भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

10th – 16th February 2018

• Quote for the Week •

"All that we are is the result of what we have thought. The mind is everything. What we think we become."

Gautama Buddha

INSIDE THE ISSUE

Insurance Industry

FRDI Bill: Centre offers to set a new cap on deposit cover - The Hindu Business Line – 13th February 2018

Reflecting a change of mind, the Centre has conveyed to a joint committee of Parliament deliberating on the Financial Resolution and Deposit Insurance Bill that it is ready to amend the legislation to "specifically state" an upper limit for deposit insurance.

On Monday, the committee on the FRDI Bill, headed by senior BJP leader Bhupender Yadav, discussed the government's fresh stance with RBI Governor Urjit Patel. The Governor, however, favours the existing provision, where the deposit insurance is capped at Rs 1 lakh. In a fresh note, the Department of Economic Affairs told the panel that the proposed Resolution Corporation, through the regulators, can specify the amount to be paid as premium by the entities. Patel, however, had apprehensions about the DEA's stance.

"He told us that 91 per cent of bank customers are covered under Rs 1 lakh. In terms of value, this is 29 per cent of the total deposits. He fears that if we raise the upper limit, banks will be burdened with higher insurance premiums. He would prefer the present system to continue.

We have requested him to consider the DEA's new stand...he said he will get back to us," a panel member told BusinessLine on condition of anonymity. The DEA had earlier assured regulators and banks that Clause 29(1) of the Bill provides for enhancement of the deposit-insurance. In its fresh submission, the DEA is believed to have noted that the Bill does not mention explicitly that the current deposit coverage up to Rs 1 lakh would be maintained. It added that the Bill may be amended to specifically state a limit for the deposit insurance coverage.

It is learnt to have suggested that an additional clause may be inserted in the Bill after clause (h) of sub section (2) of Section 145 as the total amount payable by the Corporation with respect to any one depositor, as to his insured deposit with an insured service provider, in the same capacity and in the same right, shall not exceed the total amount notified under second proviso to sub section (1) of section 16 of the the Deposit and Credit Insurance and Credit Guarantee Corporation (DICGC) Act of 1961, until the applicable amount is specified by the Corporation under sub section (1) of Section 29 of this Act.

"This will address the concern that an amount of Rs 1 lakh, fixed in 1993, is too low and should be revised. Patel's briefing helped us to understand that the RBI is not against the Bill, but is against certain clauses. The committee's duty is to seek a consensus," the member said.

The RBI had suggested that a new provision should be added to the FDRI Bill to ensure that the Rs 1 lakh limit continues. The RBI pointed out that there is no clarity in the Bill on the time up to which a service provider will be required to pay resolution fee.

The member added that the committee is working with the Centre, regulators and other stakeholders for a consensus on clauses of the Bill, including the role of the proposed Resolution Corporation. BusinessLine had reported that the RBI, banks, stock exchanges, insurance companies and depositories had serious objections to various clauses of the Bill.

Source

Insurers must provide right solutions to expand market, say experts - The Hindu Business Line – 12th February 2018

There is a need to highlight the need for insurance and provide right solutions to spread awareness and increase its penetration, according to industry captains.

A galaxy of industry captains and insurance regulators from South Asian countries deliberated on a wide range of aspects during the International Insurance Conference and the Fourth South Asian Regulators' meet hosted by the Insurance Regulatory and Development Authority of India (IRDAI), which concluded here on Sunday.

"Reach out to people and explain what kind of insurance is required. We cannot slacken efforts to reach more people to spread insurance," Arijit Basu, Managing Director and CEO, SBI Life Insurance, said in a panel discussion on the role of consumer awareness in enhancing insurance penetration.

Noting that even though about 30 crore people had life cover in the country, Basu said the sum assured was way below the needs.

It is not about buying insurance once, but sustained premium payment is also vital. "We can lock in the customer for 15-20 years if combined efforts are made..." he added.

Winning the trust of customers is vital not just for insurance penetration but also to post "good quarterly results by doing the right sale," Basu pointed out. According to Ritesh Kumar, MD and CEO, HDFC Ergo General Insurance, distribution should be strengthened by making the agents technology savvy and increasing their numbers.

Currently, there are about two million agents in life insurance and 3.60 lakh in non-life. "We need to go out into rural areas to spread awareness about general insurance," he said.

While life insurance penetration in the country is at 3.49 per cent, that of general insurance is less than 1 per cent, with some segments like home insurance having a very small customer-base.

Big push

Hemant Bhargava, Managing Director, LIC, said government schemes such as Prime Minister's Jeevan Jyothi Bima Yojana, Suraksha Bima Yojana, Fasal Bima Yojana and the recently announced National Health Insurance scheme have brought insurance to the forefront.

Source

Back

Insurance industry set to touch $280 billion by 2020: vice-president – The Pioneer – 12th February 2018

Vice President M Venkaiah Naidu on Sunday said the insurance industry in India was expected to grow to $280 billion by 2020 from $84.72 billion in 2017 as the country was poised for higher economic growth.

Speaking at the valedictory session of the 4th South Asian Insurance Regulatory Meet and International Insurance Conference here, he said investments made by the insurance companies in various sectors amounted to Rs 30. 76 lakh crore by the end of 2016-17, of which over Rs 2. 40 lakh crore was in the infrastructure sector.

"The insurance industry is expected to grow to $280 billion by 2020 as the country is poised for higher economic growth. The insurance market increased from $23 billion in 2005 to $84.72 billion in financial year 2017," the Vice President informed.

He said that an increase in FDI and government schemes to provide insurance cover to people, including farmers, had increased insurance penetration in the country and had spurred the industry.

Naidu said that there was huge potential for growth due to a growing middle class, rise in disposable incomes and greater awareness for insurance coverage.

"As against the global average of 6.2 per cent, the penetration rate of the Indian insurance sector is 3.39 per cent," he said.

Source

IRDAI Regulation

Protectionism in reinsurance - Business Standard – 15th February 2018

Protectionism seems to be the flavour of the season, and the Indian insurance industry is also getting a taste of it, courtesy what is known as the "order of preference". The origin of this dissonance is the Draft IRDA (reinsurance) Regulations, 2018, which has created a first right of refusal for Indian reinsurers and Foreign Reinsurer Branch (FBR). This, a large section of the industry says, amounts to limiting competition on reinsurance, thereby impacting policyholders adversely in terms of higher cost and limited coverage, and product innovation.

This will also create significant risk for the policyholder and insurers in terms of concentration of risk in the hands of a few reinsurers that can potentially threaten the stability of insurance market.

The Insurance Brokers Association of India says the prescriptive measures under the regulations require the consumer to approach reinsurance providers in preferred order without any choice to them. The regulations allow Indian reinsurers and FRBs to match and take away business of international reinsurers even if the latter quote the lowest in price.

The regulations prescribe that the risk can be placed with the Indian reinsurer (GIC) and FRBs within the Indian market without cession limits. This, it is feared, will greatly increase the risk of concentration within the Indian market and the purpose of reinsurance will get lost.

In addition, the right of first refusal disregards intellectual property rights, as all confidential product offerings and innovation will have to be shared with only a few preferred reinsurers. For example, cyber risk and insurance is the largest growing class of insurance in the world, requiring deep expertise and constant innovation. If forced to follow compulsory sharing of intellectual property, most international reinsurers will have to exit their engagement with India. Precluding Indian markets from global expertise will not be in the interest of Indian customers.

This is how it works. In individual reinsurance for large and specialised risk, the rates, terms and coverage are decided by the lead reinsurers. Depending on the nature of risk, there could be several global reinsurers or a few specialised reinsurers offering a unique product. Since a handful of reinsurers would only be entering India as Branch operations and the entire business will be offered to them on Order of Preference, a majority of the international players will be denied a level playing field. This could affect all industries that purchase reinsurance.

For example, take the oil & gas industry, which pays one of the highest premiums as the coverage requirements are highly specialised. Limited competition could directly impact the insurance cost and coverage of companies in the sector. Other large Indian companies with asset exposure above ~25 billion will also be affected. The regulator has been allowing "Mega Risk" for such corporates so that they can get global quality coverage and terms. With reinsurance restricted to only a select few, these companies will be denied best-in-class risk management and competitive insurance programmes.

There is more. In case of natural disaster, concentration of risk in only a handful of reinsurers can create market collapse and coverage restriction for end policyholders. Example: the Thailand flood in 2011, where a basic cover like flood risk was excluded on renewal of policies.

It will affect the pharmaceutical industry, too. India is now one of the largest generic drug manufacturing country in the world and the industry needs specialised product liability insurance covers. But very few specialised reinsurance markets provide such coverage and most commercial reinsurance markets do not provide competitive reinsurance in this area. Clinical trial research affects a large number of companies, which require coverage and service to provide certificate of insurance in a timely manner in multiple jurisdictions. These arrangements have taken years to build and may be threatened if the regulator goes ahead with its restrictive reinsurance regulations.

The regulations require that the ratings of crossborder insurers should be A- (by S&P) or equivalent. There is no certified equivalency scale that can equate the S&P rating with the AM Best rating. For example, GIC has only AM Best rating, but no S&P Rating, making it difficult to understand if any equivalency scale is available. This needs clarity.

Let’s look at the global best practices. A total of 12 markets, including India, contribute nearly 80 per cent of worldwide insurance premium. Though 11 of these countries encourage domestic cession of the reinsurance premium, none of them has priority cession order like in India. The focus is more on credit risk management rather than providing preference to a select few reinsurers within the country.

The Indian insurance market has been procuring reinsurance on competitive basis from across the globe including GIC. The government and regulator recently allowed foreign reinsurers to set up branches in India, which is a welcome step, provided it generates even more competition and benefits the policyholder. However, there are serious concerns on the manner in which competition is being severely restricted on the reinsurance procurement.

Source

Back

Transfer unclaimed deposits to SCWF by March 1: Irda to insurers - Business Standard – 13th February 2018

Insurance regulator Irda has asked all insurers to transfer the deposits of policyholders that have been laying unclaimed for over 10 years to the welfare fund by March 1.

"All insurers having unclaimed amounts of policyholders for a period of more than 10 years as on September 30, 2017 shall transfer the same to Senior Citizens' Welfare Fund (SCWF) on or before March 1, 2018," the Insurance Regulatory and Development Authority of India has said in a circular.

The directive comes under the Department of Economic Affairs accounting procedure for transfer of funds to SCWF. Life, non-life and health insurance service providers will have to comply to the SCWF Rules, 2016 every year.

"The insurers shall make transfers to the consolidated fund of India on or before the 1st March, each year," Irda said. An interest bearing account in the public fund of the government, SCWF has been set up for promoting welfare of senior citizens through schemes such as old age pensions, long term savings instruments, promotion of health care and nutrition and affordable health care among others.

Source

Back

Cooperation among insurance regulators crucial: IRDAI chief - The Hindu Business Line – 11th February 2018

Cooperation among insurance regulators in South Asia is crucial for the industry’s growth and to increase penetration, according to TS Vijayan, Chairman, Insurance Regulatory and Development Authority of India (IRDAI). In his inaugural address at the International Insurance Conference and 4th South Asian Regulators’ Meet, hosted by the IRDAI here on Saturday, Vijayan said that though there were deliberations on other global insurance platforms, cooperation between South Asian regulators will bring global attention to region-specific problems.

India, Pakistan and Bangladesh together account for 23 per cent of the world’s population but were low in insurance penetration, at less than 4 per cent, he explained. “There is significant scope for insurance penetration,’’ Vijayan added.

Tailored products needed

Citing the success of low-cost insurance schemes such as the PM’s Jeevan Jyoti Bima Yojana, Suraksha Bima Yojana and Fasal Bima Yojana, which increased awareness, he said tailored solutions catering to different sections of society would increase penetration. Referring to the recent growth in the insurance industry in the country, Vijayan said the total premium of insurance in the country would be over Rs. 6 lakh crore in financial year 2017-18.

Insurers are working towards adopting International Financial Reporting Standards by 2021, he said. “Active consultations are underway” for upgradation and updation of accounting practices and systems,” Vijayan added. In his keynote address, VK Sharma, Chairman, Life Insurance Corporation of India, (LIC) said India and South Asia could collaborate a lot in insurance. “We have developed a knowledge base and skills,” he pointed out.

Positive experience

Referring to LIC, Sharma said the insurer's experience in South Asian countries, including Sri Lanka, Nepal and Bangladesh, was "positive". In India, the asset base of the corporation was at Rs. 28.54 lakh crore as of December 2017 and LIC was betting big on technology, he said. "Today, about 50 per cent of our premium comes from tech-based solutions," Sharma added.

Source

Premium to the tune of Rs. 400 crore is being collected daily with the aid of technology solutions. As the government was taking many initiatives such as rolling out of new low-cost insurance schemes, the industry should also actively collaborate to increase insurance penetration, Sharma observed.

Back

Life Insurance

Over 5,000 life insurance claims under PMJDY so far: RTI reply - The Economic Times – 14th February 2018

As many as 5,177 life insurance claims for Rs 30,000-life cover provided under the Pradhan Mantri Jan-Dhan Yojna (PMJDY) were received since the scheme's inception, a query under the Right to Information has revealed.

As of January 12, 2018, there are 30.93 crore Jan-Dhan accounts, according to the reply by the Financial Services Department of the Ministry of Finance to an RTI query by Neemuch-based activist Chandrashekhar Gaud.

"All eligible PMJDY a/c holders who have their accounts during the period from 15-8-2014 to 31-1-2015 are covered under the life insurance cover of Rs 30,000.

"As of 12-1-2018, 4,543 claims have been paid under PMJDY for life cover of Rs 30,000 and the claim amount paid is Rs 13.62 crore," the reply added.

It also said that under the PMJDY, government received 3,324 claim applications under the RuPay card-linked accidental insurance cover, and Rs 23.40 crore were paid to 2,340 eligible claimants.

Source

Accidental insurance cover of Rs one lakh is provided to a Jan-Dhan account-holder under the PMJDY. Prime Minister Narendra Modi had formally launched the PMJDY on August 28, 2014.

Back

Private players see insurance premiums grow 15 percent in January – Financial Express -13th February 2018

The life insurance industry continued its run of positive growth in January, as private players saw their annual premium equivalent (APE) grow at 15% y-o-y. Market leader, state-owned Life Insurance Corporation of India (LIC), which still commands a 55% market share, posted a slower APE growth of 7% y-o-y to Rs 2,786.1 crore in January, indicates a Kotak Institutional Equities report.

Looking at the data of the current fiscal up to January 2018, LIC has registered a lower APE growth at 16% compared to the private players, which have seen APE grow 27%. Senior industry officials said compared to the previous months there has been a slowdown across the segments in January.

"While the overall momentum seems to be slowly moderating, the weakness last month was driven by two large players, ICICI Life and SBI Life; private sector growth, excluding these two players, was 32% compared to 27-37% during the past six months in the individual APE," said the Kotak Institutional Equities report.

Players like Bajaj Allianz, Kotak Life Insurance, Max Life, IndiaFirst Life Insurance and HDFC Life Insurance continued to clock a positive APE growth. "There has been been some slowdown in the industry January, but it was largely due to the low business in the group single premium and non-single premium policies.

In fact, individual single as well as non-single premium policies have continued to show positive growth in January," said a senior official in a leading insurance company.

According to data from the Life Insurance Council, new business premiums in January for life insurance companies fell by about 3% to `12,715.93 crore against Rs 13,110.72 crore a year ago. According to the Kotak report, "Private sector players reported a 15% growth in overall APE in January, down from 21% in December 2017 and 23-74% in the preceding eight months. LIC's growth rate moderated to 7% from 14% y-o-y in December. On a YTD basis, private sector is up 27% and LIC is up 16%."

Source

Back

90-day limit no basis to deny insurance claim - The Economic Times – 10th February 2018

An insurance company can't deny paying the assured amount even if the policy holder dies within 90 days from taking a policy. The National Consumer Disputes Redressal Commission (NCDRC) has ordered an insurance company to pay Rs 2.5 lakh with 9% interest to the kin of a deceased who had died on the 90th day of the purchase of a policy.

The case refers to one Kulwinder Singh of Fazilka in Punjab, who had paid Rs 45,999 to HDFC Standard Life Insurance on May 26, 2010. He passed away due to a heart attack on August 25 in that year. When the family sought the full assured amount, the insurance firm paid them only the premium that Singh had paid.

While directing the insurance firm to pay the full assured amount, the single-member bench of M Shreesha also referred to an order from the insurance regulator IRDA on June 27, 2012 involving the same insurance company. Based on the order, NCDRC upheld that the insurance companies cannot apply the 90-day waiting period and reject claims. The IRDA had ordered Rs 1 crore penalty on the same insurance company for rejecting 21 claims citing the same 90 days waiting period.

The NCDRC also observed, "Even in the instant case, the deferred period was 90 days and it's not as if the time of death was planned only to take advantage under the policy expecting that the insured may not live beyond the period of 90 days."

Singh's family submitted how the deceased had made the premium payment in cash on May 26, 2010 but the policy became effective from May 29. Singh's family had pleaded that since the premium was paid in cash, so the risk cover began from that date.

The NCDRC also took into consideration of other policies held by the deceased from other companies. In those cases, the risk of coverage invariably begins from the date of proposal.

Singh's family had moved the NCDRC in 2014 after the state consumer commission had turned down the order of district forum to pay Rs 2.5 lakh to Singh's kin.

Source

Back

Looking at Ulips due to LTCG tax? Mutual funds still the best long-term bet - Business Standard – 12th February 2018

From April 1, a seller of unit-linked insurance plans (Ulips) will be able to make a stronger pitch to the potential customer – no long-term capital gains (LTCG) tax on investing. The Union Budget 2018 has imposed an LTCG tax of 10 per cent on investors in stock markets who sell their shares after one year. However, it has kept insurance products out of the ambit of this tax. And this could lead to more mis-selling in Ulips. At present, Ulips have three things going for them. One, a robust stock market. Two, there are more insurance than mutual fund agents who can push Ulips, and now, the tax arbitrage. And given that insurance agents are paid significantly higher commissions, there could be a rush to push these products.

"Once you bring the comparison down to Ulips versus mutual funds (MF), the reality is that a purchaser will look at both, and there are a large number of people at our companies who are selling it may also be highlighting only the savings (investment) element rather than the core protection element. I think it is the wrong way to look at it," said Arijit Basu, MD and CEO, SBI Life Insurance, at the recent Business Standard Insurance Round Table. According to him, Ulips are an alternative avenue to channelise savings. So a person chooses Ulips from the perspective that he will get a very good return, but there is also an insurance element to it. It's easy for an investor to get swayed in favour of Ulips with these advantages.

But investment managers believe that mutual funds are still the best vehicles for long-term wealth creation. "We are still not confident of recommending Ulips to our clients due to the five-year lock-in and opacity in costs. Also, if a Ulip fund is not doing well, an investor has no option but to stay with the company," says Prateek Pant, head of products and solutions at Sanctum Wealth.

Tax arbitrage: The introduction of capital gains tax on long-term equity investment directly takes 10 per cent from the gains an investor has made. Of late, insurers have also started launching low-cost Ulips that are sold online. If you only consider charges, these are comparable to direct plans of mutual funds. "In the new Ulips, insurers are also adding back a certain portion of charges into investors' funds," says Santosh Agarwal, head of life insurance, Policybazaar.com. If a 30-year old invests Rs 100,000 a year for 10 years in, say, Edelweiss Tokio's Wealth Plus (an online Ulip), he will get Rs 1.44 million at the end of the policy term if the returns are at 8 per cent, according to data from Policybazaar.com. If a mutual fund gives the same returns, the investor stands to get Rs 1.37 million on redemption after 10 years after paying capital gains tax. However, only 10 per cent of policyholders use the online route. "While this may look attractive, the return from a Ulip will start dropping as the age of the investor increases due to higher mortality charges," says Dhaval Kapadia, director – portfolio specialist, Morningstar Investment Adviser (India). The return will be even lower if the individual is a smoker or suffers from a chronic disease. In mutual funds, none of these will matter. There is another important difference. When a person buys a Ulip offline, several costs like premium allocation charge and others kick in. The numbers, then, look dramatically different.

Regulatory arbitrage: For many years, there has been a significant regulatory arbitrage between the Securities and Exchange Board of India (Sebi) and the Insurance Regulatory and Development Authority of India (Irdai) when it comes to their respective products. The former has been aggressively pushing for cutting commissions to mutual fund distributors.

Last week, it barred closed-end funds from charging 20 basis points extra in lieu of exit load. It has also changed the definition from B15 to B30 for charging an extra 30 basis points. Both these changes will mean lower expense ratios for investors. In its March 2016 guidelines, Sebi clearly said that MFs have to declare the amount of actual commission paid by asset management companies (AMCs) to distributors (in absolute terms) in its half-yearly report against the investor's total investment in each MF scheme. "The term 'commission' here refers to all direct monetary payments and other payments made in the form of gifts/rewards, trips, event sponsorships, etc, by AMCs/MFs to distributors," said the Sebi note. On the other hand, Irdai increased the commissions for agents from April 1, 2017. Called Payment of Commission or Remuneration or Reward to Insurance Agents and Insurance Intermediaries Regulations, 2016, the new rules have raised overall payments in the insurance sector to agents and intermediaries. In addition, the regulations allowed rewards for agents and intermediaries. Rewards will include sales promotion, gift and other such items.

Higher commissions lead to more push: There is a good reason for bank relationship managers to promote Ulips vis-a-vis mutual funds. The first-year commission for agents and intermediaries is as high as 35-40 per cent of premium. Even the renewal commission is a good 7.5 per cent a year. Compare this with a MF, and there is a huge arbitrage. MF distributors get around 1.5-2.5 per cent commission for the first year in equity schemes. For an exchange-traded fund, it would be lower at 0.5-1 per cent. For debt funds, it can be as low as 0.2 to 0.8 per cent. And the trail commission is around 0.5-1.5 per cent for equity funds.

Fund Name	3-mth %	1-yr %	3-yr %	5-yr %
Top large-cap Ulip funds				
Bajaj Allianz-Pure Stock	4.6	28.3	12.2	20.3
Bajaj Allianz-Pure Equity	4.5	27.7	11.8	19.8
ICICI Pru-Pension Flexi Growth II	3.4	27.8	11.9	17.7
Category Average	**5.4**	**26.9**	**9.5**	**15.0**
Top large-cap mutual funds				
Invesco India Growth	6.7	36.1	12.8	18.9
Reliance Top 200	7.0	35.5	11.4	18.5
SBI Blue Chip	4.6	25.6	11.9	18.4
Category Average	**5.7**	**29.2**	**9.8**	**15.5**
Top mid- and small-cap Ulip funds				
Tata AIA-Whole Life Mid-Cap	3.0	32.3	16.8	25.9
Birla Sun Life-Individual Multiplier	5.2	40.4	20.9	24.7
Bajaj Allianz-Mid Cap Pension	5.9	37.7	17.9	24.3
Category Average	**4.4**	**33.5**	**16.9**	**22.5**
Top mid- and small-cap mutual funds				
DSP BlackRock Micro Cap	6.1	29.2	21.7	31.8
Franklin India Smaller Companies	5.2	31.2	17.7	29.3
Canara Robeco Emerging Equities	4.5	37.3	18.2	29.0
Category Average	**4.9**	**33.9**	**16.3**	**23.9**

Returns are as of 31st Jan'18 and annualised; Top 10 funds are on the basis of 5-yr return. Mutual fund returns are net of cost. Ulip data is net of fund management fees only. Mortality, policy administration cost and policy allocation charges haven't been taken into account.

Source: Morningstar India

Mutual funds still score over Ulips: Investment managers say that while Ulips have been improving drastically, they still prefer mutual funds for long-term savings. "A fund house's core competency is investment.

The primary function of an insurance company is managing risk. An investor is, therefore, better off with MFs for investments," says Amar Pandit, founder of HappynessFactory.in. He also adds that if an investor only chases returns or is obsessed with costs, he will end up making expensive mistakes. When an investor is doing his portfolio review, he can redeem his investments from a scheme and shift it to another from a different fund house. In Ulips, you have to stick to the same company for at least five years. The only option is to switch from one fund to another of the same insurer. Wealth managers also say that Ulips are not as transparent as mutual funds. "We are still not confident about the cost structure of Ulips. In some products, there's still opacity in charges," says Pant. He adds that the five-year lock-in is another aspect of Ulips that makes them less attractive. An investor can exit mutual funds anytime with a small exit load. While Ulips do enjoy a tax advantage now, there's no certainty they will continue to do so. "There could be a similar tax on this product category, too, in the future. Then, the investor will find himself in a soup because he can't get out of it. Investors should continue to separate their investments and insurance," says Arnav Pandya, a certified financial planner.

Source

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General Insurance

Third-party cover, while necessary, is not sufficient - Business Standard – 16th February 2018

The Insurance Regulatory and Development Authority of India (IRDAI) recently told general insurance companies to make third-party (TP) motor insurance easily available to customers. TP insurance cover is mandatory for all vehicles and the ones that do not have it can be impounded until the insurance documents are produced. While TP cover is the least a vehicle owner should buy, those who can afford comprehensive motor cover should opt for the latter.

The Supreme Court Committee on Road Safety has asked states and union territories to do periodic checks to see if vehicle owners have TP cover. Insurance companies often make purchasing such cover cumbersome. They are also at times reluctant to provide TP cover in areas that are highly accident-prone. "Insurers shall ensure the easy availability of motor TP insurance and in no case can a request for TP cover be denied," the IRDAI directive said.

According to the Motor Vehicles Act, all public, private, and commercial vehicles must have TP insurance. A report by the General Insurance Council of India states that approximately 60 per cent of automobiles in India are uninsured. "People are reluctant to buy TP motor insurance policies because they see it as an avoidable expenditure. As the distances they travel are usually short, they consider buying such a policy futile. Some still don't trust that the claim will be paid by the insurance company when it arises," says Rajiv Kumar, managing director and chief executive officer, Universal Sompo General Insurance.

TP insurance provides coverage against any financial liability to the vehicle owner on account of causing death, disability, others kinds of physical injury, and damage to his vehicle or property. Insurance companies compensate the insured to the extent of their legal liabilities. The amount of compensation for damage to the vehicle or property is capped at a maximum of ~750,000, according to the Indian Motor Tariff guidelines. "Having TP insurance can save you from legal repercussions. It also gives peace of mind to anybody owning or driving a motor vehicle, especially if a traumatic situation arises," Kumar says.

At the time of buying TP motor insurance, share all details relating to your vehicle. Also, make yourself familiar with what your policy covers.

Experts, however, say those who can afford should have comprehensive motor insurance cover. These plans cover both TP and own damages. They also cover theft and damages caused by natural calamities, such as earthquakes and cyclones. In the event of an accident, such comprehensive insurance plans minimise the financial burden on an individual. The average premium of such types of cover ranges from ~15,000 to 20,000 for non-premium vehicles.

Meanwhile, several insurance companies have reduced the Own Damage (OD) part of motor insurance premiums by 5-20 per cent. The reduction in premium prices is due to IRDAI's Motor Insurance Service Provider (MISP) guidelines, which were implemented from November 1, 2017. “The new regulations have created some space for insurers to increase OD discounts, which has resulted in reduced prices,” said Tarun Mathur, director, Policybazaar. Companies such as ICICI Lombard General Insurance, Universal Sompo General Insurance, and Bajaj Allianz General Insurance have reduced their premiums. “The reduction in prices has happened chiefly due to the impact of the gods and services tax," says Amitabh Jain, head, motor and health underwriting and claims, ICICI Lombard General Insurance. Vehicle owners opting for comprehensive cover should make the most of this reduction.

Source

Back

Budget proposal to combine three PSU general insurance firms: Post merger, there may be excess of 15,000 staff, Rs 3,000-crore savings - The Indian Express – 16th February 2018

The merger of three state-owned insurance companies — United India Insurance (UII), National Insurance Company (NIC) and Oriental Insurance Company (OIC), proposed in this year’s budget — to create the largest general insurance company in the country is likely to lead to 10,000-15,000 staff being made redundant and result in savings of over Rs 3,000 crore annually, according to insurance officials.

These three companies have faced difficulties in maintaining their required solvency ratios due to huge underwriting losses and other lapses in recent years. Four PSU general insurers were created in the 1970s to provide competition in an environment marked by government monopoly in the insurance sector which was opened up much later in the 1990s.

“With liberalisation and opening up of the market to private players, unhealthy competition among the four has resulted in the four companies rapidly going down in terms of profitability and solvency. Perhaps two is better than four indulging in unhealthy competition,” said K K Srinivasan, former member, Insurance Regulatory and Development Authority of India.

The government has indicated that the merger and listing of the merged entity, which will be largest general insurer in the country, is likely before the close of the next financial year.

With unions of these companies favouring merger, it looks like the three-way merger, unlike in the banking sector, may be a smooth affair. “More than physical merger, emotional integration of the companies is more important to achieve the desired results,” said the chairman and managing director (CMD) of a public sector insurance company, who did not want to be named.

The regulations of the insurance regulator prescribe a solvency ratio of 1.5 per cent for each of the general insurers which operate in the country. All the three companies are currently taking a number of corrective measures to reduce their underwriting losses and improve solvency ratios. NIC had borrowed Rs 800 crore to gain back its solvency ratio, while UII has just raised Rs 900 crore to improve its solvency ratio. Earlier, NIC, which had planned an initial public offering (IPO) during the current financial year, had postponed the exercise to the next fiscal.

While these insurers each have close to 800-900 branches, and around 15,000 employees and Rs 30,000 crore of assets, it’s not clear what they will do with the excess staff.

M N Sarma, CMD, UII, said: “Cut-throat competition among state-run general insurance will now come to an end. The cost of operations will come down. As of now, all the three companies put together have got 90 regional offices which will now come down to 30 after the merger. The requirement of staff will also come down and thus there may be 10,000-15,000 excess staff out of nearly 45,000 staff currently working in the industry.”

At the end of March 2017, three general insurers had a total premium income of Rs 39,000 crore and a market share of 32 per cent in the domestic general insurance markets. The three companies, among themselves, have some 1,200 divisional offices (DOs) with each DO costing around Rs 5 crore annually. “If the number of DOs is rationalised and some shifted to unrepresented areas and the total number reduced to around 600, the saving in cost is around Rs 3,000 crore annually. The huge saving in cost alone will turn the entity into a profitable one, provided the business momentum is maintained,” Srinivasan said.

G Srinivasan, CMD of New India Assurance, said: "Merger is always good, but it has to be properly managed. It requires merger of people process and IT. The government has weighed the pros and coins and then only taken a call. It can be done in a proper manner. There is a need for bigger insurance companies in the market, rather than smaller companies."

The huge saving in cost will come only after the merger is implemented. Speed and efficiency will thus be crucial. "There will be administrative issues and policy holder servicing issues to be tackled. For example, the IT platforms of the three companies are not the same. Hence choosing a robust platform among the existing three and quickly switching to one becomes critical," K K Srinivasan said.

Sakate Khaitan, senior partner, Khaitan Legal Associates, said: "The move will also help the government take better control of its general insurance companies in terms of administration and realising much better value at the time of listing. This merger is likely to have the effect of reduced competition and leading to premiums firming up."

The success of the merger will depend on how it's done. "The merger will result in the making of a stronger company with higher enterprise value. It will create a good synergy. However, it depends on speed on pace that how long will it take to complete the process," said K Sanath Kumar, CMD, NIC.

Alice Vaidyan, CMD, GIC Re, said: "It's the implementation which will be the key to reaping the benefits of the proposal."

Pushan Mahapatra, managing director & chief executive officer, SBI General Insurance, said: "The merged entity and its subsequent listing could lead to improved operational efficiencies, adoption of suitable risk-based pricing model while looking at a sustained growth rate, positively impacting both the insurance sector and the customer in the long term." Further, this would encourage domestic and foreign investors to positively review their investment decisions in the sector. The impact of the merger and listing, on the end consumers, would be visible only 5-6 quarters after the merger.

Source

Back

Insurance cover for devotees - The Tribune – 15th February 2018

The SGPC for the first time has decided to provide insurance cover to devotees visiting Hola Mohalla festival to be held from February 25 to March 2 at Kiratpur Sahib and Anandpur Sahib.

In case of accidental death, the nominees will get Rs 1 lakh. The injured will also get a compensation from Rs 10,000 to Rs 20,000. During the festival, lakhs of people from various parts of country as well as abroad reach here every year.

In order to maintain cleanliness, the SGPC will provide containers to langar committees to dispose of garbage. Besides, efforts will be made to contain noise pollution as during the festival, many shopkeepers and langar organisers install loudspeakers to woo devotees. Takht Kesgarh Sahib manager Ranjit Singh said appeals would be made to them to avoid loudspeakers.

Ropar DC Gurneet Tej, who convened a meeting to review the arrangements, said three main parking areas would be earmarked outside the town. The alternative arrangements would be made to ferry devotees from the parking area to Takht Sri Kesgarh Sahib.

Source

Back

General insurers' merger likely to be completed by early 2019 - The Hindu Business Line – 13th February 2018

The merger of the three general insurance companies—National Insurance Company (NIC), United India Insurance and Oriental Insurance Company—is likely to be complete by early next year.

According to MN Sarma, CMD, United India Insurance, the chiefs of the three general insurance companies will have a 'departmental meeting' on February 16 to discuss and deliberate on Budget pronouncements including the roadmap for merger.

"All the three public sector general insurance companies are meeting on the 16th of this month for discussions on Budget pronouncements. So we hope to have some roadmap on merger and health insurance scheme in the meeting. We expect the merger to be completed before the next vote on accounts," Sarma told newspersons on the sidelines of a health insurance summit organised by Assocham here on Tuesday.

Union Finance Minister, Arun Jaitley, had in his Budget speech, announced the proposal to merge the three public sector general insurance companies into a single entity. The combined entity would be subsequently listed, Jaitley said while presenting the Budget 2018–19 in Parliament.

Source

The profitability of most general insurance companies including the State-owned ones, has been under pressure owing to rising underwriting losses and higher claims.

Back

Today the general insurance market is very fragmented, says K Sanath Kumar - Business Standard – 12th February 2018

After the initial public offering (IPO) of New India Assurance last year, Kolkata-based National Insurance was next in line for an IPO early next fiscal year. With the government proposing the merger of the three public sector general insurance firms—Oriental Insurance, National Insurance and United India Assurance — National Insurance will now have to reprioritise its strategies, **K Sanath Kumar**, chairman and managing director of National Insurance, tells **Namrata Acharya**. Edited excerpts:

What are your views on the merger of the three public sector general insurance **firms?**
The merger will increase the combined strength of the public sector insurance companies, and also add to the enterprise value. We hope that such a merger will bring more synergies and consolidation of market share. It would lead to the creation of the largest general insurance company in the country. Today the general insurance market is very fragmented. So creating large entities in a fragmented market makes sense.

What kind of synergy can we expect in the merged entity?
Different public sector general insurance companies have presence in different geographies, have different distribution channels and specific array of customers. For example, some companies have good presence in the power sector, others are good in retail, while others may have presence in oil and energy — so all these will lead to synergies.

What are the challenges in creating this insurance behemoth?
It would be a challenge to manage such a big company, but we have the necessary management expertise to oversee the merger and drive growth. One challenge would be technology, as we were in different platforms that has to be brought together. However, the challenge can be met with present technology.

Also, there should be cultural convergence, which is also possible, since the salaries and terms of conditions of all employees are the same.

Would it be a challenge to rationalise the products since all the three companies have different offerings?
Most of the products are essentially similar with some finer aspects of differentiation. Hence rationalisation of product will not be different. It is difficult to predict how the premium will move, whether it will go up or down.

What would be the expected size of the merged entity?
This will not simply be an addition of numbers, although the total premium income alone would be around Rs 400 billion. Then there will be a lot of convergence and rationalisation of offices as well.

You were in the process of having an IPO. Now with the sudden change in government decision, did you incur any cost?

It is very clear that the combined entity will go to the market. We haven't appointed any merchant banker as yet. We are in discussions with the government.

What do you think is the rationale and the government's thinking behind the merger?
In the banking sector also, the government had announced that there would be consolidation. So it is a continuation of the government's vision of creating a larger government-owned entity in the financial sector. This is just a natural corollary.

What is the realistic timeframe for the merger?
I was told that the merger would be most likely finalised by the end of next financial year. The Insurance Nationalisation Act has to be amended and necessary permission for merger has to be acquired from the Insurance Regulatory and Development Authority (IRDA). Share transfer is not a challenge since the government holds 100 per cent.

Source

Back

Crop Insurance

Plea seeks insurance amount for farmers – The Times of India – 16th February 2018

The Madras high court Madurai bench ordered notice to the Sivaganga collector on a plea seeking disbursement of insurance amount to farmers in the district. One C Maragatham from Sivaganga filed the petition.

She said that in 2016-17, farmers insured their paddy crops with primary agricultural cooperative society in the district. The premium amount per acre was Rs 22,000. More than 1,000 farmers paid their premium based on their land.

Due to rainfall deficit, the farmers were affected. Meanwhile, the government released insurance fund to the farmers. It led to farmers demanding insurance amount, but the society is refusing to give money. The officials cheated crores of rupees.

Regarding that, a complaint was also lodged before CCIW police in Sivaganga. Following it, peace talk was conducted at the tahsildar's office at Kalaiyarkoil on October 10, in which the officials assured farmers' branch that they would pay the insurance amount.

Even after that, no amount was paid. Hence, it was necessary to direct the authorities to give amount to the farmers. On this petition, the division bench headed by justice M Sathyanarayanan ordered notice and adjourned the hearing.

Source

Back

Crop loss: Maharashtra seeks Rs. 200-cr relief from Centre - The Hindu Business Line – 14th February 2018

The Maharashtra government has demanded Rs. 200 crore from the Centre as immediate relief to farmers who have been affected by last week's unseasonal rainfall and hailstorm.

The affected area has now increased to 1.90 lakh hectares, said State Agriculture Minister Pandurang Phundkar on Wednesday.

1,800 villages hit
He was addressing the media at the State Secretariat. Phundkar said the preliminary report on crop damage has been prepared, which shows that 1,800 villages in the State have been affected.

The process of Panchnama is still under way and is expected to be completed by Friday. The farmers who have suffered crop damage will get immediate relief on the basis of the National Disaster Management Authority guidelines.

Compensation announced
The Minister said that the worst-affected districts are Buldhana and Nanded. Those farmers who have opted for hailstorm protection under the reconstituted weather-based insurance scheme would be given relief.

For banana plantation Rs. 40,000 per acre, Rs. 36,000 for mangoes and Rs. 20,000 for lemon framers would be provided as compensation.

Farmers who are not covered under fruit crop insurance will get Rs. 18,000 per hectare as compensation.

Farmers growing jowar, corn, wheat, green gram and sunflower on rain-fed land will get Rs. 6,800 as compensation per hectare while those having irrigated land will get Rs. 13,500 per hectare as compensation, he said.

Source

Health Insurance

This is what Modi govt needs to do to make National Health Protection Scheme a success - The Economic Times – 14th February 2018

Successive governments at the Centre and states have promised health covers for the poor. The intent is laudable, and possibly electorally rewarding. But the key challenge is to design a robust financial edifice to make such plans sustainable. That's what the craftsmen of the Budget's new National Health Protection Scheme (NHPS) must ensure.

The NHPS promises to cover 10 crore poor households, or 50 crore people, for hospital care. Every family would get a yearly cover of Rs 5 lakh for free treatment. One estimate puts the insurance premium at Rs 2,000 a family a year, taking the cost to Rs 20,000 crore, of which a slice would be borne by states.

The estimate has been contested. Insurers, too, would want to underwrite health policies only if they are priced realistically. The cost could vary, depending on the quality of hospital infrastructure, competition and governance in each state. Strengthening primary and secondary care will lower the burden. A cooperative model where the group pays a small premium and the insurer acts like the fund-manager is one option. Leakages can be curbed if the group is empowered and made to pay, say, a marginal share of the premium. But the US' purely insurance-driven model is not ideal. A better way is for government to spend money prudently to buy private care, and shift steadily to accountable care.

Aarogyasri, Andhra Pradesh's fully state-funded health insurance scheme, touted as one of the best in India, was insurance-driven to start with. AP tied up with a private insurer, and empanelled private and public hospitals. The insurance model floundered, and the state has since been buying care from private hospitals and reimbursing them against the free services provided to patients.

Concerns over malpractices, of course, call for proper regulation. Most state-sponsored health insurance schemes also leverage public and private healthcare facilities for hospital care. This makes sense as government can't afford to provide for all healthcare.

Tertiary care largely covers diagnostic procedures, hospitalisation, surgeries and associated treatment. Rates for each of these are prefixed after assessing costs and compensating providers. Other schemes can provide additional data to arrive at informed estimates of what the NHPS rollout would cost. But the real challenge lies in the availability of health infrastructure: hospital beds, doctors (mainly specialists), healthcare staff, diagnostic facilities, pharmacies, etc. Equally important is the administration of hospitals.

Due diligence in procurement, focus on the quality of care and outcomes, and tight regulation to curb misuse are a must. This, in turn, calls for efficient health administrators, bureaucracy and political will. Southern states like Tamil Nadu fared relatively well in managing government health schemes as they already had a well-established system and a vast pool of specialists, doctors and trained heathcare staff through investment in medical education.

Public, private and trust facilities have come up over the years to meet the demand. Many northern states, especially the Empowered Action Group states, lag significantly in health indicators. Facilities and manpower are far less in terms of beds per thousand and doctors and specialists per lakh population. So, the challenge of implementing the scheme is vastly different here.

Throwing too much money too soon may run the risk of the National Rural Health Mission (NRHM)-like scams where the money did not reach the intended recipients. NHPS, supposed to subsume assorted state-sponsored health schemes, must be rolled out in phases with due checks and crosschecks. Funds for the scheme must be linked to actual performance.

Public debate often masks the complexity of public policy and the needed reforms in India's health sector. We need to move concurrently on many fronts. Emphasising only tertiary care will not do. GoI should strengthen public facilities at all levels, and drastically increase public spending on health. There should be no zero-sum game, with NHPS undercutting budget or focus on ongoing programmes to combat, say, tuberculosis or mother and child care.

A robust public health system will strengthen state governments' bargaining position to buy services from the private sector. But it would be foolhardy not to leverage capacities created in the private sector. Technology and data must be used, and R&D encouraged. Drugs procurement must be done in bulk to get volume discounts. Ideally, the accountable care model will work well for even the quasiuniversal healthcare scheme. This would entail GoI paying a per-capita amount upfront to the hospital to take care of patients, and reward doctors and hospitals for outcomes. Actuarial expertise can be used to estimate the per-capita amount the provider has to be paid. Since care providers must ensure quality outcome from their fixed per-capita fee, there will be no incentive on their part to inflate costs. Aregulator for hospitals is an idea is just what the doctor prescribed.

Source

Back

Modicare-like option in ESI faces heat from RSS affiliate - The Economic Times – 13th February 2018

Even as the Narendra Modi government is chalking out modalities of what is touted as world's largest healthcare scheme proposed in the Union Budget earlier this month, a trade union affiliated to the Rashtriya Swayamsevak Sangh (RSS) has raised questions over the benefits of the model.

Trade union members of the Employees State Insurance Corporation (ESIC), led by Bharatiya Mazdoor Sangh (BMS), are opposing the government's plan to introduce health insurance schemes offered by other insurers as an option for employees. The unions are weighing options to stall a proposal, which will be up for consideration at the ESIC board meet later this week, to allocate Rs 1,000 crore next fiscal.

The ESI scheme, which took off under a 1948 law, is among the oldest social security schemes and covers workers of various industrial establishments. To date, the scheme covers around 0.9 million employers and 29 million workers.

An ESIC board member representing BMS has written a letter to Union labour minister Santosh Gangwar opposing the move, calling it a circumvent attempt to implement an earlier move shot down by labour unions. The letter alleged that the plan would only enrich intermediaries such as insurance companies and private hospitals and would adversely affect the financial viability of the ESI scheme, which covers over 120 million beneficiaries.

"Financial sustainability of ESI Scheme would be adversely affected, as the basic principle of insurance -- pooling of risks by pooling of premium -- would be violated. The revenue is not pooled but divided between ESIC and insurance companies. But the overall risk is still borne by ESI (cost of medical care over and above the sum insured will also be borne by ESIC) despite the foregoing of a substantial amount of premium to the private insurance companies," V Radhakrishnan, the BMS representative on the ESIC board, told Economic Times.

"The amount of cover is still not decided," he added. The ESI cover does not have any cap.

Coverage of ESI scheme (As of March 31, 2017)

No. of Insured Person family units	31.9 million
No. of Employees	29.3 million
Total No. of Beneficiaries	124 million
No. of Insured women	4.09 million
No. of Employers, etc	0.89 million

Source: ESIC.nic.in

Other unions are also in favour of strengthening ESI facilities and are likely to oppose this new insurance option. Prasanta Nandi Chowdhury, National Secretary, CITU, said there was a clear provision available within the framework of the ESI Act to move to other modes. "But, for that it has to be proved that alternative facilities are better than what was provided under the ESI scheme. ESI law doesn't have the scope of an IRDAI (Insurance Regulatory and Development Authority of India) product. Earlier they (the government) wanted to amend the law, which we had protested. Now, they have taken the board route," Chowdhury said adding, "It (the plan to provide insurance option) is not for the (benefit of) workers, it is for the penetration of insurance industry. We may be outvoted, but we shall protest loudly."

Unions have a representation of 10 in a board of over 50 members in ESIC which includes members of Parliament, government officials and representatives from the industry.

A couple of industry representatives the Economic Times spoke to were in favour of choice, which is broadly in line with the government's position. Michael Dias, Secretary, The Employers Association Delhi and a ESIC board member, said, "Till now the insured person did not have any option. We welcome the option to choose an insurance plan. I am sure the employees will make the right choice. ESI also improves its service in an effort to keep its flock together when faced with competition."

Panchkula-based Rama Kant Bharadwaj, National Vice-President, Laghu Udyog Bharati, and a ESIC board member, asked, "Where is the question of diluting the scheme? It is up to the employees to make a choice. There are several complaints about the service. We don't see any problem in giving the choice. If they (the government) had said it was compulsory, then there would have been a problem."

At the board meeting scheduled this Friday, it is proposed to give options to beneficiaries to choose between ESI scheme and a health insurance product. According to the proposal, the insured persons who contribute for minimum 78 days in two consecutive contribution periods (six months) can opt for a floater health insurance policy instead of in-patient care under the ESI scheme. The beneficiary will be issued a health insurance policy by an IRDA-recognised company for a fixed sum, depending on the contribution paid during that period.

Under the proposal, ESIC will buy policies in bulk from health insurance companies and provide them to insured persons who opt for it. Rs 1000 crore has been earmarked in the ESIC budget proposal for the financial year 2018-19 for funding the health insurance scheme.

A foreign agency has also been roped in as a consultant for providing technical advice to implement the health insurance scheme. The new plan is stated to be in accordance with Finance Minister Arun Jaitley's Budget proposals for 2015-16. Jaitley had said in his Budget speech, "With respect to ESI, the employee should have the option of choosing either ESI or a health insurance product recognised by the IRDAI. We intend to bring amending legislation in this regard, after stakeholder consultation." The government, however, dropped the plan to amend law after protests.

The ESIC, with its headquarters in New Delhi, operates through a network of 63 regional and sub-regional offices in various states. The administration of medical benefit is looked after by the respective state government except in the National Capital Region. The corporation has taken over the administration of 36 ESI hospitals in various states for developing these as ESIC Model Hospitals.

Source

Back

20,000 rural women will get health insurance cover, says Kamineni – The Hindu – 13th February 2018

The State government will provide health insurance coverage to 20,000 rural women, Health Minister Kamineni Srinivas has said.

Participating in the Arogya Deepthi programme conducted to promote awareness about the health insurance scheme for rural women here on Monday, the Minister said that cancer and other dreaded diseases had been included in the NTR Vaidya Seva Scheme for the benefit of the poor.

The Minister said that the government was concerned about the high maternal and infant mortality rates in the State.

The prime reason for this was anaemia in women. This was because women in general and pregnant women in particular did not give adequate importance to their diet. The Minister said the State government trained 1,300 nurses to conduct Mahila Master Checkup diagnostic tests. Arrangements were also being made to distribute 16,000 tablets to ANMs to help them maintain records online.

Machilipatnam MP Konakalla Narayana, ZP chairperson Gadde Anuradha and Swachh Andhra Executive Vice-Chairman C.L. Venkatrao participated in the programme.

Source

If healthcare scheme isn't implemented, the govt will look foolish on global stage: KPMG's Mark Britnell – Mint – 12th February 2018

The Union budget has announced a free healthcare insurance plan to cover half a billion people in India. Dr Mark Britnell, head of global health practice at consulting major KPMG, says the budget has sent a strong message that health is now in the spotlight. However, he says if the ambitious scheme is not delivered, the government will come under scrutiny globally and the government would be voted out. In an interview, Britnell spoke on the challenges of the healthcare system in India.

Edited excerpts:
What are your views on the National Health Protection Scheme?
It's big news globally. I also know from speaking to colleagues in other countries that people do believe that PM (Narendra) Modi will take this seriously. Universal healthcare is the greatest gift a nation can give to its people, along with education. It was the last budget and it spelled like a gripping thriller like the PM was saving the best chapter for last.

A similar policy announced in 2016 which never saw the light of the day. What makes you confident this time?
There are two principal issues; first of all, India has got a good economic forecast, secondly, you have got elections. It seems that there has been some financing now of this announcement. The first phase of financing is enough to launch the scheme. I know there was money put aside in 2016, but I don't think there was sufficient political will. There are three things that any country needs, to develop universal healthcare. The most important is political will, we have that now in PM Modi. If it's not implemented this time, it will look foolish on the global stage and he will be punished nationally in the general elections if he does not deliver. The real difference is that this was a major announcement with money at a time when the world is wanting and expecting India to develop (universal health care) because of its economic growth. I think I am more optimistic now than I have been.

What are the ingredients of making this scheme successful?
Three things are needed to develop universal healthcare: money, managerial and clinical skills. So you need will, skill and money.

So you think there is enough political will and money to implement this scheme?
I do believe that the political will and the money and the timing of next elections and the size of the promise make this different. However, if this is all the money on the table, the scheme will fail, but I believe this is not all the money. Because you have redirected so little of your national wealth 1.5% of GDP to date, so it's about time that more national wealth is pumped in. There is also issue of local GST; that's a very bold move. So you have grand economy, GST and the health cess. The government is putting in place the financial building blocks for a sustainable universal healthcare.

What are the major problems that ail India's healthcare sector?
There are three large problems, India needs better managerial skills. So, if all of the money is generated and directed to states, there needs to be much greater management, accountability and responsibility between the federal government and the state government. Second issue is, even when the states have got the money, we know some poorest states in other countries divert that money away from health to more pressing issues; in India's case, it would be sanitation and education. And the third issue is the dark side of India—which is corruption. Not all the money ends up where it should be.

I have doubts and questions also because the model of care in India is far too hospital-dominated; people in India particularly, which is unusual, don't seem to trust many doctors if they are not in hospitals. Basically, the most expensive part of healthcare is when you go to a hospital. In other countries, 90% of the healthcare can take place in primary care and that costs only 10% of the cost usually of what we spend in hospitals. The model of care, if you don't care, you will end up spending all your money in hospitals and most of that money will go to private hospitals. Because they will not reduce the prices, so you have to change the model of care.

You have to make sure that the private sector comes together with the public sector, create joint ventures and develop primary health care which is facilitated by e-health and tele health care and tele medicine.

What are your views on India's healthcare spending?
India spends 1.5% of GDP on healthcare publicly and 4.5% overall. When you look at other BRIC countries—forget about the G7 and G8—they are spending between 3 and 7% of the GDP. Brazil spends 4%, South Africa 4%, China is 4%.

You are spending at least a half, two thirds less than the BRIC countries. The global health community is increasingly becoming frustrated with India for being such a laggard in health investment because of the income disparities. It's not easy to take India seriously as an economic powerhouse when you know that people are dying at 68 years of age, it doesn't feel right and it undermines your credibilities as a fantastic nation.

In your book 'In search of the perfect health system', you have a chapter on India titled 'one country two worlds'. Why do you say that?
Because of stark polarization of wealth and health in India, which is something that no developed society can tolerate because your income disparities are so large. In such a large and populous country, if you want to be considered as global powerhouse, then clearly, you have to make sure that more money is invested on healthcare.

What is your idea of perfect healthcare system? Does it exit?
It doesn't exist and I say three things about this, but in my book, I look at 12 best possible health care from different parts of the world and I say every country has something to teach and every country has got something to learn. I do believe that like in other industries like in finance and telecommunication, there is a lot more global connectivity and health care still seems to be like a corner shop where every country just tries its hardest and does not spend enough time looking at other countries. This book is a welcome contribution to that knowledge transfer and share.

What about other countries? How has been their experience in implementing universal healthcare?
The quickest country that has implemented universal healthcare is South Korea and that took 12 years. Most countries will take 20 years. universal healthcare is a marathon and not a sprint.

I think one of the issues you face is how capable your administration and management is to manage the money transparently to make sure that it arrives in the intended destination which is the 100 million families that are below the poverty line.

Source

Back

Centre, States to deliberate on details of mega health insurance scheme - The Hindu Business Line – 9th February 2018

A meeting of senior officials of the Centre and State governments to discuss the implementation of the mega health insurance scheme announced in the Budget is scheduled to kick-off in about 10 days' time to give a concrete shape to the ambitious programme.

"We have intimated most States on the proposed meeting which will take place in the Capital. It is tentatively scheduled either on March 16 or March 19. We are trying to speed up things as much as possible so that the implementation of the scheme can be finalised," a NITI Aayog official told *BusinessLine*.

The Narendra Modi-government wants to launch the National Health Protection Scheme — the insurance scheme with a Rs 5 lakh cover each for 10 crore poor families — either on August 15 (Independence Day) or on October 2 (Mahatma Gandhi's birth anniversary), but a lot of work needs to be done, including reaching an agreement with all States on the details and management of the scheme.

The scheme is being driven by NITI Aayog and the Health Ministry.

The biggest stumbling block the scheme may face is on the finance front as States need to contribute 40 per cent of the total cost estimated at about Rs 10,000 crore-Rs 11,000 crore annually.

When asked what option the Centre has if certain larger States (which do not fall under the category of special States that are required to contribute 10 per cent of the bill) express their inability to foot the entire bill, the official said it would be for the Finance Ministry to decide if it could shoulder a larger share of the expense for such States.

"The decision for additional funding to help certain States would vest completely with the Finance Ministry," the official said.

Model to be adopted
Another important decision to be taken at the State level will be on the model to be adopted — whether it should be insurance-based or trust-based. "In the trust-based model, State-run trusts will control the funds contributed by the Centre and States and will process and settle claims of hospitals that provide such services to the poor, instead of insurers. States have to indicate their preference," the official said.

Source

Additionally, States like Tamil Nadu, with successful insurance schemes of their own, will have to be convinced to merge their schemes with the Central scheme as two large-scale schemes will not be viable.

Back

National Health Protection Scheme: State governments may have to bear over Rs 4,300 crore per year - Financial Express – 9th February 2018

National Health Protection Scheme (NHPS) was termed as a big move in Union Budget 2018 by the Narendra Modi government. Even the international media hailed the move. However, reportedly certain questions were raised about the source of the fund. It has been learnt that state governments may have to bear a substantial amount. The figure is estimated at Rs 4,330 crore, according to Indian Express report. After intricate and extensive calculation, it has emerged that annual premium will be Rs 1,082 per family. State governments Rs 433 per family. Notably, under the scheme 10 crore "poor" households will be provided a health cover of Rs 5 lakh each. The scheme is said to be the world's largest government-funded health care programme.

It has been learnt that the Union Health Ministry and Niti Aayog have already initiated the process of having dialogues with states. E-mails have been sent and video-conferencing with each states have begun, accoriding to Indian Express report. A senior health ministry official said that insurance companies will quote a premium based on expected user base and the availability of health facilities in the vicinity. The official said that in areas where hospitals are far the quote will automatically be lower. If a certain area is serviced only by government hospitals, that would again affect calculations.

After the Budget 2018, Health Minister J P Nadda had allayed concerns about the funding of the NHPS. Nadda today assured that finances will never be a problem and said the Centre was working out the nitty-gritties of the programe. "We will give the details but not today. We are working on the nitty-gritties. We have to work that out with all other departments as well. We will give the details (later)," Nadda said. Nadda also had said that the cemtral government will pay for the premium with state's share. "For this Rs 2,000 crore has been kept for it as of now," Nadda said.

Asked who will pay the premium for the scheme, Nadda said that the government will pay for the premium with state's share. "For this Rs 2,000 crore has been kept for it as of now," Nadda said. The National Health Protection Scheme, announced by Finance Minister Arun Jaitley yesterday in his Budget 2018 speech, will cover approximately 50 crore people. "History is witness that whatever we (the BJP-led government) have committed, we have completed. That is why finance is not the problem, has never been the problem and will never remain a problem," Nadda said. Asked about an earlier scheme where the central government had announced a Rs 1-lakh coverage, Nadda said that under that programme, there were only four crore beneficiaries, whose number has been enhanced now.

Source

Back

Reinsurance

GIC seeks to grow global business via offices abroad – The Times of India – 14th February 2018

General Insurance Corporation (GIC Re) aims to take the lead in fulfilling the government's objective of developing India as a regional reinsurance hub. The corporation plans to increase the share of international business in its book from 25% to 40% and draw business from various markets through a local presence.

"Our international business comes in January. As a result, we will be back to 70:30 ratio for domestic-to-international business in the March quarter. Going forward, after our Lloyd's office starts operations in April 2018, we are looking at the ratio changing to 60:40," said Alice Vaidyan, chairperson, GIC Re.

Through the London office, GIC Re plans to do business from Europe and Caribbean region as well. In addition to London, GIC Re has permission to set up an office in Moscow, through which it plans to underwrite business from East Europe and CIS countries.

The corporation is already doing business from Middle East through its office in Dubai and from Asean countries through its Malaysian office.

In the domestic space, Vaidyan said that the government's proposed health insurance scheme would expand the market more than even crop insurance. "We have already been approached by companies seeking reinsurance support," she said.

GIC Re on Monday posted a Rs 673-crore net profit for the quarter ended December 2017 following an improvement in its combined ratio (ratio of claims and management expenses to total premium), which improved to just over 101% from nearly 106% earlier. The reinsurer had reported a net loss of Rs 401 crore in the same quarter last year.

Source

While gross premium grew by only 8% to Rs 8,870 crore from Rs 8,205 crore, investment income grew by over 35% to Rs 1,196 crore from Rs 884 crore a year-ago. The corporation's net profit for the first nine months jumped fivefold to Rs 2,482 crore from Rs 555 crore, she said, adding gross direct premium income grew 37%.

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Brokers against preferential biz allocation to GIC – The Times of India – 13th February 2018

IRDAI's proposal to give GIC the first preference in several areas of business in the reinsurance space has met stiff resistance from insurance brokers who have called for the 'immediate cancellation and repeal as it is regressive, anti-policyholder and anti-competitive.'

Insurance Brokers' Association of India (IBAI) has also said reinsurance costs would go up due to limited competition and increase the odds against foreign brokerages trying to make an entry in the Indian market.

In a letter to outgoing IRDAI chairman T S Vijayan, the association said that the proposed regulation would act against the interests of cross-border reinsurers. The regulator is yet to finalise reinsurance regulations with discussions still on, said sources.

As per draft regulations GIC would get first preference followed by Indian reinsurers and foreign reinsurance branches (FRBs).

In the event of all three declining, only then could certain lines of business — such as trade credit, cargo, energy and aviation — go cross-border reinsurers (CBRs). "Such deferential treatment would increase reinsurance costs as it would not be a free or fair competitive market.

Source

Cross-border reinsurers will find less incentive to operate in the Indian market if they are handicapped by such rules and are allowed to cover only large property and liability risks," said an IBAI official.

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India: Brokers air concerns over proposed reinsurance rules – Asia Insurance Review

The Insurance Brokers' Association of India, responding to proposed reinsurance regulations, has called for the "immediate cancellation and repeal of the order of preference regulation which is regressive, anti-policyholder and anti-competitive".

The association wrote to the outgoing IRDAI Chairman TS Viyajan on 1 February, listing its concerns with the draft regulations. The IRDAI is set to issue the finalised reinsurance regulations by the end of this month while Mr Vijayan is due to retire on 21 February.

BloombergQuint, citing an IRDAI official, reported that India's largest reinsurer, GIC Re, may retain its first preference in several areas of business if draft regulations proposed by an expert committee last November are accepted by the insurance regulator.

The second preference is likely to be given to foreign reinsurance branches (FRBs) in India, while the third preference, in case both Indian reinsurers and the FRBs refuse, could go to cross-border reinsurers (CBRs), the official said.

BloombergQuint, which has accessed a copy of the letter by the brokers' association, said that the concerns that were listed by the association included:

- Reinsurance costs would go up due to limited competition.
- Unfair regulatory treatment for CBRs will deter them from participating in the Indian market, as they will not be allowed to participate even if they offer the best terms, unless Indian reinsurers and FRBs refuse.
- CBRs which are group companies of FRBs cannot be approached for treaty business and other specialised lines of business like trade credit, cargo, energy and aviation, except for large property and liability risks.
- The need for global reinsurance for the government's crop insurance scheme as the risk carried is huge and there could be a shortage in reinsurance capacity if all of it is retained locally.
- Product innovation will be affected as the risk will be will be shared by a few preferred reinsurers.
- Reinsurance brokers play a proactive role in the Indian insurance market. That's likely to be significantly marginalised.

"This is more likely to hurt clients rather than brokers," Mr Rohit Jain, head of insurance broking firm Willis Towers Watson in India told BloombergQuint. If the proposed preference rules are accepted, "clients will not be able to enjoy the same freedom in pricing from the international markets as they have earlier," he said.
In addition, the rules could result in higher prices for policyholders, according to Mr Rajesh Yagnik, practice head – reinsurance and aviation at JLT Independent Brokers.

The IRDAI official said however that the preference regulations could, in fact, lower prices by reducing the role of brokers. Earlier, the monopoly of allocating risk with global reinsurers rested with brokers and they gave business to whoever paid them a higher brokerage. Insurers will now directly approach the foreign reinsurance branches in India, he said.

Source

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IRDAI Circular

Source

Non-life gross direct premium underwritten for and upto the month of January, 2018 is available on IRDAI website.

Source

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

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Global News

Malaysia: Life market continues upward trend in 2017 – Asia Insurance Review

New business premiums in the Malaysian life industry grew by 3.8% in 2017 to MYR10,119 billion (US$2,584 billion), according to data released yesterday by the Life Insurance Association of Malaysia (LIAM).

In comparison, new business total premium grew by 6.9% in 2016 to MYR9.75 billion.

Based on New Business Annual Premium Equivalent (APE, measured by 10% of Single Premium and 100% Annualised Premium), the life insurance industry grew by 1.9% to MYR5.82 billion last year (2016: 16.2%). In terms of individual business, investment-linked business performed more favourably compared to traditional policies. Investment-linked business recorded an increase of 19.4% in 2017 to APE of MYR3.67 billion (2016: 16.4%) while traditional business recorded a negative growth of -22.0% to APE of MYR1.79 billion (2016: 20.0%). Group policies maintained a stable growth of 4.9% to APE of MYR365 million (2016: 4.8%).

Total in-force premiums in 2017 recorded a slight increase of 3.3% to MYR36.6 billion.

The life insurance industry provided insurance coverage amounting to MYR1.38 trillion in sum assured for all policies combined in 2017. This amount is 6.0% higher than the corresponding figure of MYR1.3 trillion in 2016.

LIAM says that the healthy performance of the life insurance industry reflects the continued increase in awareness among Malaysians of the importance of insurance protection. As a whole, the life insurance industry provided insurance protection to 12.6 million lives (counting lives with multiple policies as separate lives) in 2017, a marginal increase of 11.978 lives compared with year 2016.

The per capita sum assured also increased from MYR41,055 in 2016 to MYR42,992 in 2017. However, the per capita sum assured of MYR42,992 is still way below the amount needed to support one family member in the event of the death or disability of the breadwinner. Based on the 2012 Underinsurance Study in Malaysia undertaken by University Kebangsaan Malaysia and LIAM in 2013, the average mortality gap for each member of a family is about MYR100,000 to MYR150,000.

Claims

The life insurance industry registered an increase of 5.3% in claims amounting to MYR10.1 billion as compared to MYR9.7 billion in 2016. The growth in claims payments was contributed mainly by higher death and disability claims. The increase in healthcare costs is a major concern in the industry as companies try to keep the healthcare premium affordable for all. Efforts undertaken by the industry to manage the rising medical costs include working closely with various stakeholders to ensure that the healthcare premiums continue to be maintained at an affordable level, proposing to request that private hospitals on insurers' panel to publish their charges on common surgeries and treatments, standardise their billing format to enhance the efficiency of keeping tabs on claims amounts and work with healthcare providers to ensure that medical treatments are charged at fair prices and treatments recommended are clinically indicated.

Outlook and initiatives

According to LIAM President, Mr Toi See Jong, the outlook and prospects of the life insurance sector remain positive as the percentage of population with life insurance or takaful plans is still low at 54%. Taking into account policyholders with two or more life or takaful policies, only 34 out of 100 people are insured.

In response to this challenge, Bank Negara Malaysia together with LIAM, the Malaysian Takaful Association and Persatuan Insurans Am Malaysia (PIAM) came up with a bold and noble initiative in November 2017 to launch an affordable insurance scheme "Perlindungan Tenang – Mampu & Mudah". Riding on the three basic criteria of affordability, accessibility and simplicity, Perlindungan Tenang is sold by six life insurance companies.

In addition, in July 2017, significant developments were made to offer life insurance via online /Internet channels and direct walk-in. The introduction of easy, hassle-free distribution channels is to make life insurance purchase simple and quick. The life insurance industry also introduced a more comprehensive Customer Service Charter (CSC) in December 2017. Aimed at underscoring the insurers' commitment to delivering a consistently high standard of customer service, the revised Charter has introduced certain minimum industry standards with regard to turnaround times for specified services.

Effective January 2018, the Balanced Scorecard (BSC) for agents was introduced. Under the BSC framework, a proportion of agents remuneration will be dependent on a number of factors such as persistency, professionalism, advice given to customers, and good service, etc. This will be a major transformation to the life insurance experience for policyholders.

Source

Back

China: CIRC caps insurers' overseas loans that are backed by domestic guarantees – Asia Insurance Review

Insurance companies are required to cap their outstanding overseas financing that is backed by domestic guarantees at 20% of net assets as of the end of the previous quarter, according to a joint notice issued yesterday by the CIRC and the State Administration of Foreign Exchange (SAFE).

The notice was issued to strengthen supervision over overseas investment of insurance funds, improve laws and regulations over the use of insurance funds in overseas investments, guide insurance funds to serve the Belt-Road national strategy and prevent overseas investment funding risks.

The notice stipulates that only an insurance group holding company can undertake overseas financing activities backed by domestic guarantees. It stipulates that the company is either to apply to a domestic bank to open a letter of guarantee or standby letter of credit for special-purpose vehicles (SPVs) or it is to directly provide the guarantee to the SPVs for the latter to obtain loans from foreign banks.

The CIRC/SAFE directive also seeks to standardise the form of the counter-guarantee and collateral. The insurance group holding company can provide such backing by way of a guarantee or a pledge of assets that are to be from the company's own funds. Liabilities or liability reserves should not be used in any form to provide the security or counter-guarantee.

Third, the notice sets out a clear financing ratio and requires that the financing purpose is clear. The funds borrowed overseas that are backed by domestic guarantees are capped at 20% of net assets as of the end of the previous quarter. They should be included in the insurer's financial leverage ratio for risk management purposes. The borrowed funds are to be used for the investment projects of the SPVs that are to be in line with the government's policy guidance and relevant requirements on overseas investment and the CIRC's policies on the overseas application of insurance funds.

Source

Insurance companies also have to carry out a valuation of their overseas investment projects and have audits conducted.

Back

Indonesia: Reinsurer to review quake insurance tariffs – Asia Insurance Review

Catastrophe reinsurer Maipark says that it will conduct a review of earthquake tariffs, in the wake of the release of the latest compilation of earthquake data.

Maipark's President Director, Mr Yasril Y Rasyid, said that the review will look at the possibility of changes that can be made based on the newly released Indonesia Earthquake Source and Destruction Data 2017, which is an update on the 2010 Earthquake Map. The data was compiled by the National Earthquake Study Centre of the Ministry of Public Works and Public Housing.

Mr Yasril said that the latest data are expected to provide benefits to the insurance industry including Maipark, that would then be able to improve risk assessment, strengthen governance, invest in resilience, and improve disaster preparedness.

Maipark, formerly known as Indonesian Earthquake Reinsurance Pool, specialises in the reinsurance of catastrophe risks, such as earthquake, tsunami, volcanic eruption, and fires caused by these risks. It is owned by general insurance and reinsurance companies.

Separately, Sompo Insurance Indonesia says that based on its claims data for 2017, 4.1% of property claims arose from natural disasters, of which 1.1% were due to earthquakes and volcanic eruptions, and 3% due to storms and floods.

Source

"Given Indonesia is in the ring of fire which is very vulnerable to earthquake risks, plus the increased risk of flooding, and recently of frequent cyclones, the need for natural disaster insurance for the people of Indonesia is of very high urgency," said Erixon Hutapea, Technical Director at Sompo Insurance Indonesia in a statement.

Back

Singapore: Life soars to record US$3 billion in new business premiums – Asia Insurance Review

Singapore's life insurance industry achieved stellar results in 2017, with total weighted new business premiums hitting a record S$4.09 billion (US$3.08 billion), an impressive 24% y-o-y increase. This is the first time it has crossed the S$4 billion mark, said the Life Insurance Association, Singapore (LIA Singapore) at a results briefing on Friday.

Double-digit growth across all product types
The sector saw strong double-digit growth across both single and annual premium products within the period. Weighted single premiums rose significantly by 43% to reach S$1,46 billion last year. Of these, single premium par and non-par products comprised 73%, with the remaining 27% single premium linked products.

In 4Q2017 alone, there was a remarkable 91% jump in uptake of single premium products compared with the same period in 2016. The total S$563.2 million recorded within that quarter made up 38% of the entire year's uptake.

Weighted annual premiums rose by 16% to reach S$2.6 billion.

Increased sum assured and uptake of protection-focused policies

The industry continues to make significant progress supporting the population's protection needs. Total sum assured for new business rose strongly by 12% y-o-y, totalling S$130.5 billion, continuing the growth trend since 2014. Life insurers paid out S$5.82 billion to policyholders and beneficiaries in 2017, of which S$4.93 billion was for policies that matured. The remaining S$884 million was for death, critical illness, or disability claims, said LIA Singapore.

In line with the national focus on retirement planning, 25,775 policies designed to provide regular payouts to policyholders during retirement years were purchased, a 27% increase from 2016. These plans account for about 5% of the of the total weighted premiums for 4Q2017.

Healthcare

Health insurance premiums amounted to S$374 million, of which Integrated Shield Plans (IP) premiums and IP riders accounted for 91% (S$341 million). The remaining 9% (S$33 million) came from other medical plans and riders.

As at 31 December 2017, 2.96 million lives, or about three in four Singaporeans have an IP which provides coverage over and above the component included in MediShield Life, the local national health insurance scheme that provides lifelong protection against large medical bills.

2017 also saw implementation and progress on numerous recommendations put forth by the industry-driven Health Insurance Task Force (HITF) which brings together all relevant stakeholders to collaborate and take pro-active steps to collectively manage the escalating healthcare and healthcare insurance costs in Singapore.

Managing rising claims and protection gap

Mr Patrick Teow, LIA Singapore President, said that premiums will likely continue to increase in the foreseeable future, exacerbated by rising claims. He added that the industry is working closely with the Ministry of Health to address claims inflation. "For the industry, we want affordable, sustainable healthcare for everybody," he said. Several insurers have also introduced their own initiatives such as wellness programmes for customers.

He added that the results of the protection gap study, that was announced last year and focus on underinsurance, are expected to be released in March. This time round, the study also addresses critical illnesses, unlike the last study in 2012.

"As an association, we feel that we should not be just giving the results of the study…we will take one more step to provide a guiding roadmap, to tell people how they should handle the gap and how they should be covered for protection insurance."

Meanwhile, the manpower front recorded an 11% increase in the number of employed individuals within the life insurance industry, standing at 7,429 as at 4Q2017 compared to 6,663 in 4Q2016. 14,793 representatives held exclusive contracts with companies that operate a tied agency force.

Source

Back

Australia: Regulator outlines key markers of private health insurance sector – Asia Insurance Review

Profits of the private health insurance (PHI) industry are in good health, the segment is soundly capitalised and the solvency level is comfortably above minimum requirements, according to Mr Geoff Summerhayes, Executive Board Member of APRA.

"At face value, then, the PHI industry appears firmly resilient," he said in a speech delivered last week. "But we also see data that gives us cause for concern."

He outlined APRA's perspective on the strengths and weaknesses of the PHI industry at the beginning of 2018, as well as the current and emerging risks which APRA sees. APRA assumed responsibility for regulating the PHI sector in Australia in mid-2015.

Cyber security, and trust and reputation have been on APRA's radar for some time as significant risks facing the private health insurance industry. More recently, APRA has become increasingly concerned by the risks posed by two further issues: affordability and consumer behaviour; and policy and regulatory changes, he said.

"What concerns APRA is we see no indication that an improvement in affordability is imminent. In fact, the data points to the trend worsening," said Mr Summerhayes.

"Based on the trends, the proportion of the population covered by private health insurance is likely to fall further."

He said that this is not necessarily a prudential concern on its own, but it certainly will be if the proportion of younger, healthier policyholders keeps declining, raising costs and forcing premiums higher still, further pushing younger members out of the system. The percentage of the population covered by insurance for hospital treatment has declined over the past two years to 46%.

Drivers of rising health premiums

He said: "APRA does not consider industry profits or capital levels to be the primary drivers of rising premiums. The underlying cost of Australia's health system is the ailment; rising insurance premiums are just a symptom. Specifically, the fundamental forces pushing premiums up are higher claims costs experienced by insurers, through such factors as a greater uptake of medical services among policyholders and the rising cost of treatments and procedures."

He added: "APRA recognises that health insurers have a limited ability to fix the major structural issues that are chiefly driving the affordability dilemma. But that doesn't mean you are powerless to respond. Beyond individual funds lifting their resilience, the entire industry can raise further awareness of the affordability factors that threaten the sector's long-term viability and yet are outside its direct control."

For its part, APRA is progressing with changes to the prudential framework designed to bolster industry resilience and performance. In August 2016, it released a letter to the industry outlining its proposed private health insurance policy roadmap, identifying three priorities: risk management, governance and capital.

However, Mr Summerhayes added, implementing and complying with all these important government and regulatory changes represents a significant challenge to the industry, and APRA has concerns about the ability of some insurers to deal with the scale and pace of reform.

APRA believes mergers should be at least under active consideration by health insurers with low or negative member growth, and which only have small membership bases to begin with.

By strengthening the prudential framework for private health insurance, APRA wants to ensure all insurers are adequately prepared for whatever challenges lie ahead.

"By complying with those standards, following the prudential guidance, and working cooperatively with APRA supervisors, insurers, no matter their size, put themselves in the best position to remain resilient and viable to enable them to serve their communities for many more generations to come," said Mr Summerhayes.

Source