolution professionals and 330 are engaged by banks.

Source

Health Insurance

Health Insurance: Why you need to buy a Super Top Up health cover - Financial Express – 25th May 2018

A single critical medical condition is capable of upsetting your finances. Typically, the opted sum insured range for basic mediclaim policies is Rs 3-5 lakh. Bearing medical expenses beyond this sum can take a toll on an individual's hard earned savings.

Just as Amit was busy planning for his annual holiday, his father suffered a major cardiac arrest and had to undergo a major bypass surgery. Since, he was admitted at a leading private hospital in the town, the expenses incurred towards this exigency were huge.

A single critical medical condition is capable of upsetting your finances. Typically, the opted sum insured range for basic mediclaim policies is Rs 3-5 lakh. Bearing medical expenses beyond this sum can take a toll on an individual's hard earned savings.

Super Top Up

Super Top Up health insurance plans are an added protection in such scenarios, when the maximum payout from a basic health policy gets exhausted. Under Super Top Up policies, a customer can choose a specific limit/deductible amount that a policyholder will have to bear, before the insurance policy starts paying out at the time of claim.

This limit is termed aggregate deductible in insurance parlance and a customer can opt for the figure depending on the maximum coverage of his or her basic medical policy or the expense one may extract from one's own income.

In a Super Top Up plan, your insurer considers the sum total of all the eligible medical expenses in a given policy period and if this amount crosses the chosen deductible in the policy, you become eligible for a claim payout. Thus, Super Top Up plans are a comprehensive and economical shield against the unforeseen medical costs that may be incurred beyond the cap of a basic health policy.

For example, in Amit's case, if he had a floater health insurance policy covering his father, with a coverage of Rs 3 lakh, he should have opted for a Super Top Up plan, preferably with a Rs 10 lakh coverage and a deductible of Rs 3 lakh.

Hence, any expenses that were incurred over Rs 3 lakh, during the policy term, which otherwise he would have to bear out of his pocket, would now be covered by the Super Top Up health insurance.

This would have been a huge relief for him as earlier during the year, he had suffered a dengue attack and Rs 50,000 of the Rs 3 lakh mediclaim policy had already been consumed. His father's ailment cost him Rs 5 lakh, half of which he had to bear himself since the policy limits got exhausted. Had he taken a Super Top Up, this extra cost would have been easily tackled, in fact, at a much lesser premium amount!

Maximum coverage

In order to offer maximum coverage, Super Top Up policies can be availed either as an individual or as a floater policy. With this type of policy one can cover self, spouse, dependent children and dependent parents under the same policy and total number of family members covered in one policy can go up to six members.

The entry age criteria for dependent children and dependent parents may vary from insurer to insurer. There are a number of benefits that a Super Top Up plan offers besides the regular inpatient, pre and post hospitalisation expense covers such as aggregate deductibles, road and optional air ambulance covers, cover for organ donor expenses and free medical check-ups.

There are plans available in the market with sum insured ranging from Rs 3 lakh to Rs 50 lakh with the aggregate deductibles options from Rs 2 lakh to Rs 10 lakh. Waiting period for pre- existing diseases remains in Super Top Up plans. However, a few insurers have now started introducing a much shorter waiting period such as 12 months for pre-existing diseases.

Opting for affordable Super Top Up plans can be a good way of keeping your finances in good health, as they come at a lower premium and shield you during the critical medical needs and emergencies.

Source

Modicare yet to kick in but India moves up healthcare access ranking; here's what needs to be done now - Financial Express – 24th May 2018

Even as ambitious universal healthcare coverage for India's poor families, Modicare, is yet to kick in, the country has shown progress by jumping eight ranks on a global healthcare access and quality (HAQ) index between 1990 and 2016. "India's improvements on the HAQ Index hastened from 2000 to 2016," a study published by medical journal The Lancet said, adding that sub-national inequalities are still a concern. India moved up from 153 in 1990 to 145 in 2016 in raking on the HAQ index.

"Striking subnational disparities emerged in personal health-care access and quality, with China and India having particularly large gaps between locations with the highest and lowest scores in 2016," the report said. Notably, Modicare aims to provide health insurance cover of Rs 5 lakh per family per year to 10 crore poor families. But for healthcare coverage to succeed, a research done by Public Library of Science said that basic health care infrastructure for delivery of primary health services needs to be strong.

Even as India shows improvement in healthcare access, Indians show discontent about the healthcare services available in the country, a survey showed. Only 32% Indians said that healthcare facilities and services in their city have improved whereas 62% said they have not improved. The major concern for people is low-quality government hospitals and private hospitals operating like businesses for profit, a survey conducted by LocalCircles said.

Cases such as children dying in a government hospital in Uttar Pradesh due to lack of oxygen and a Gurgaon-based private hospital billing drugs and consumables at a profit of over 1700% made people wary of the healthcare system in the country. One of the biggest concern for the country is its dismal budgetary expenditure on healthcare. India's health budget has not changed much since 2009 and remained merely between 0.98% and 1.18% of the GDP, one of the lowest in the world.

Source

Back

Modicare to offer 20% lower rates than CGHS rates - The Economic Times – 24th May 2018

In a move likely to set new pricing standards for medical procedures in the country, the government-sponsored National Health Protection Scheme (NHPS), popularly known as Modicare, will offer common treatments such as coronary bypass, knee transplant and C-section at a rate which is around 15-20% lower than Central Government Health Scheme (CGHS), which provides comprehensive medical care to government servants, pensioners and their dependants.

NEW BENCHMARK

Modicare Expense	Reputed Pvt Hospital
Angioplasty: ₹50,000-65,000	₹1.5L-2L
Knee replacement ₹80,000	₹3.5L
C-section ₹9,000	₹1.5L

The health ministry has finalised the rates for 1,354 packages, which will be covered under NHPS. The packages include 23 specialties such as cardiology, ophthalmology, orthopaedics, urology and oncology, etc, an official said.

For instance, the rate for vertebral angioplasty with single stent has been fixed at Rs 50,000, whereas that with double stent will cost Rs 65,000. Similarly, the price for total knee replacement is fixed at Rs 80,000, whereas a C-section will be charged at Rs 9,000. The list also includes paediatric surgeries, different packages for cancer treatment as well as mental disorders.

For comparison, an angioplasty would cost about Rs 1.5-2 lakh, a C-section around Rs 1.5 lakh and a total knee replacement would set a patient back by around Rs 3.5 lakh in any of the reputed private hospitals in Delhi.

The NHPS rate list is part of a model tender document for the Pradhan Mantri Rashtriya Swasthya Suraksha Mission, reviewed by TOI.

The document, finalised after consultation with Niti Aayog and Indian Council of Medical Research (ICMR), also details the minimum number of days of hospitalisation required to make a claim as well as pre-surgery and post-surgery investigations needed for approval. The document has been shared with state governments for comments. It will also be circulated among the bidding insurers by the states.

RATES OF SOME COMMON PROCEDURES AS FIXED UNDER MODICARE

Procedure Name	Rates (₹)
Vertebral Angioplasty, single stent (medicated)	50,000
Pulmonary artery stenting	40,000
Coronary artery bypass grafting	90,000
Pulmonary Valve replacement	1,20,000
Lung Cyst	45,000
Corneal Grafting	8,500
Total Hip Replacement (cementless)	90,000
Total Knee Replacement	80,000
Radical Hysterectomy or uterus removal	20,000
Incisional Hernia Repair	15,000
Caesarian Delivery	9,000
Brain Biopsy	15,000
Epilepsy surgery	50,000

Indu Bhushan, chief executive of Ayushman Bharat, said CGHS and Rashtriya Swasthya Bima Yojana (RSBY) rates have been used as reference prices for fixing the rates under the scheme. “However, the rates under the new scheme are on an average 15-20% lower than that of CGHS,” Bhushan said. Lower prices mean beneficiaries of the scheme will be able to opt for more number of procedures under the cover if required or can even enrol more family members for treatment.

Besides, it is expected to reflect in a major drop in health expenditure and set new pricing standards, which, in turn, will create pressure on healthcare providers to bring down their rates for general public, healthcare experts said.

The health insurance scheme aims to cover nearly 50 crore beneficiaries from over 10.74 crore “deprived” families as per socio-economic and caste census (SECC) data with an annual health cover of Rs 5 lakh per family per year.

This cover will take care of almost all secondary care and most tertiary care procedures. There is no cap on family size and age in the scheme, ensuring that nobody is left out.

The basic risk cover includes hospitalisation expenses such as registration, nursing and boarding charges in general ward. Besides, consultation fees, surgical equipment and procedure charges and cost of implants, medicines, diagnostic tests and food to patients are also covered. The scheme also covers follow-up care along with pre- and post-hospitalisation expenses.

In case of multiple surgeries, the highest package rate will be waived for the first treatment, and 50% and 25% of the package rate will be provided for the second and third treatment. The rest will be borne by the policy holder.

Prime Minister Narendra Modi is expected to launch the scheme on August 15. Bhushan said the scheme also entails added incentives for private hospitals, especially those providing quality services.

“If a hospital is certified by NABH for entry level, it can get 10% more, whereas those certified for advanced level will get 15% more as incentive. Besides, we also want to give advantage to hospitals in lagging areas and such hospitals will get an additional 10%,” he said.

Bhushan said IT infrastructure is the backbone of the scheme and currently the ministry is working to put that in place so that hospitals and providers from across the country can be brought on the platform. The IT platform, to be launched by July, has been modelled on the existing health insurance portal for Telangana.

Source

Back

Know the transplant expenses covered, excluded when buying health insurance - The Economic Times – 21st May 2018

Data from Mohan Foundation, an NGO working in the field of organ donation, shows a kidney transplant can cost upwards of Rs 5-8 lakh, while a heart transplant can set you back by Rs 22-28 lakh, as can a liver transplant.

The total cost could be much higher, depending upon the patient’s health and the hospital involved. As such surgeries can ruin a family financially, a large enough health insurance cover is a must. We decode transplant coverage in health insurance policies.

The complications

Transplants involve two parties, the organ recipient and the donor. If the recipient is a policyholder, most expenses to the extent of the sum insured are covered by standard health policies. Under the same policy, the donor's expenses are also covered, but with restrictions. "We only cover in-patient hospitalisation expenses for the donor," says Puneet Sahni, Head, Product Development, SBI General Insurance. Expenses incurred on organ harvesting and surgery are admissible under organ donor coverage.

Even if the donor has a health insurance policy, it is unlikely that expenses will be reimbursed, unless the insurer explicitly provides such a cover. "For a donor, It is not a health condition that requires treatment," says Sahni.

Insurer	Product	How much is covered
ICICI Lombard	Complete Health Insurance	Up to ₹**50,000***
HDFC Ergo	Health Suraksha	Up to sum insured
Apollo Munich	Optima Restore	Up to sum insured
Religare	Care	₹**50,000** to ₹**5** lakh depending on sum insured
Star Health	Family Health Optima	**10%** of the sum insured or ₹**1** lakh, whichever is lower
Max Bupa	Health Companion	Up to sum insured

If a donor's policy does cover these expenses, the claim can be only for expenses not payable under the recipient's policy. "As the in-patient component is covered by the recipient's policy, coverage will be limited to any eligible excess," says Jyoti Punja, COO and Customer Officer, Cigna TTK Health Insurance.

Restrictions galore

Donor related costs merit a close look before you sign up for a policy. Most policies come with a list of exclusions. For example, it could either be restricted to an ad-hoc amount of say Rs 50,000 or will be payable only to the extent of 10% of the sum assured and so on.

Some insurers provide the donor cover to the extent of the sum insured. Then, there are products that do not cover organ donor expenses as part of the main cover, but offer it as an add-on. "Pre- and post-hospitalisation of the donor as well as screening expenses are not covered. Any complications arising consequent to harvesting, will also not be payable," says Ashish Mehrotra, MD and CEO, Max Bupa Health Insurance.

Stem cell donation, except bone marrow transplant, falls under exclusions. If you have to go through an organ transplant, make sure the hospital provides all details of expenses. This helps prevent disputes during the claim settlement process.

Source

You can limit your anxiety by buying a critical illness policy. Such policies hand out a pre-decided amount upon diagnosis of the listed ailments, narrowing the scope for disputes and repudiation.

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Crop Insurance

Fasal Bima Yojana is failing, fix it - Financial Express – 21st May 2018

With just around 45% of the claims made by farmers over the last three crop seasons—data for the last rabi season is not available—paid by the insurance companies under the Pradhan Mantri Fasal Bima Yojana (PMFBY), it is fair to say the scheme hasn't taken off; indeed, nine months after the last kharif season ended, just 5% of the claims made for crop losses in it have been paid.

At this rate, it is difficult to see how this flagship scheme is going to progress and achieve the targets set—50% of the country's gross cropped area is to be insured by 2018-19 from around 30% today, and while Madhya Pradesh is at roughly this level, Odisha and Uttar Pradesh are at just around 20%.

Though a central government initiative, the scheme really has to be rolled out by the state governments and, so far, not too many seem enthused or they simply don't have the money to roll it out.

Indeed, the reason for the very low payout of claims is that few state governments are paying their share of the premiums on time—and till they do, the central government doesn't pay its share either. Till they get the premium, insurance companies simply sit on the claims.

In Kharif 2016, the total premium paid was Rs 14,400 crore, against which Rs 9,797 crore of claims were made and payouts of Rs 9,306 crore were made. That would suggest all premiums were paid, though it is not clear how much of a delay there was in this. Claims payouts, however, have fallen drastically since. The rabi season in 2016-17 saw payouts fall to a mere Rs 4,054 crore as compared to claims of Rs 6,900 crore, or a payout ratio of 59% as compared to 95% in Kharif 2016. Things got dramatically worse in Kharif 2017 when payouts were a mere Rs 733 crore, or 5% of the Rs 14,454 crore of claims made—if states have not paid their premiums, it is hardly surprising the insurance companies are not honouring claims.

Equally worrying is the high, and increasing, levels of claims. While the claims ratio—the value of the claims made to the premium charged—was a reasonable 68% in Kharif 2016, this shot up to 88% in Kharif 2017 and could go up even more since some claims are still to be processed. Once you take into account the margins insurance firms need to make, this means they are out of pocket in just the second year of the scheme itself and that too in a year which had a normal monsoon; in which case, claims ratios will skyrocket in drought years.

In most such cases where insurance firms are in the red, such as in group health insurance schemes, the solution lies in raising premium rates, but given how high agriculture premium rates are already, this may not be possible. Certainly higher coverage could help lower rates, but it is difficult to do that till farmers feel the scheme is delivering—they pay around a fifth of the premium, with the Centre and the state governments paying the rest. The government will also have to think of whether the current model of insurance is the best since premium levels are really high in several states. Use of drone and low-orbit satellites in place of traditional crop-cutting experiments could also lower payouts—and make them much faster—if they deliver more accurate results.

More important, however, if the government genuinely wants to push insurance as a way to protect the farmer, it has to re-imagine the current system of incentives. If a state government, say, has Rs100 to spend on agriculture, this can either be spent on subsidised electricity and water or insurance; similarly, if the central government is going to spend so much on fertiliser subsidies, can it afford agriculture insurance? In other words, the government—centre and states—have to relook their entire spending on agriculture and allocate money to the place where it is best used. If farmers are to be given MSP-based cash transfers for all their crops—as was proposed in the last budget—do we really need an inefficient FCI-based procurement system that adds to costs?

Similarly, the government needs to relook cropping incentives. If Maharashtra is going to be growing very water-intensive sugarcane when it has both a water shortage as well as poor levels of irrigation, surely insurance premiums are going to be high and crop failures more common? Indeed, with the wrong crops being grown in so many states, this is a big factor in insurance premiums being high. Addressing, and fixing, all these issues is not easy, but unless prime minister Modi is able to address the major ones, one of his big election planks will come to nought—that will be tragic given how little the government has done for agriculture since it came to power.

Source

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PMFBY payouts crash as states don't pay premium - Financial Express – 21st May 2018

Against claims of Rs 14,453 crore made by farmers for crop losses in kharif 2017 under the Pradhan Mantri Fasal Bima Yojana (PMFBY), insurance firms have paid a mere Rs 733 crore so far, a payout ratio of just 5%. A year ago, in kharif 2016, the payout ratio was a much higher 95% across both PSU and private sector insurance firms.

The reason for the low payout ratios is that very few state governments have made payments for the premium due from them — typically, farmers pay around 20% of the cost of insurance and the balance is equally split between the state and the central government; till the state government pays its share, the Centre does not pay its share either. Some states like Bihar and Odisha have not paid their full premium for 2016-17 as well.

Apart from the low payouts ratio, insurance firms are making losses in the second full year of the scheme. While the claims ratio — claims made as a share of premium — was a healthy 68% in kharif 2016, this rose to 88% in kharif 2017, and can go up a bit more since not all claims have been processed. Once you add in the profit margins of insurance companies, they are running at a loss.

The claims ratio for PSU firms rose from 64% in kharif 2016 to 96% in kharif 2017 and from 72% to 75% for private insurance firms. The total claims ratio for PSU firms was 90% in the first three crop seasons (data for rabi 2017-18 is not available at an aggregated level) and 74% for private sector insurers. While around 30% of the country's Gross Cropped Area is covered by PMFBY right now, the target is to raise this to 50% in 2018-19.

Source

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Interview

Insuring Life - Financial Chronicle – 20th May 2018

In the life insurance sector dominated by public sector Life Insurance Corporation, private companies have been increasing their market slowly and steadily. Unlike other private players, Shriram Life Insurance Company has been focusing on the markets where LIC holds its fortress. It has been able to grow commendably, working among rural masses and selling mostly traditional plans. Casparus Kromhout, Managing Director and CEO of Shriram Life Insurance in conversation with Sangeetha G talks about how it works towards increasing insurance penetration in markets with low levels of awareness.

Shriram Life reported some very good numbers in terms of gross premium as well as profits in FY18. How did you achieve this growth and how has the general buoyancy in the industry helped?
Shriram was able to achieve the milestone of 1500 cr in the financial year; these figures were driven by a strong focus on individual renewal premium collection that grew by 37 per cent. Individual business APE grew around 15 per cent. The last financial year was a year of consolidation for SLIC with focus on fundamentals like business quality, underwriting, fraud management, claims and cost efficiencies. Even with significant channel restructuring, SLIC was able to perform during the transformation due to its strong focus on fundamentals.

The insurance industry has been growing rapidly. The low level of penetration at 2.7 per cent and the growing economy will ensure that the growth is sustained. The net financial savings are expected to grow at 15 per cent and are moving towards taking a greater pie in India's household savings.

The buoyancy in the capital markets will continue to fuel the growth of investment-linked products while product innovation in protection will be the key to expansion in the protection segment, thus eventually improving penetration levels in the country.

It is estimated that growth in new business premium (NBP) will be in the range of 15-25 per cent for the industry with private players leading the pace. Considering the market factors and SLIC positioning, it expects to grow at a much stronger pace for the coming financial year.

You have also made good progress in terms of persistency despite working with rural customers. How did you achieve this?
As part of the Shriram Group, working in the rural and mass market is ingrained in SLIC's heritage. SLIC works with customers that are generally overlooked by the mainstream commercial insurers and banks thus working towards true financial inclusion. With most of our customers; the SLIC policy is the first and only insurance policy (and in some cases the only savings instrument) that they possess.

Considering this our responsibility towards our customers has increased manifold. Thus at SLIC we consider it our duty to ensure that families that are most vulnerable to the loss of a breadwinner get covered and no family loses the precious cover it deserves.

Working with this segment has its challenges. The education and awareness levels on the need for insurance are low; another challenge is the lack of contact-ability. These factors have made achieving desired persistency levels challenging. Over the last few years SLIC has focused intensely on improving the contact-ability of customers. Today over 80 per cent of our customers are "contactable".

We have also set processes where customers are contacted regularly and educated on the policy features and importance of continued financial protection. Special focus is given to lapsed policies. Today SLIC makes personal contact with over 5 lakh customers annually and the numbers are increasing every year. SLIC persistency is touching 60 per cent, which is a benchmark for the said segment. Our target is to take our persistency levels past 70 per cent.

Going ahead, this year what would be the factors that would help your growth and where will be your focus?
SLIC is currently ranked 8th amongst the private players on Individual Policies; meaning that we are not a small company on volumes. But at the same time our ticket size is amongst the lowest in the industry. Over the coming years SLIC plans to improve market position on premium; while continuing to serve the mass market. Our focus would be to reach more customers in the "aam admi" segment where the need for insurance is critical but penetration is very low.

Serving this segment demands innovation in discovering new distribution avenues. We are making excellent progress with our digital business. One such example is our tie-up with the international insure-tech SureBüddy that provides free insurance to Android users. We would be focusing on more unique and novel ways to reach our customers.

Another focus area would be developing products that serve segment specific and unique needs of the "aam admi". In addition, we also plan to use technology to help develop a more congenial sales environment for our sales force.

Unlike other private insurers, Shriram has been trying to establish itself in the rural market. How has been your journey and what are the opportunities and challenges in pursuing rural market with volatile incomes?
The Shriram Group has been working in the "aam admi" market for over 4 decades now. Thus serving this segment has been a part of our DNA. A large portion of these customers is in the rural area and over 50 per cent of our business is sourced from these rural markets.

SLIC; with an average ticket size of around Rs. 17,000 has developed competencies of working with the rural and urban "aam admi" segment as opposed to most private insurers that are focused on the urban affluent class. The average ticket size for the private sector is approximately Rs. 50,000.

Working in the rural market has additional challenges. Apart from the low awareness levels and contactability challenges; the sector possesses challenges in terms of distribution and reach; where the closest bank or financial institution could be around 60 km away from the village. In addition, there are challenges brought by seasonality of income and the risk of no income during a slump.

There has been active government focus in bringing inclusion to rural India. The Digital India campaign along with the earlier "Jan Dhan" and PMJJY schemes have brought a measure of change in terms of connectivity and financial inclusion; and increased awareness levels.

The opportunities that lie in this segment majorly rely on cracking the distribution mechanism and the unique service needed with continuous improvements and innovation. SLIC in the footsteps of the Shriram Group has been constantly evolving with new service offerings to cater to this segment.

You have a portfolio heavy with traditional plans. How have you created a niche market competing with the public sector giant LIC in traditional plans?
Most companies have seen tremendous growth in the last year riding on the ULIP wave. But these plans are mostly targeted towards the higher ticket size affluent class. The challenge in selling ULIP in the mass market is majorly the limited knowledge of the mechanism of ULIP plans and designing products to meet the required pricing.

Also, it is difficult for an agent to travel so many kilometers in rural areas to sell ULIP policies for a low commission. We feel that ULIP is a very good product but that a very large customer segment is being excluded because of the distribution economics issue. Some relaxation in the ULIP guidelines for these segments will enable companies to serve them better.

Further players with higher linked portfolio are vulnerable to cyclical shocks in the capital market. Thus the return of focus on traditional plans cannot be ruled out.

The low awareness levels in the mass market have made us focus mostly on the guaranteed-return plans for our specific segments. LIC is also vastly operating in our market with a traditional plan portfolio but we have managed to create a niche on the back of innovative products and processes.

Private insurers with bank parents or partners were seen doing well off late. What are your plans of further exploring the bancassurance channel and how will you ensure that you reach out to the customer when the bank is selling products of different companies?
Bank-promoted insurance companies have the advantage of a ready strong distribution network with a captive customer base. Today the bank-promoted companies provide for nearly 70 per cent of the Private industry's business and have grown at 25 per cent APE in the last financial year.

Thus the lure of Bancassurance cannot be denied. Shriram has a strong NBFC ecosystem that is similar to having a bank as partner. We are actively cross-selling to Shriram customers. For SLIC, the answer to Bancassurance mostly lies in the synergy with our customers and products. SLIC would be open to work with banks that serve our specific segment of customers.

Private insurers are gung-ho about protection plans as the penetration of these plans is very less. What are your plans with regard to protection plans?
Protection plans should be the core of the life insurance industry. India has a vastly under-insured population. With increased awareness levels amongst the population, we have seen a demand for these products rise.

Life-cover was earlier sold as a sub-set of a saving instrument; where the customer mostly focused on the returns. This situation has changed, especially in the urban areas, where customers are slowly getting more interested in the protection features that a plan offers.

Pure protection plans with their lower ticket sizes also provide a ready offering for various "mass market" offerings in our Shriram Ecosystem and Digital channel; like our collaboration with SureBüddy that provides Rs. 50,000 free term cover to android users. We plan to explore more partnerships and mechanisms that can help spread the protection cover to our customers.

Studies show that tax-saving potential is the biggest driver for life insurance. What changes should the government bring in to increase life cover of people?
Tax saving has been one of the major drivers for investment in insurance plans. But with the addition of various other instruments in the 80C bracket the competition has become severe. Urban customers are also more aware that the main offering of an insurance product is the life cover and that the investment and tax savings are the by-products.

The governments focus on providing life cover through the Pradhan Mantri Jeevan Jyoti Bima Yojana where a life cover of Rs. 2 lakh is provided for a small amount of Rs. 330 has created awareness on the need for insurance especially for the mass market.

The Insurance Regulatory and Development Authority of India have also revised certain guidelines to promote the growth of the industry. The products are more transparent now and the cost structures have been revised.

The regulator is also keen on adopting marketing mechanisms to help increase the insurance penetration in India. The penetration gap in India is at a huge Rs. 480 lakh Cr reflecting the growth potential and the quantum of effort needed for the Industry.

To bridge this gap government intervention would be strongly needed in terms of creating further awareness, tax subsidies and penetration intensive schemes. Reviewing the ULIP regulations for lower segments will also be a positive step forward.

How has been the response of customers to your online products? What should be done to increase the purchase of online policies considering the fact that India's internet savvy population is growing big?
We launched our digital channel in November last year.

In less than 3 months the channel was able to sell 2000 policies. We currently have 4 plans selling online including a cancer care and a term protection plan. We plan to expand the digital frontiers further by developing newer avenues and upselling from the lead sources thus achieved. We are also looking at digital solutions to enhance sales efficiencies.

With the reduced data costs down to more than 50 per cent and the estimated 500 million people on smartphones, India's digital landscape is changing rapidly. The industry has witnessed a great surge in the growth of plans sold online. Though, percentage wise online sales are believed to be only 2 per cent of the total sales, their numbers have shown strong year-on- year growth.

The penetration of digital in the mass market is also heartening. Aided by the government's push on Digital India and demonetisation; customers in the tier II / III and rural areas are more open to online purchases. But the scope of digital cannot be limited to only selling online; to make a larger impact we need innovative and cost effective solutions aided by the digital platform to service these customers.

5.0% in 2017, it not only grew almost twice as fast as life insurance (+2.8%), but also recorded the largest increase since 2012. Nevertheless, the growth discrepancy between the regions remains striking: while premiums in Western Europe, for example, rose by a meagre 2%, Asia ex-Japan soared by 10.2%. The top performer in the region and worldwide last year was India, with bumper growth of above 30%.

Allianz Research expects insurance markets to continue to recover, with premium growth forecast to reach around 6% in the next decade. This upturn primarily reflects the return of the global economy to normal growth and inflation rates. Growth expectations for Asia (ex Japan) are notably higher – the region should achieve growth of almost 11% p.a. over the next decade.

At the end of the 2020s, around 40% of global premium income should be written in the region; 10 years ago, this figure was around 10%. And at the top there will be a historic change of guard: China will overtake the USA as the largest insurance market.

Source

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Insurance Cases

Delay in insurance claim is deficiency in service: Forum – The Times of India – 20th May 2018

Delay in processing insurance claim amounts to deficiency in service and unfair trade practice by an insurance company, the consumer disputes redressal forum, Ernakulam, observed.

The forum while hearing the case of a minor who suffered fracture while playing at a park made this observation and asked the insurance company not just to pay the insured amount but also compensate for deficiency in the service offered.

The judgement of the forum delivered last month came on a petition filed by Rajesh Balakrishnan on behalf of his minor son in Muvattupuzha in 2016. The insurance company was asked to pay Rs 20,000 to compensate the complainant for deficiency of service.

As per the petition, Rajesh along with his family visited Thanneerchal park on April 12, 2016. His son while playing on the slide boy fell down and sustained several bodily injuries. Immediately, the boy was taken toa private hospital in Tripunithura.

Doctors diagnosed a fractured elbow. The boy was hospitalised for two days and the total medical expense was around Rs 20, 000. Thereafter, Rajesh approached park officials seeking compensation. The park officials informed Rajesh that they were insured with the National Insurance Company and advised him to lodge the claim before it.

Subsequently, the complainant approached the company seeking insurance claim, but to no avail. The insurance company contended before the forum that they had not received any complaint from Rajesh and hence he was not entitled for any benefits from the company.

But Rajesh produced postal receipts of the complaints he sent to the insurance company and the signed acknowledgment. He also produced evidence including the medical details to prove his claim.

The forum noted that the insurance company could not produce any evidence that they had promptly replied to the complaint filed by Rajesh on July 25, 2016. "The delay in processing the claim is not only deficiency in service but also an unfair trade practice. We are of the opinion that the first opposite party (insurance company) is also liable to compensate for the deficient service offered and for the unfair trade practice happened on their side," noted the forum headed by president Cherian K Kuriakose.

The forum asked the company to process his claim and pay the amount in accordance with terms and conditions of the policy. Besides, it asked the company to compensate Rs 20,000 to Rajesh for deficiency in service and unfair trade practice committed by the latter and it should meet the cost of proceedings of the complainant at the forum.

Source

"We had not received any letter claiming the insurance amount from the complainant. We got details of the claim, he sent us, from the advocate when the case up came in consumer forum. We are yet to receive the copy of the judgement," said an official of National Insurance Company with the divisional office in Tripunithura.

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Pensions

FinMin rules out raising equity investment limit for pension funds - Financial Chronicle – 22nd May 2018

The finance ministry has no immediate plan to raise pension funds' investment limit to over 15 per cent in the equity market. The government perceives any loss in value of the funds due to volatility would prove costly to the government.

"No, there has been no discussion on raising the limit of investing in equities from the current 15 per cent for the government employees. May be there will be some more maturity needed in the stock market. The proposal is still on the table, but not under active consideration," an official source said.

The reasons are well known for the government to cold shoulder the proposal. The majority of the subscribers are in the clerical cadre and they don't have any other back-up other than pension funds to fall back upon on retirement. And the important part is if investors lose pension money in equity market, then government will have to bear that cost. In EPFO also it is the same situation, sources said.

The country has booming pension funds with a size of $35 billion and the equity market is also surging at a valuation of Rs 2.5 lakh crore. But all these are not enough for them to link as there is risk involved in the usual stock market volatility and the government does not want the hard-earned funds of the people at the twilight years to be part of risk game, said the sources.

The Pension Fund Regulatory and Development Authority (PFRDA) has long been demanding an increase in the equity proportion for government employees to invest in the stock market. The PFRDA has called for a huge jump to 50 per cent from 15 per cent of the funds investment to match the maximum for private-sector pensions overseen by its National Pension System arm.

The PFRDA board in a meeting last month also decided to hike the cap on equity investment in 'active choice' category to 75 per cent from the current 50 per cent for private sector NPS subscribers.

Government employees contribute about 87 per cent of the Rs 2.3 lakh crore ($35 billion) managed by the NPS. Besides the NPS, the government also operates the Employees' Provident Fund Organisation (EPFO) that offers investors defined returns on savings. PFRDA has also pressed for legislation allowing workers to shift from that plan to the NPS. The EPFO won approval last year to raise its equity exposure limit to 15 per cent from 10 per cent earlier.

Source

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IRDAI Circular

Source

Gross direct premium underwritten for and up to the month of April, 2018 is available of IRDAI website.

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Global News

China: Online insurance premiums soar 31% in 1Q2018 – Asia Insurance Review

China's online property insurance premiums increased substantially in the first quarter of 2018, reversing a slight decline last year, official data show.

Premium income from online property insurance sales jumped by 30.9% year on year to CNY14.46 billion ($2.27 billion) in the first three months, reports the Xinhua News Agency citing data from the Insurance Association of China.

Auto insurance premiums, which accounted for 58.16% of the total, grew by 13.17%, while premiums from non-auto insurance sales online surged by 41.84%.

Source

Accident and health insurance and return shipping insurance were among the most popular products, while more consumers bought insurance products via mobile terminals such as apps and third-party platforms, rather than insurers' websites.

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Indonesia: Reinsurance market to enjoy robust growth this year – Asia Insurance Review

The reinsurance industry is forecast to post more than 10% growth this year in terms of premiums, according to the Indonesian General Insurance Association (AAUI).

"We estimate conservative growth in 2018," said AAUI Executive Director Dody Dalimunthe, adding however that if the goals set by the government this year are realised, then, the reinsurance market's growth is expected to exceed 10%.

He said that with new general insurance products introduced by insurers, reinsurance support will be needed and this will increase reinsurance revenue, according to a report by *Kontan*.

AAUI expects the government to provide incentives to increase insurance penetration in the future. The government is working to develop mandatory motor third party liability business, natural disaster insurance and insurance of state property.

Several ministries have also made breakthroughs related to insurance penetration. For instance, there have been insurance breakthroughs by the Ministry of Marine Affairs and Fisheries, to provide cover for shrimp and fish farmers.

Source

"There is export insurance for palm oil, coal and rice imports by the Ministry of Trade. In addition there is agricultural insurance by the Ministry of Agriculture and the insurance of state property by the Ministry of Finance," Mr Dody said.