Insurance Institute of India
C – 46, G Block, Bandra-Kurla Complex, Mumbai – 400051

INSUNEWS

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• Quote for the Week •

"When you do the common way, you will command the attention of the world."

George Washington Carver

INSIDE THE ISSUE

Insurance Industry

BS Insurance Round Table 2018: Govt's health scheme needs realistic pricing - Business Standard – 8th February 2018

Actuarial pricing will make the government's National Health Protection Scheme (NHPS) sustainable in the long run, said panellists at the Business Standard Insurance Round Table held on Thursday.

Discussions around the health insurance scheme were the major talking point at the Round Table, considering the scale and ambition of the project. Finance Minister Arun Jaitley announced the NHPS policy during his Union Budget speech of 2018-19, under which 100 million families, or 500 million individuals, would be provided a health insurance cover of Rs 500,000 for the price of Rs 1,000 to Rs 1,200 per family per year.

"We do have concerns on the pricing of the scheme, as reported by the papers, because only actuarial pricing will make it a sustainable scheme," said Alice Vaidyan, CMD of General Insurance Corporation of India.

Actuarial pricing is used to develop premiums (pricing) with the aim to cover the total losses from underwritten risks, and provide future benefits payable to beneficiaries. It involves estimating the future cost of a specific type of policyholder, so that the price arrived at not only attracts more customers but also provides adequate coverage, resources, and profits.

The panel comprised General Insurance Corporation CMD Alice Vaidyan, New India Assurance CMD G Srinivasan, HDFC Standard Life MD & CEO Amitabh Chaudhry, SBI Life Insurance MD & CEO Arijit Basu, Religare Health Insurance MD & CEO Anuj Gulati, and Marsh India Insurance Brokers Country Head & CEO Sanjay Kedia.

The panellists delved deeper into some of the main challenges in implementing such a policy. At the scale envisioned, the challenges relate to pricing, effective health care networks, value delivery, fraud detection, risk management, and sustainability over the long run.

While pricing, enrolment, and processing of claims were important, the underlying health care network and workforce in the country requires large-scale reform and improvements, the panellists opined. But leaders of the insurance industry remain optimistic.

G Srinivasan, CMD of New India Assurance, believes that the scheme will eventually bring in the infrastructure. "As money comes in through insurance claims, hospitals and the wider network will come up in smaller areas," he said.

"The second challenge of abuses that tend to happen in these mass schemes is something that insurers will ensure is controlled," he said. There should be a good technology platform, and that there must be adequate controls on the quality of health care, he added.

"When we look at the incidence rates, the average claims sizes and so on, what was earlier estimated to be a Rs 750 to Rs 800 per family annual premium, is now settled at Rs 300-Rs 350 premium. That's the beauty of the law of large numbers working in your favour," said Anuj Gulati, CEO and MD of Religare Health Insurance.

Going forward, the capital allocation needed could be much higher for the scheme than envisaged, said Sanjay Kedia, country head and CEO at Marsh India Insurance Brokers.

"We know that health inflation, as a thumb rule, is 50 per cent more than consumer inflation, and these programmes do not only need a cost allocation in terms of the health inflation index, but also in terms of user awareness," Kedia said.

The Budget has created a tax arbitrage between unit linked insurance policies (ULIP) and mutual funds as mutual fund investors have to pay 10 per cent tax on long-term capital gains, whereas ULIP investors do not.

"I think the nature of products - ULIPs and mutual funds – is very different. Hence, tax arbitrage is unlikely to lead to a shift in investors. You can compare a traditional endowment funds and ULIP, but you cannot compare ULIPs with funds as ULIPs give you a good return and an insurance cover which is a part of the product," said Arijit Basu, MD and CEO of SBI Life Insurance.

Insurance CEOs also felt that mis-selling in the industry had come down drastically.

"The data is clear that insurance companies have done a solid job to curb mis-selling. Insurance companies recognise mis-selling is bad for business. And the best way of curbing mis-selling is to keep the product simple," said Amitabh Chaudhry, MD and CEO of HDFC Standard Life Insurance.

According to the panellists, there is room for everyone to grow in this market, even when foreign competition is increasing presence in the country.

Insurance companies are also increasingly taking help of reinsurers to spread their risks.

"We have faced natural calamities, we faced thousands of crores of loss, but through reinsurance we have been able to address these issues. We have a long history and we know how to insulate ourselves from concentration risk. We spread our risk, that's the beauty of insurance," said Srinivasan.

The panellists also said the younger population was driving the growth in insurance sector because of its higher awareness level. Online sales are also increasing.

With six insurance companies getting listed on the bourses in the past year and a half, CEOs felt that there was a greater need to educate investors and analysts on the nature of their business and how to value it.

"As more and more of us get listed, there is a huge job for us to educate the retail investors," said Chaudhary.

Vaidyan said it was a challenge in educating analysts about the nature of the business because reinsurance is a B2B business.

Public sector insurers also highlighted that there was a perception difference between them and the private sector players.

Srinivasan said there was an anti-public sector bias in the market. "It is wrong to paint all public sector companies with the same brush," he said, adding in insurance, government interference was much lesser than in banking.

Source

Basu felt that the market is ownership agnostic. "Corporate governance or the manner in which companies are run, is very important. So the market is not looking only at ownership, it is only one of the factors," he said.

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Budget 2018 analysis: Insurance industry sees growth opportunities in proposals - Financial Express – 7th February 2018

It was heartening to see the finance minister announce a slew of measures in the Union Budget in the direction of making India a healthier and secure nation. The measures undertaken and proposed to be undertaken by the government sounded like music to the ears of millions of beneficiary citizens and was a delight for the health insurance industry that has been seeing gross under-penetration.

National Health Protection Scheme

The flagship scheme of National Health Protection Scheme that will bring 10 crore families under the umbrella of a Rs 5-lakh health cover is slated to be the biggest initiative by any government. The insurance cover of Rs 5 lakh could provide citizens a taste of how insurance products can protect their earnings and could lead them to reduce risks to safeguard other assets such as home and vehicle. However, the success of the scheme would depend on efficient management of logistics, including hassle-free claims administration. A commitment of funds

from the government in the future would ensure continuity of cover for billions of individuals in the country. The deduction under Section 80D, which includes amount paid towards health insurance premium for covering senior citizens has been increased from Rs 30,000 to Rs 50,000 which would help increase penetration of health insurance.

Supporting social fabric

The Pradhan Mantri Fasal Bima Yojana (crop insurance) and Jan Suraksha Yojana (accident insurance) announced in earlier Budgets have supported the social and financial structure of the country and driven away the malices of under-penetration of insurance, especially from rural India. But the increase in incidences of natural calamities has left our physical assets of home vulnerable. We are hopeful that future Budgets would focus on home insurance as an important piece of transferring the risk. There is a further need to cover farmers' assets such as homesteads, cattle, etc., which will protect them holistically.

Growth opportunity

UDAN scheme, which aims to connect 56 unserved airports and NABH Nirman project proposing expansion of airport capacity to handle a billion trips a year are likely to boost domestic air travel. More than 18,000 kilometers of railway network expansion and 5,000 kilometres of gauge conversion to broad gauge would improve rail connectivity for passengers. The Bharatmala Pariyojana to provide connectivity to interior and backward areas by developing 35,000 km-plus roads at an estimated cost of Rs 5,35,000 crore is positive for the insurance sector, given the opportunity to insure such projects. Infrastructure enhancement apart, development of 10 prominent destinations and 100 Adarsh monuments would woo visitors across the nation. The general insurance armoury has several treasures which would assist the government in strengthening its nation-building capacity through partnership and standalone projects. Together the worries of both the government and the citizens can be transferred to the insurers, thus pushing the development agenda of the country forward.

Source

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How to protect your retirement with insurance – Mint – 6th February 2018

The common wisdom is that insurance in retirement is a waste of money. But there are situations where you may need insurance to protect your financial security. The relative importance of different categories of insurance is likely to be different compared to your working years, and it is important to assess your own circumstances carefully to determine your need for insurance in retirement. Here are some circumstances where insurance is recommended.

For income replacement

Life insurance may be relevant in retirement if income from a second career forms a significant portion of the retiral income. This is typically the case in the early years of retirement. It is important for the person earning the income to have life insurance, so that the income being earned in retirement is compensated in the event of death. In some cases, the retirement income may be from a pension, which may reduce on the death of the primary pensioner. Life insurance will help replace the lost pension so that the household can continue to manage its expenses. If you have financial responsibility of your children or grandchildren even in retirement, it becomes necessary to have adequate life insurance to meet their needs when you are not there to take care. Again, if you are paying off a large debt in retirement, say a house loan taken late in the earning years, you may consider an insurance policy to the extent of the outstanding loan so that your family is not left with that obligation in the event of your death.

To offset health costs

Health-related costs have the highest potential to derail your retirement finances. It is good to be prepared for such expenses, even if there are no health concerns at the start of retirement. Make health costs an item you prioritize, when determining the costs to be met in retirement and the corpus you have to accumulate in your working years. Given the uncertainties associated with health and health costs, insurance is an efficient way to meet these expenses in a planned way. However, obtaining health insurance later in life may be difficult and the costs are likely to be higher as you grow older and health issues crop up. One way is to lock yourself into a health insurance policy when you are healthy, so that you are not rejected on grounds of health conditions, or the existing conditions are excluded, or you are charged a prohibitively high premium when you may need insurance. Do this as preparation for retirement even when you are covered by an employer-provided insurance in your working years. Select the insurance policy that takes care of your specific health needs. For example, if there are existing health conditions, then look for policies that have a lower cooling-off or exclusion period, or

that may cover pre-existing conditions with lower cooling-off period with a co-payment option. If you need procedures such as dialysis, which require day-stays in hospital, then look for policies that cover multiple hospital admissions of less than 24 hours. Use top-ups and riders to make the most cost-effective and suitable health package for your needs. Personal accident insurance is something you need to consider if you intend to contribute to retirement income, with a second career in retirement. In the event of an accident, such policies compensate you for the period you are unable to work and earn an income, and to meet any out-of-pocket expenses that may not be covered by your broader health insurance policy. Long-term care is another area of old age that falls under the health-needs umbrella. Make sure your corpus provides for the costs associated with providing care and assistance at the stage when you may not be able to take care of all daily-living activities on your own.

For leaving an inheritance

Life insurance can be a tool for estate planning and managing the costs related to end of life. Life insurance policies can be used as a means to transfer wealth to the next generation, for individuals with a low risk appetite. Premiums are paid through the life of the insured and on their death, the proceeds go to the beneficiaries. Insurance policies allow the person to plan the bequeaths well ahead, accumulate the wealth over a long term and pass on the corpus. There are tax benefits at the time of paying the premiums and the corpus is tax-free too. This boosts the returns from this source, as compared to other investments that are typically used to accumulate wealth for the next generation, such as securities and real estate; where there may be capital gains and other taxes. Remember, life insurance should be part of the overall wealth transfer strategy and should be used in conjunction with other assets. The proceeds from a life insurance policy provide stability and liquidity to the inheritance while the other assets may be illiquid and have volatile values. The effectiveness of using life insurance for inheritance planning will also depend on the cost of the cover. To get the best premiums, it is important to plan ahead and make an early entry into insurance products. Make sure that you don't overreach. If the premiums are too high for your retirement income to bear, you may not be able to service the policy and lose the benefit for which you have paid for. Another use of life insurance policy is to meet expenses related to care and medical expenses not covered by health insurance at the end of a person's life. The beneficiaries of the policy will be responsible for meeting these expenses as they arise, and on the death of the person they will be compensated from the proceeds from the policy.

To protect assets

You need insurance to protect your assets. This includes auto insurance to compensate for any damage to your vehicle, along with third-party liability coverage to protect you from any claims against you as a result of a motor accident. A third-party liability insurance is essential to ensure that your other assets are not put at risk by a liability claim, and it is also mandatory for motor vehicles. Your home, typically your biggest asset in retirement, requires protection that an insurance policy can provide. The contents of the house can also be insured for a small sum and should be considered to protect against theft, burglary and destruction.

Your need for insurance in retirement will be different from the pre-retirement stage and keep evolving through the retirement years. For example, the life insurance policy intended to protect the income for a spouse or to support a loan being paid off is no longer relevant if the spouse passes away or the loan is paid off.

Just as you would periodically assess your income needs and make changes to your investments accordingly, you should monitor your insurance needs periodically to ensure that you have the protection you need at the most efficient cost possible.

Source

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India: Risk based capital system will increase demand for actuaries – Asia Insurance Review

Estimates are that the number of actuarial positions required by insurers in India will increase by 30-40%, with the regulator moving to implement a risk-based capital regime in the industry.

The Institute of Actuaries of India currently has 8,700 members but only 375 are fully qualified while 160 are associates, reported *MoneyControl.*

To be a qualified actuary, an individual needs to be accredited by a body like the Institute of Actuaries of India. For this, the candidate needs to clear all 15 papers in actuarial science and get a fellowship. The drop-out rates are high, as much as 35-40%, because of the level of difficulty of the examination.

However, since there is a dearth of fully qualified actuaries, insurers also appoint individuals who have passed 10 papers as an associate in the actuarial department. There are some insurers who offer jobs after candidates clear two to three papers of the professional examination. But, they are offered a permanent position only after passing the other papers.

Source

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A landmark budget for the insurance sector - Financial Chronicle – 5th February 2018

Thursday's budget presentation by finance minister Arun Jaitley, was widely in line with the expectations laid out earlier to tackle rural distress head on. On that count, this budget is indeed the much-needed fillip to the flagging rural economy, targeting doubling of farmer income by 2022.

From a sector perspective, this is a landmark budget. The announcement to launch the National Health Protection Scheme, the world's largest government-funded health care programme, is a bold and ambitious move. Under this scheme, over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) will be provided coverage of up to Rs 5,00,000 per family per year for secondary and tertiary treatment.

Secondly, extension of Pradhan Mantri Jeevan Jyoti Beema Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) to cover all poor households will bring the security of insurance benefits to marginalised sections, giving basic economic protection in cases of the death or injury through accidents of a family member.

Thirdly, the budget has also proposed expanding the coverage under Pradhan Mantri Jan Dhan Yojana (PMJDY) by bringing all sixty crore basic accounts within its fold and provide services of micro insurance and unorganised sector pension schemes through these accounts, which will further bolster economic security for lower income groups.

Insurance penetration in India remains abysmally low, at 2.72 per cent for life insurance and 0.77 per cent for non-life insurance for 2016, according to regulator Insurance Regulatory and Development Authority of India, and these measures will help move the needle on penetration.

Merger of three public sector general insurance companies and listing them is welcome. Full details are awaited.

Finally, the decision to increase 80D exemption limit for health insurance and/or medical expenditure from Rs 30,000 to Rs 50,000 will not just benefit senior citizens, but will also help in the crusade to increasing health insurance penetration.

Source

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Insurance Regulation

IRDAI directs insurers to transfer unclaimed amounts to senior citizens fund – The Times of India – 7th February 2018

The Insurance Regulatory and Development Authority (IRDAI) has directed life, non-life and health insurers that have unclaimed amounts of policyholders for a period of more than 10 years to transfer the same to the Senior Citizens Welfare Fund (SCWF) on or before March 1, 2018.

For unclaimed amount as of September 30, 2017, the IRDAI advised insurers to follow the accounting procedure for transfer of funds to the SCWF, which is part of the Consolidated Fund of India in line with what the budget division of the department of economic affairs, ministry of finance.

The regulator has at intervals fined insurers for not maintaining policyholders' money and shareholders' money in different accounts. The regulator has also stressed the need to protect policyholders' and the general public's interests.

From this financial year, insurers will have to transfer the unclaimed deposits of policyholders every fiscal as per the SCWF Rules, 2016, said the order, which is in continuation with the regulator's earlier orders regarding unclaimed amounts of policyholders.

Source

The Centre brought in Senior Citizens' Welfare Fund Act, 2015 as part of the Finance Act, 2015.

IRDAI nixes TPAs' move to run PSU health schemes – The Times of India – 7th February 2218

Insurance regulator IRDAI has turned down a proposal by third-party administrators (TPAs) to manage healthcare plans for public sector companies (PSUs) without group insurance. This means that companies will need to buy group health insurance to avail the services of TPAs.

Four years earlier, the Insurance Regulatory and Development Authority of India (IRDAI) had said that TPAs can manage healthcare for state and central governments in addition to insurance companies. Recently, ONGC had invited bids from TPAs to manage a healthcare plan that the energy major was providing as part of its employee benefits. The TPAs then sought a clarification from the regulator as there was a view that PSU undertakings can be seen as an extension of the government.

However, IRDAI, through a circular, clarified that PSUs do not come under the ambit of the relaxation which allows TPAs to provide healthcare schemes 'promoted, sponsored or approved by central government or any state government'. This relaxation was provided four years ago to enable states that provide health schemes under the assurance model appoint administrators.

According to TPAs, healthcare benefits by companies pre-date health insurance in India. For instance, Tata Motors has been managing its health insurance since 1975. "Many companies are now looking at outsourcing the management of these schemes to TPAs as they have a national network and run a 24/7 call centre," said the CEO of a TPA firm.

Some corporate employers and state-undertakings are reluctant to take the insurance route as the 18% paid on premium adds to the cost. "Health insurance is not a catastrophic risk and some employers feel that what they need is only administration expertise that is available with TPAs rather than risk management, which is with insurance companies," he added. The regulator is reluctant to have TPAs representing corporates as they are agents of insurance companies. While promoters of TPA firms are free to float a new entity to service corporates, PSU undertakings are keen to have companies that qualify for technical bids to avoid fly-by-night operators.

Source

IRDAI's contention is that TPAs have come into existence to serve insurance companies. Also, there is fear that if TPAs are allowed to get into activities outside insurance, regulatory gaps would be created which could be a problem in future.

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Life Insurance

Budget 2018 analysis: Proposals to drive health and life insurance penetration - Financial Express – 6th February 2018

Budget 2018: The biggest takeaway from Budget 2018 is the government's vision of achieving inclusiveness on every financial, health and social parameter. Sharpening its already strong focus on delivering insurance coverage to the masses, the government has acknowledged the importance of the insurance industry. From revealing the blueprint of the biggest healthcare scheme so far for vulnerable and underprivileged households, increasing exemption limit for health insurance for senior citizens, consolidation of the PSU general insurers and the expected listing on the stock exchanges show the government's commitment to nurturing the protection ecosystem.

Universal healthcare scheme

With Aayushman Bharat, the world's largest health protection scheme, we have taken a big step towards implementing health and financial inclusion.This will help drive health insurance penetration while bringing Indians languishing at the bottom of the pyramid into the insurance fold with a sizeable Rs 5-lakh per family insurance cover for secondary and tertiary treatments. The focus should now be on delivering top-quality healthcare and seamless service experience.

Life insurance

Besides healthcare, extending Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) to cover a larger population is expected to bring insurance to a large number of unserved people. The announcement to provide micro insurance and pension schemes to Jan Dhan Yojana accounts is also a positive development. The Budget has proposed to introduce long-term capital gains tax on equity

investments. Against this backdrop, unit linked life insurance products (ULIPs), could appear relatively attractive from a medium to long term perspective. Taxation of insurance products is governed by Section 10 (10d), where income is tax-free in the hand of the investor at the time of withdrawal. This should help savers, investors, and policyholders to forge a deeper relationship with life insurance and wealth creation.

Senior support

The Budget is particularly supportive from a senior citizen's health coverage viewpoint. Even though India has historically witnessed a medical inflation rate of 15%-18%, there was little protection. Now, with the enhanced exemption of Rs 50,000 under Section 80D and additional critical illness exemption of Rs 1 lakh under Section 80 DDB, the government has incentivised senior citizens to get sufficient medical insurance coverage.

The insurance industry was expecting a waiver of GST on insurance premium and tax sops for insurance products like term life insuranc. We remain hopeful that the government will take steps in those directions in the days to come.

In conclusion, there was mixed prudence with some populism, seeking to balance economic and political imperatives. The Budget measures carried a strong focus on the rural/agricultural and social sectors. This will create a new India and drive growth.

Source

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PM scheme: Insurers for 3-fold hike in premium- The Times of India – 5th February 2018

Insurance companies are seeking an almost threefold increase in the Pradhan Mantri Suraksha Bima Yojana (PMSBY), which has seen a claim ratio of 200% in the first three years of operations.

G Srinivasan, chairman of New India Assurance — the country's largest non-life insurer, said, "The Rs 12-premium was not reviewed earlier as the government had said that they will wait for three years. Considering the 200% claims ratio, we feel that a price of Rs 35 would be appropriate."

The PMSBY, which provides a cover of Rs 2 lakh for accidental death and Rs 1 lakh for permanent disability, has seen enrolments of 13 crore individuals and has settled 14,400 claims of the nearly 19,000 received.

According to Srinivisan, the Budget's move to distribute micro-insurance through Jan Dhan Yojana accounts will increase non-life insurance penetration. He said that the National Health Protection Scheme would also boost health insurance as insurers were best placed to provide the cover.

"Insurers have over 10 years in managing mass schemes like Rashtriya Swasthya Bima Yojana and despite initial losses I can say that schemes are moving in a viable model," said Srinivasan.

Pointing out that only Andhra Pradesh and Telangana were the states not using insurance to provide social cover, Srinivasan said that insurers bring in lot of efficiencies like systems and fraud control. "I feel that the state governments, which will be making the call, will go for the insurance model," he said.

New India Assurance on Saturday reported its highest ever quarterly net profit of Rs 617 crore for the quarter ended December 2017, driven by an improvement in underwriting margins. The company had reported a loss of Rs 24 crore in the same period last year.

Srinivasan said that the company has designed a new health insurance plan for senior citizens and a new innovation in health insurance, which it would unveil shortly.

According to Srinivasan, the Real Estate (Regulations & Development) Act has thrown up a big opportunity for non-life insurers as it has made it mandatory for builders to purchase title insurance. "We are launching this cover soon. While initially it will be purchased by builders, we expect a market among individuals and banks," he said.

The other new opportunity was in liability insurance. Following the introduction of the Insolvency and Bankruptcy Code, there is a demand for an insurance cover from insolvency resolution professionals (RPs) who run defaulting companies on behalf of creditors. New India has sold five such policies which defend the RPs from any claims arising out of their management actions.

Source

Investors could lap up ULIPs to skirt LTCG tax: Report - The Hindu Business Line – 4th February 2018

With the Budget spooking market sentiment with the 10 per cent long-term capital gains tax on equities gains, American brokerage Morgan Stanley has opined that life insurance products, particularly ULIPs, could be relatively attractive from a medium-to long-term perspective. Dalal Street has been bleeding since the Budget announcement, after the Finance Minister sought to reintroduce the long-term capital gains (LTCG) tax on equity investments at 10 per cent on profits in excess of Rs 1 lakh.

It has also slapped a 10 per cent distribution tax on long-term capital gains from equity mutual funds. That apart there is also a dividend distribution tax at the hands of the receiver. While on the day of the Budget, the market was on a see-saw ride and closed marginally down, the next day (on Friday), it saw the worst plunge since November 2014, with a massive 2.3 per cent drop.

"We believe against the given backdrop, life insurance products, particularly ULIPs (unit-linked insurance plans) could appear relatively attractive from a medium- to long-term perspective," Morgan Stanley said in a weekend note. "Taxation of insurance products is governed by Section 10d (of Income Tax Act), where the income is tax-free in the hands of the investor at the time of withdrawal.

"We await the Budget fine-print for further clarity, but if the above details are accurate, it should benefit private players like ICICI Prudential Life and HDFC Life," it said. Meanwhile, mutual fund experts are of the opinion that the taxation move on equity gains as well as on dividends from mutual funds could pose a small hurdle for investment flows into MFs. But they warned that the move could impact long-term investments in the segment and said government should look at the possibility of people moving into ULIPSs to avoid the tax.

Source

The benchmark Sensex plummeted 840 points last Friday -- its biggest single-day fall in two-and-a-half years -- while the Nifty tanked below the 10,800-mark as the sell-off continued for the second straight day after the Budget.

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General Insurance

Budget 2018 impact: Govt volte-face on insurance merger surprises regulator - Business Standard – 3rd February 2018

The government's announcement in the Union Budget on Thursday to merge three state-owned general insurance companies — National Insurance, Oriental Insurance and United India Insurance — has caught the sector regulator Insurance Regulatory Development Authority of India (IRDAI) by surprise.

In the Budget for FY16, Finance Minister Arun Jaitley had announced plans to list the three companies on the bourses. Thursday's announcement reverses the position.

The change in policy for the three companies, even as they were caught off guard, shows the level of discomfort within the government about their ability to take on the expanded load for insurance coverage in the economy with their current financial strength.

One of those responsibilities will be to provide the massive premium and claim settlement cover under the proposed universal health coverage plan announced in the Budget FY19.

In the pecking order of general insurance companies in India, New India Assurance is the runaway leader. While United India and National Insurance occupy the second and third slots, respectively, in terms of gross premium generated, Oriental has slipped behind ICICI Lombard to occupy the fifth place, according to the IRDAI data for up to December 2017.

These state-owned companies will have to take on the bulk of the business in the biggest takeaway from the Budget FY19. Their current market share of non-life business is just below 30 per cent. Yet none of these three companies is financially healthy to take on the role.

According to the standards set by the IRDAI, the companies have to maintain a solvency ratio of 1.5. The ratio measures to what extent an insurance company has capital to meet claims from all the business it has covered. But all the three companies have slipped below the prudent limit set by the watchdog. It is one of the reasons the

three have not been able to approach the markets for public listing. A lower-than-prescribed ratio means the company should not underwrite fresh business.

R Chandrasekharan, secretary general of the General Insurance Council, the umbrella body of the sector, said the move would help consolidation in the sector. "The market has grown big with lots of entities. It is not necessary for the government companies to compete among themselves to guide the market. Merger and subsequent listing would help".

National Insurance has just returned to a higher-than-prescribed level in FY17. The only exception is New India (set up by Tata group till nationalisation in 1972). It is the outlier among the state-owned general insurance companies, with a solvency ratio of 2.22. But it too has not caught the market's attention after listing. While its shares opened at Rs 667.95 on Friday, the price slipped by over 2 per cent since then on the NSE to close at Rs 653.05.

An official said the sustained weakness of these companies made the finance ministry change its stance about the appropriate policy for them to adopt. The plans for listing have consequently been dropped. The ministry was also quite hamstrung on the level of consultations it could hold with the regulator in the run-up to the Budget on the subject. T S Vijayan, chairman of the IRDAI, retires in February, and the government is expected to announce his successor soon.

Vijayan does not enjoy the best of equations with the government and has been sidelined from key decisions. It is understood that the plans for universal health insurance coverage did not go through his office. The finance ministry has in any case kept the operation of the mega social insurance schemes — Pradhan Mantri Fasal Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana and Pradhan Mantri Suraksha Bima Yojana or the Rashtriya Swasthya Bima Yojana — out of the ambit of regulations of the IRDAI.

In FY 17, the general insurers have collected total premium of Rs 1.27 trillion against Rs 964 billion in FY16. The premium of the government-mandated insurance schemes is about a quarter of this pie. So, the level of exclusion for the sector regulator is unprecedented for any other sector in India. Chairmen of two of the state-owned companies have said they were not in loop about the health insurance schemes. No representatives from the general insurance company were called for the pre-Budget meeting of the finance minister and the banks and financial institutions held in December, 2017.

One of the biggest challenge for the three companies in the merger process would be to get their IT systems to harmonise with each other. Unlike the State Bank of India's associate banks, which had long ago moved to the same IT platform, these companies have entirely different systems. Work on getting those in the three insurance companies to sync with each other will have to predate other aspects of integration.

Source

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India: Merger of 3 state-run insurers expected to ease pressure on pricing – Asia Insurance Review

The proposed merger of three state-run general insurance companies could lead to an upward correction in premium rates because competition among public-sector insurers would ease, say analysts.

In his 1 February Budget speech for the fiscal year starting on 1 April, Finance Minister Arun Jaitley, said that the state-owned National Insurance, United India Assurance and Oriental Insurance would be merged into a single insurance entity, which in turn will be listed.

Mr Rakesh Goyal, director at Probus Insurance Brokers, told *Financial Express*: "Competition will decrease among the insurers as they were competing with each other. There was, especially, huge competition in the small and medium enterprises (SME) insurance segment and this was taking a toll on their profitability."

Insurance brokers in the group health insurance segment pointed out that the public sector insurers had been very aggressive on pricing and this was hurting premium rates across the industry. The incurred claim ratio in the health segment for public sector insurers surged in FY2017 to 120.15% from 115.45% in FY2016. The ratios for private sector insurers were 74.70% and 74.69% for FY2017 and FY2016, respectively.

In the past, the government had warned state-owned general insurers about their underwriting losses. With the merging of the three insurers and consequent listing, market participants feel that there might be more prudent underwriting going forward.

Source

India: Insurers want premium hike for low-cost accident policy – Asia Insurance review

Insurance companies are seeking a twofold rise in the government-backed low-cost insurance scheme Pradhan Mantri Suraksha Bima Yojana (PMSBY), which has seen a claim ratio of 200% in the first three years of operations.

The PMSBY, introduced in 2015, which provides a cover of INR200,000 (US$3,125) for accidental death and INR100,000 for permanent disability, has attracted the enrolment of 130 million persons and has settled 14,400 claims of the nearly 19,000 received since it was launched, reported *Times of India*.

Mr G Srinivasan, Chairman of New India Assurance — the country's largest non-life insurer, said: "The INR12-premium was not reviewed earlier as the government had said that they would wait for three years. Considering the 200% claims ratio, we feel that a price of INR35 would be appropriate." This would be roughly three times the existing price or an increase of 200%.

Prospects

Mr Srinivisan said that last week's FY2019 Budget measures to distribute microinsurance through Jan Dhan Yojana accounts will increase non-life insurance penetration. Jan Dhan Yojana is a government scheme to increase financial inclusion by encouraging Indians, particularly those in rural areas, to open bank accounts.

In his Budget speech on 1 February, Finance Minister Arun Jaitley also said that the government will work to cover all poor households under the PMSBY and the Pradhan Mantri Jeevan Jyoti Beema Yojana (PMJJBY), which is a one-year term life policy available to people in the age group of 18 to 50 years (life cover up to age 55) having a savings bank account who give their consent to enable auto-debit of the premium from their bank accounts. Life cover of INR200,000 is available at a premium of INR330 per annum.

He said that the National Health Protection Scheme proposed in the FY2019 Budget would also boost health insurance as insurers were best placed to provide the cover. In his Budget address last week, Mr Jaitley said that the government would launch a flagship National Health Protection Scheme to cover over 100 million poor and vulnerable families (approximately 500 million beneficiaries) providing coverage of up to INR500,000 per family per year for secondary and tertiary care hospitalisation.

Mr Srinivasan said that insurers have over 10 years of experience in managing mass health insurance schemes like Rashtriya Swasthya Bima Yojana, which was introduced in 2008 for those who live below the poverty line. “Despite initial losses, I can say that schemes are moving in a viable model," he said.

Pointing to other developments that would boost insurance business, Mr Srinivasan said that the Real Estate (Regulations & Development) Act, passed in 2016, represents a big opportunity for non-life insurers as it has made it mandatory for builders to purchase title insurance. "We are launching this cover soon. While initially it will be purchased by builders, we expect a market among individuals and banks," he said.

Another new opportunity is in liability insurance. Following the introduction in 2016 of the Insolvency and Bankruptcy Code, there is demand for insurance cover from insolvency resolution professionals who manage insolvent companies on behalf of creditors.

Source

Back

India: State court says no insurance claims to be paid to helmet-less riders – Asia Insurance Review

Motorists riding two-wheelers without helmets will be ineligible for insurance compensation if they are involved in accidents, rules the High Court in Karnataka, a southwestern state of which the capital is Bengaluru.

In addition, the helmets must have been certified by the ISI (Indian Standards Institute), the court said in a recent case. This is the first time that the courts have enforced quality standards on helmets worn by two-wheeler riders. Law enforcement agencies of the country’s various states are expected to start enforcing this rule strictly.

A non-ISI helmet may be of inferior quality and unable to provide adequate protection against the impact of a motor collision. However, exemptions have been made for those who use foreign-brand helmets. Many riders wear imported helmets which bear the stamp of the Economic Commission for Europe or of the US Department of Transportation.

A total of 480,652 road accidents took place in India in 2016, claiming 150,785 lives and inflicting serious injuries on 494,624 persons. About 30% of the accidents involved two-wheelers, road transport data show.

Source

More than 70% of Indians admit to have ridden a bike as a rider without wearing a helmet, according to a recent national survey by Exide Life Insurance. The percentage for pillion riders is said to be higher.

Back

Crop Insurance

Crop insurance triggers to be reviewed for reducing losses – The Times of India – 8th February 2018

The Union agriculture ministry has tasked a high-level technical panel to revisit weather-based triggers that are taken into account for the crop insurance policy.

The aim of the study is to optimise the triggers for all 10 fruit crops in the state that are covered under the highly subsidised restructured central and state government crop insurance policy under Pradhan Mantri Fasal Bima Yojna.

"Work has also started on formulating new triggers in the last fortnight by the panel, comprising of members from Indian Council of Agriculture Research, agriculture research institutes and General Insurance Company beside other experts and commodity group representatives."

This relook was necessitated because of Ockhi cyclone that hit coastal Konkan and triggered changes in weather parameters. Cyclone and liberal packaging of policy cover (with regard to fruits like banana and chikoo) has increased the central and state government outgoing on the subsidised policy premium payment of the insurance scheme. While the farmer pays 5% premium per hectare, the centre and state together contribute for the 95% in a 50:50 cost-sharing ratio.

"The cyclonic condition has necessitated a change in the damage assessment mechanism," said divisional agriculture joint director (Nashik division) Dilip Zende. The triggers will be for the ensuing crop season and revised policy cover. Both private and government insurers take part in the auction of fruit insurance policy twice a year.

Sources said new triggers were required as the subsidised policy cover scheme was becoming unsustainable since farmers had to pay just 5% of the premium per hectare.

Moreover, the existing triggers were not in tune with the local weather conditions. This has resulted in both the Centre and state governments having to pay a substantial amount for the insurance scheme and end up losing money when the crops have not suffered damages. In the reverse scenario, mango farmers lose out on relief as the triggers did not cover the change in weather conditions.

Source

Formulating the triggers is a complex mechanism as it involves district weather stations passing out information to the stakeholders—the agriculture department and insurance companies. The triggers are not the same for all crops for the three fruiting seasons.

Back

Health Insurance

Health cover estimate: States may have to pay Rs 4,330 crore a year - The Indian Express – 9th February 2018

State governments may have to shell out approximately Rs 4,330 crore annually for the rollout of the ambitious National Health Protection Scheme (NHPS) for 10 crore households announced in the Budget, according to preliminary calculations undertaken by the government. These calculations, arrived at after informal discussions with actuaries, have pegged the premium at Rs 1,082 per family per year for each health cover of Rs 5 lakh. Of this, Rs 433 has been earmarked as the state share of the premium with the balance to be paid by the Centre.

In this context, sources said, these estimates are based on the assumption that “entire 10 crore families will be covered in one go”.

Going by this state share, the financial burden on states for 10 crore families will be to the tune of Rs 4,330 crore.

The Union Health Ministry and Niti Aayog have already started the process of consultation with states. E-mails have gone out and video-conferencing with individual states have commenced.

Sources said these NHPS calculations are based on data from different health protection schemes being run by state governments as well as the Central government's experience in funding the Rashtriya Swasthya Bima Yojana (RSBY) that provides a modest Rs 30,000 health cover to poor families.

The number of beneficiaries currently registered under RSBY is approximately 3.8 crore and the government pays a premium of Rs 500 per family.

RSBY is mainly aimed at the below poverty line (BPL) population, specifically migrant labourers. In 2015, the Centre spent Rs 670 crore on RSBY, in 2016 that amount came down to Rs 450 crore. For NHPS, the government envisages that coverage based on socio-economic caste census (SECC) data so that families with "deprivations" rather than just low income are covered.

As against an average family size of 3.45 under RSBY, the calculations have assumed a family size of four for the proposed NHPS. Also, as against approximately 1.4 per cent utilization rate for RSBY, in NHPS calculations, the government has factored in a utilization rate between 1.8 per cent to 2.3 percent.

However, sources said, the calculations aren't etched in stone. Even state health coverage programmes used as models to arrive at Rs 1082-premium are dynamic programmes. For example, in the Rajasthan government's programme which provides a per family health cover of Rs 3.30 lakh, the state paid a premium of Rs 500 per year until 2016-17 but this year it has been revised to around Rs 1200.

While the premium will be a function of the mode of implementation of the scheme — whether it is through insurance companies or a trust model — there are many other factors that will influence the premium and finally determine the state's burden.

Said a senior health ministry official: "Insurance companies will quote a premium based on expected user base and the availability of health facilities in the vicinity. 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."

Source

Also, given that these calculations are based on 10 crore families being covered at the same time, premium figures may change if the rollout is staggered.

Back

National Health Protection Scheme: Why insurance can't replace primary healthcare - Financial Express – 9th February 2018

What's in a name?", asked a plaintive Romeo Montague, as he sought to woo Juliet of the Capulets. That question could be repeated as the Rashtriya Swasthya Bima Yojana (RSBY) changed name to the National Health Protection Scheme (NHPS). The pedantic may question, "why call it an insurance programme when it is a free financial cover provided to a section of the people from tax revenues?". Those less bothered by labels but worried about implementation and impact will demand to know how the scheme will be delivered with efficiency, equity and economic prudence. The RSBY offered a modest coverage of `30,000 per family per annum, with a yearly enrolment fee of `30. The bulk of the premium was paid by the government. The NHPS offers coverage up to `500,000 per family, without any subscription fee. The premiums are entirely paid by the government, from tax revenues. The scheme does not, therefore, resemble classical insurance programmes, where premiums are paid by individuals from their family income or by their employers from organisational budgets.

However, the scheme does operate on the principle of "risk pooling", which is the cardinal feature of insurance programmes. When a large number of people are enrolled in a scheme (irrespective of who pays the premium), the healthy cross-subsidise the sick. Since healthy people outnumber the sick, at any given period, the high costs of healthcare incurred by the sick will be compensated by the low or no expense incurred by the healthy. If healthcare is provided to the whole population from tax revenues, it will constitute the largest risk pool. Within a system of progressive taxation, the rich cross-subsidise the poor, even as the healthy cross-subsidise the sick. Even an insurance system can potentially have differential premiums based on family or personal income levels, with the rich paying more. If the NHPS is extended to non-poor population segments above 10 crore families

currently proposed as beneficiaries, they could buy into the scheme by paying income-graded premiums. Similarly, employer-paid health insurance programmes could merge with the NHPS. The scheme can then become "universal".

The other place "insurance" intrudes into a tax-financed scheme like the NHPS is in the administration of the programme. The government may choose to do it through a Trust set up by it or hand it over to an insurance company. Health insurance schemes funded by several state governments and the RSBY have yielded experience of both models, suggesting each has positives and negatives. An insurance company, as the intermediary, has expertise in handling enrolment, premiums, payments and monitoring for fraud detection, from its prior portfolio of several insurance products. The government finances but does not run the programme. However, the high overheads charged by companies are often expensive and they also demand higher premium payments from the government, as utilisation rates go up. Worse still, they may walk away abandoning the programme as happened with Arogyasri in Andhra Pradesh. However, public insurance companies have generally behaved better, with lower overheads and higher commitment and accountability.

A Trust is more likely to be in line with the governmental intent to deliver public good with public money. It is established by and accountable to the government. The overheads are lower. Though there is limited in-house expertise to begin with, it can be built up through hiring and accumulates as an asset that stays with the programme. The information technology architecture that is built up continues to serve the programme as it evolves alongside. However, the genetic link to the government may make the Trust vulnerable to political interference on behalf of errant but influential hospitals. The choice between a Trust and an insurance company to run a programme in any state is likely to be left to that government, since the NHPS will be dependant on 40% funding from states.

Those which have already been running the RSBY may prefer to utilise the existing delivery channel when they move to its alter ego, the NHPS. States which have been running their own state-specific "health insurance" programmes may or may not agree to merge them with the NHPS. Even if they do, the existing delivery model would carry the ease of familiarity. As the scheme is implemented, different state models will yield experiential evidence of which model works best in which context.

In either case, there will be a need for defining the services to be covered and criteria for empanelment of hospitals as well as setting of standard management guidelines for different diseases. Since payment will be made on a "fee for service basis", systemic safeguards must be built in to avoid unnecessary admissions and procedures. Capacity must be developed for "strategic purchasing" of services from different providers with cost and quality controls.

The biggest question is how soon the central and state governments can develop strong primary health systems that will limit and guide the utilisation of secondary and tertiary care services funded by the NHPS. It must also be recognised that the poor prefer to avoid hospitalisation as they will lose wages and mostly depend on outpatient care and primary health services for their health needs. Without that protection, population health indices will not improve despite the NHPS, and high utilisation rates will make the scheme highly expensive over time. A claim that the NHPS opens the road to universal health coverage would then, in the Bard's phrase, be: "much ado about nothing".

Source

Back

Modicare health insurance scheme to be tech driven: Health Minister JP Nadda - The Economic Times – 8th February 2018

The Centre will tap the best technology available for ensuring transparency and plugging leakages while rolling out the proposed National Health Protection Scheme (NHPS), Union health minister JP Nadda has said.

The programme to provide up to Rs 5 lakh medical cover to over 10 crore families unveiled in this year's Union Budget is top priority for the Modi government and will be rolled out very soon.

Speaking to ET, Nadda said that private players would be engaged but "on the Centre's terms." The first step for NHPS would be to strengthen infrastructure in government hospitals before allowing strategic participation of private players.

"The programme will not be left to private players. The Centre will be active in safeguarding and monitoring the role of private hospitals. Input costs could also be regulated so that the last man in line is treated well," Nadda

said, adding his ministry, in consultation with top officials, was preparing uniform standards of health care, regulations, life-saving procedures, layers of grading and empanelling hospitals.

"The best practices adopted by states or others elsewhere are being looked at to devise how the programme can best reach the masses. It is not only the insurance model we are looking at," Nadda said. In the course of next few months, new hospitals will also come up to provide facilities and the Centre will have them graded. A separate body will be put together to run the programme on mission mode, he said.

"The ministry is in talks with states to subsume existing programmes. We will ask states to either subsume or synchronise with the NHPS. States don't necessarily have to go for any specific model. We will leave it to them to make a choice because the role of the state is crucial in implementation," he added.

"PM Modi has been concerned about families spending own money for treatment. Approximately 6.5 crore families reach BPL after a member undergoes medical treatment." Nadda said finances would not be a problem. "There will be no problem of funds when it comes to health. We have found a way for fighting TB, HIV, dialysis, infrastructure of AIIMS. We are sure for NHPS, too, the political will to serve the poor will help us deliver." Plenty of research papers and models of sustainable medical care programmes were studied before decision on NHPS was made. Many health insurance schemes have not succeeded because finer details were not worked out before implementation.

This will not be NHPS' case, Nadda said. For greater accessibility to healthcare, the Centre plans to have one medical college for every three parliamentary constituencies.

Source

There is shortage of doctors mostly for primary health care, while NHPS involves secondary and tertiary health care, where expenditure even for one-time treatment can be very high, Nadda said.

Back

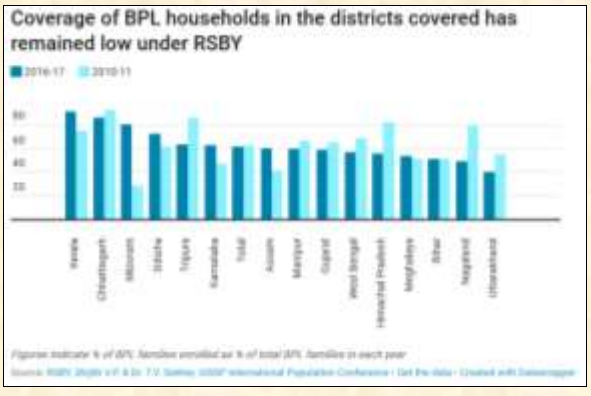
Implementation may be the biggest challenge for Modicare – Mint – 8th February 2018

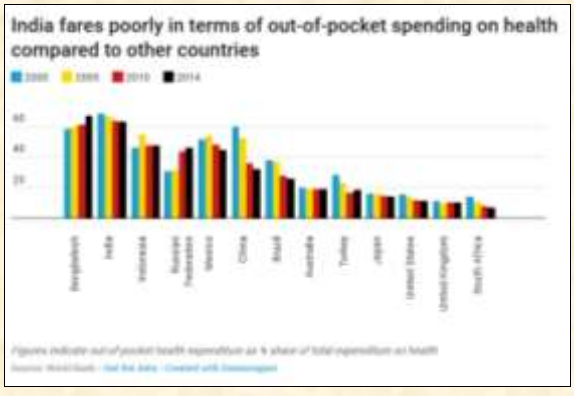
The proposed national health insurance scheme will have to surmount many challenges and funding might not be the biggest of them. The government will have to guard against possible abuse of the proposed scheme by hospitals and insurers. Besides, it will also have to deal with other unintended consequences such as creating a moral hazard, which can induce unnecessary expenditure and increase healthcare costs.

The National Health Protection Scheme (NHPS) is intended to offer 100 million poor families an annual cover of Rs5 lakh each, but details on its implementation are unclear.

While implementing, the government must heed the lessons from the existing government-funded insurance scheme, the Rashtriya Swasthya Bima Yojana (RSBY). First, it should ensure that patients are not charged by hospitals despite insurance coverage, as was noticed under the RSBY. “The hospital may charge money from the patient as well as the insurance company as the money does not go into the hands of the patient,” said T. Sundararaman, dean, School of Health Systems Studies, Tata Institute of Social Sciences.

Besides, RSBY has also been afflicted by inadequate coverage of intended beneficiaries. Therefore, out-of-pocket expenses remain high in India, especially when compared to other countries. One hopes that the new scheme is implemented in a manner that’s more effective than the RSBY.





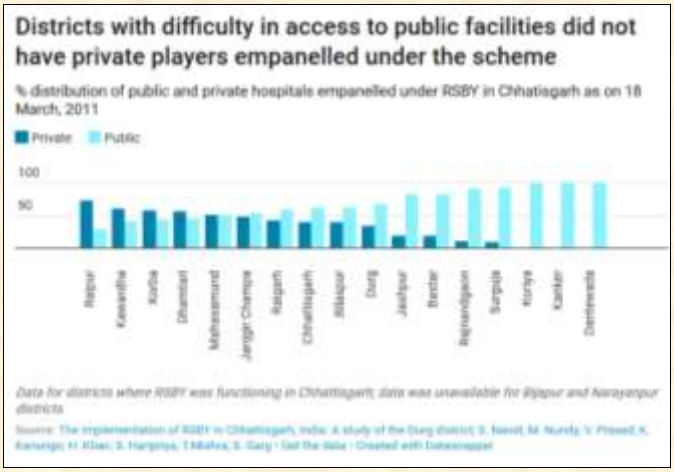
Besides, there are other unintended consequences that the government should be wary of.

"Under RSBY, people would ask for hospitalization and treatments even when it wasn't really needed," said Smriti Sharma, consultant with the National Institute of Public Finance and Policy. The scheme might further promote unnecessary "tertiarization" of healthcare, leading to a cost spiral.

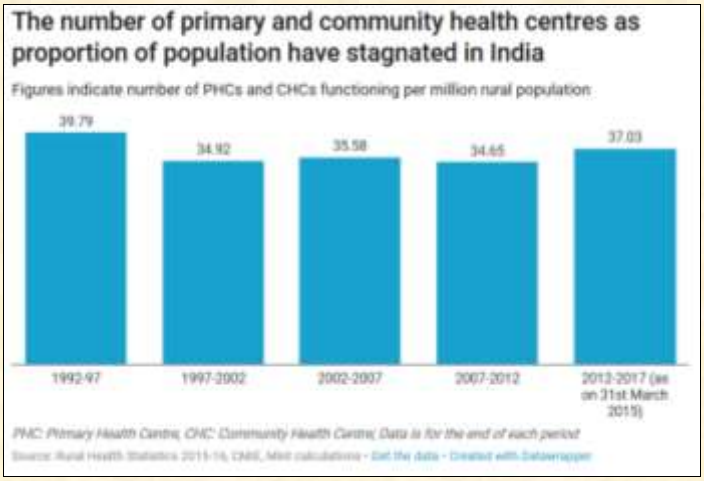
Meanwhile, hospitals empanelled in the RSBY often allegedly resort to malpractices to make money, according to a dissertation submitted to the Liverpool School of Tropical Medicine in August 2012. The infractions could take the form of "admitting patient for simple fever and showing that patient suffers from serious disease", the report quoted doctors in Delhi-NCR as saying.

Possible friction arising between insurers and hospitals is another area of concern. A Comptroller and Auditor General (CAG) report on the implementation of the RSBY in Kerala found that claims were admitted by insurers but payments withheld. Insurance companies often irregularly reduced the claim amount on the grounds of prolonged stay, wrong disease description, etc. Shweta Khandelwal, research scientist and adjunct professor, Public Health Foundation of India, says checks and balances at the ends of both the patient and the providers will be needed to tackle such abuse.

Still doubts remain whether the poorest of districts will benefit from the programme. A paper on the implementation of the RSBY in Chhattisgarh as on March 2011 found that private hospitals did not show much interest in backward districts such as Dantewada, Kanker and Koriya.



Experts fear focusing on secondary and tertiary healthcare might also eat into the spending on primary healthcare. Data from the Rural Health Statistics 2016 shows the number of primary and community health centres have stagnated over the last three decades.



The proposed increase in health cover, though welcome, does not address structural issues. As an earlier Plain Facts column had shown, India fares poorly on both disease surveillance and funds utilization on health.

Source

"Health is not hospitalization and treatments. The endeavour should be to promote preventive health. This means investing in improving nutritional status, improving awareness, creating and maintaining health surveillance systems," Sharma said.

Back

The super plan – Mail today – 8th February 2018

Health insurance is a necessity given the rising cost of medical treatment. The health insurance market is growing at a fast pace but there is a lot of confusion among buyers. For example, only 80 percent health plans sold in the market are base plans, in spite of the fact that there are multiple options for increasing the cover without paying a lot of money – top-up and upper top-up policies being one of them.

What are top-up plans

Top-up plans are add-ons to a basic cover which one can use when the base cover is not enough. These cover expenses above the base policy's sum insured. The top-up kicks in only after a certain limit – called deductible – is crossed. But remember that top-up plans consider every hospitalization as a separate claim and apply deductible of Rs. 2 lakh and cover for Rs. 4 lakh, the top-up option will be triggered only when a claim is above Rs. 2 lakh. If there are two medical bills of Rs. Rs. 1 lakh each, it will not be triggered. "A top-up health plan is a regular indemnity policy but far cheaper than the basic policy," says Sandeep Patel, CEO & MD, Cigna TTK Health Insurance. The deductible is the amount not cover by the insurer and which the policyholder has to pay before the top-up option is triggered.

The limit is chosen by the policyholder at the time of buying the policy. Bills below these limits are paid by policyholders either through their basic policies or from own pocket.

Difference between top-up and super top-up

Just like top-up plans, super top-up plans are an addition to basic health plans which cover medical expenses above the sum insured of the base medical policy. These are the improvised version of top-up policies where the threshold limit applies to total expenses incurred during the policy period irrespective of the number of claims.

"Super top-up plans take care of excess hospitalization expenses that may arise due to the amount paid for any illness over and above the deductible amount," says Sanjay Datta, chief, Underwriting, Claims and Reinsurance, ICICI Lombard. They mostly come to the rescue when a single claim does not cross the threshold limit of the regular policy.

The super top-up option is triggered when the aggregate of all claims in the policy period exceeds the deductible limit chosen by the policyholder. Super top-up plans also provide additional features like coverage of pre- & post-hospitalization expenses, day care procedures and domiciliary treatment, just like basic insurance plans, which top-up plans don't cover. A medical check-up for super top-up is needed only if one takes it after the age of 55 till the age of 65. "The advantage of a super top-up plan is the deductible limit, which gets applied cumulatively considering all the claims put together in that particular policy year," says Ashish Mehrotra, MD & CEO, Max Bupa Health Insurance.

The per claim basis top-up plans are not very helpful in case of critical illness such as cancer, whereas super top-up plans cover amounts in excess of the total sum insured incurred under multiple claims during the policy period till the policy limit. Also, the super top-up plan covers most in-patient hospitalization expenses due to illness or injury. Besides, for some pre-existing diseases or medical conditions, waiting periods are applicable. The coverage offered in the plan is mentioned in fine print; it is advisable for the policyholder to understand the policy before buying it. "Do not forget to check the deductible criteria (top-up or super top-up) waiting period for pre-existing diseases, limits inclusive of donor expenses, pre- and post-hospitalization expenses and any copay applicable says Patel.

Need for super top-up policy

Super top-up is needed in cases where a policyholder's base cover or self-financing is limited. "People can opt for a super top-up even without a basic health policy in order to meet sudden medical expenses that may go above the amount that he or she can shell out from own pocket," says Sasikumar Adiadamu, Chief Technical Officer,

Non Motor, Bajaj Allianz General Insurance. Also, these are good option in case one only has the employer provided cover, where the sum insured is limited.

People who are about to enter the senior citizen category with limited sum assured can also opt for super top-up plans with more coverage to get higher protection. "People in the age band of 40-plus should look at these covers to increase the overall coverage due to high risk of serious ailments in this age bracket," says Puneet Sahni, Head, Product Development, SBI General Insurance.

Policy Pricing

The premium for top-up / super top-up plans is lower than the premium for a basic health plan with similar features.

As these are supplementary policies that offer benefits of high sum insured at a low price. "Super top-up health plans are meant to bridge the gap between existing policies and actual medical costs," says Patel. Pricing depends on the benefits offered. "In case of super top-up plans, the probability of triggering the cover is higher compared to top-up plans and, hence, the premium is adjusted accordingly due to aggregate deductible," says Sahni. People can always opt for a basic sum insured plan plus a super top-up policy, which is a better option to save cost, instead of buying an additional higher sum insured product.

Source

Back

'Monitor insurance, better living conditions of poor' – The Times of India – 7th February 2018

An insurance blanket alone may not suffice to better the health condition of the 10 crore poor Indian families who have been promised a cover of Rs 5 lakh under the National Health Protection Scheme (NHPS), announced in the budget 2018-19. Unless backed by a tight regulation of the insurance sector, overall improvement of living conditions and disease prevention, such a scheme could actually be far from effective.

Speaking to TOI at the sidelines of India-UK Createtch summit on Tuesday, Malcolm Grant, chairman of England's National Health Service (NHS), said France and Germany, that run two of the world's most successful universal healthcare insurance-backed schemes, spend 10%-12% of their GDPs on health. "In Germany, the insurance sector is tightly regulated," he said.

India, in comparison, invests less than 2% of its GDP in healthcare and the insurance sector is relatively under-regulated, a point that experts have been harping upon to question the sustainability of NHPS. Grant, who represents one of the world's biggest publicly-run health systems, cautioned that emphasis on insurance should go hand in hand with strengthening primary care and prevention.

"When people talk about insurance they tend to think of acute diseases. But for society as a whole, it's far better to think of prevention," he said, adding that several illnesses that are a product of lifestyle or environmental reasons, including contaminated drinking water, poor sanitation and air quality, can be prevented. "It's difficult to look at a universal healthcare model without ensuring better living conditions for the population," he said.

Grant termed primary health centres the "foundation" that made NHS a success story over the past 70 years, but acknowledged that the 1948 model of a single GP was increasingly being challenged. "There is a great concern that a GP won't be able to pick up a particular type of cancer that he/she may see once in few years. So, one of the remedies is to get more specialists into primary care," he suggested. But, in terms of transformation and digital innovation, primary health centres in the UK, are at the forefront. "Almost all are digitized and efforts are being made to take that information-sharing to the level of secondary care."

Grant has led a delegation of 14 trusts, hospitals and companies that are looking into potential collaborations and sharing innovations in the health sector with India. Several companies made a pitch to public health minister Deepak Sawant on Tuesday. Sawant said, "We are looking for innovations that can help us with better health delivery through telecommunication and aid in infection control." As for adopting the central health scheme, Sawant said they were waiting for finer details to emerge.

On the ongoing NHS crisis in England, where people recently took to the streets to protest, Grant said it was mainly because people were unhappy about the government funding. "US president Donald Trump said NHS was no good, but people actually love it," he said.

Source

Modicare: Government to form council to roll out National Health Protection Scheme - The Economic Times – 5th February 2018

The government is likely to form a council on the lines of the GST council and work with states to roll out the National Health Protection Scheme, announced in the Budget on Thursday. The plan also includes creation of a mission for focused implementation of the scheme.

"The plan is to form a committee on the lines of the GST council to implement the Modicare scheme because a few states also have such a plan and a way needs to be found together to gel this scheme with states, where a similar scheme is already being offered," said a senior government source in the know, who did not want to be identified.

He added that the Gujarat government, for example, has a plan called Mukhyamantri Amrutum (MA) Yojana, which provides free insurance of up to Rs 2 lakh per year to the poor and needy. "The committee with state representation would ensure that governments work together to ensure that one scheme does not clash with the other and rather gel with each other for effective implementation," he said.

The GST council, which is a key decision making body on GST, is headed by the union finance minister and has minister of state for finance in the Union government as well as ministers incharge of finance or taxation or any other minister nominated by each state government as its members.

Another government source said a mission kind of arrangement would also be made to implement the scheme. "That mission (or anything else that it may be called) would likely be headed by a senior bureaucrat or a technocrat to ensure successful and focused implementation of the project," said a government source.

The first source quoted above said it remains to be seen whether the government will be in a position to implement the scheme across the country before the 2019 elections. "The implementation would start with a few states initially, where it will be implemented as a pilot. The national rollout could happen only after that," he said.

The government, in the Budget, announced a new National Health Protection Scheme, under Ayushman Bharat plan, that will cover 100 million poor and families and 500 million people, providing each family an insurance of up to Rs 5 lakh every year in case of secondary and tertiary hospitalisation.

Finance secretary Hasmukh Adhia told ET on Friday that the government expects the mega healthcare scheme announced in the Budget to cost only about Rs 10,000 crore annually and is expected to be rolled out in six to eight months. While the central government will contribute about half of the total cost, the rest will come from the states.

Source

Back

Budget 2018: On mega healthcare plan, here is what Arun Jaitley can do - Financial Express – 5th February 2018

Finance minister Arun Jaitley has done well to clarify that the new health insurance scheme the Budget talks of will not involve getting hospitalised and then claiming a reimbursement since, as he said, this makes the scheme very messy—and, presumably, prone to abuse. Where the plan gets problematic, however, is in not wanting to charge the 10 crore households that will be covered under it. Even if the poor don't pay much, once they do, this

gives them ownership and is the only way to ensure they will demand service from those running it. That is why, for all other insurance schemes begun by the government, including that for life insurance, make the poor contribute towards the premium. Why this one should be any different is not clear. While the government has finally come out with a premium cost, of around Rs 1,000-1,200 per family for the proposed plan— had this been announced earlier, it would have prevented speculation on the costs—it underscores how vital it is to structure the programme right.

The RSBY costs around Rs 500-600 per family but gives just a Rs 30,000 cover against the Rs 5 lakh in the new one—does this mean RSBY was a rip-off or that, increasing the number of families insured from 3.6 crore (for RSBY) to 10 crore makes the premium fall so dramatically? Since the new plan is loosely modelled on Karnataka's Yeshasvini—the total value of surgeries allowed under that scheme are worth more than Rs 5 lakh—it would do well to learn from that scheme. It goes without saying, that with such large volumes, the government has to negotiate the best deal for all operations, down to possibly 30-40% of commercial rates available.

Healthcare experts, however, say that if the scheme is not restricted to select surgical procedures, its costs can quickly spiral out of control. A person suffering from dengue also needs hospitalisation, but if such illnesses are to be included in the scheme, there will be no stopping, and it is difficult to set protocols for too many varied diseases; and expensive solutions like, say, a cochlear implant have to be kept out since a hearing aid can often do much the same thing at a fraction of the cost. While the government can pay for surgical procedures, it must use its bargaining power to ensure, for instance, that all OPD facilities will be 50% cheaper for those covered—that way, patients get a benefit, but the system is less prone to abuse. Equally critical, the scheme has to be accompanied by intensive primary care facilities.

Clearly, insurance companies lose if more patients get operated and, if this happens, they will jack up the premium—but if there is intensive monitoring of patients to ensure they have regular check-ups and take their medicines on time, this will lower surgery costs. While the finance secretary has said that either an insurance or a trust model can be followed, Yeshasvini is administered by the government directly, to keep costs low and to closely monitor the scheme. The new scheme has to benefit the poor, not make private hospitals salivate at the mouth.

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Pension

Budget 2018: National Pension System now allows self-employed to withdraw 40 pct of corpus tax free - Financial Express – 5th February 2018

The National Pension System (NPS) will become more tax-friendly for the self-employed as finance minister Arun Jaitley has proposed to extend the benefit of tax-free withdrawal of 40% of the amount payable at the time of closure of account. This new proposal in Budget 2018 will bring non-salaried subscribers at par with salaried subscribers. In fact, since 2015, the government has been taking measures to make the pension product more tax-friendly.

At present, under the existing provisions of clause (12A) of Section 10 of the Income Tax Act, an employee contributing to the NPS is allowed an exemption of 40% of the total amount payable to him on closure of his account or opting out. Non-employee subscribers or self-employed, however, do not get this tax exemption. "In order to provide a level-playing field, it is proposed to amend clause (12A) of Section 10 of the Act to extend the said benefit to all subscribers," the Finance Bill underlines. In 2016, the finance minister had made withdrawals from NPS on maturity tax-free for up to 40% of the total corpus accumulated for salaried employees. Currently, NPS enjoys partial tax exemption on the maturity amount while the annuities (pension) post retirement remains fully taxable in the year of receipt. An individual has to pay tax on 20% of the maturity corpus. Other savings schemes such as public provident fund (PPF) and employees' provident fund (EPF), however, enjoy tax benefits in all the three stages: contribution, interest earned and withdrawal. After maturity of the account at the age of 60 years and above, a subscriber can withdraw up to 60% of the maturity corpus. While 40% of the corpus on maturity is tax-exempt for salaried, the balance is still taxable for both salaried and self-employed. Now, that disparity will be bridged once the Finance Bill becomes an Act. The annuity amount which is received from the 40% of the remaining corpus is fully taxable in the year of receipt as income from other sources.

Benefits on investments

Investments made in NPS offer three types of tax benefits under different sections of the I-T Act—Section 80CCD (1), Section 80CCD (1B), and Section 80CCD (2). In the first one, investment up to Rs 1.5 lakh is eligible for deduction, which also includes other investment tax breaks such as life insurance premium, Public Provident Fund, Employees' Provident Fund, etc. Under Section 80CCD (1B), introduced by Jailtley in 2015-16 Budget, a subscriber can claim additional tax benefit of Rs 50,000 by investing in NPS. Also, under Section 80CCD(2), employer's contribution up to 10% of basic salary along with dearness allowance of the employee is eligible for tax deduction.

This deduction does not have a monetary restriction, but the total deduction claimed for amount contributed by the employer should not exceed 10% of one's salary. Employers can make this contribution apart from contributing to EPF. However, this will reduce one's take-home pay, but will save on tax and help create a sizeable retirement corpus for the employee. Last year, the Budget made tax-free partial withdrawal of up to 25% of contributions for certain specified circumstances after 10 years of being in the scheme.

In order to increase the pension coverage, Pension Fund Regulatory and Development Authority (PFRDA), the pension fund regulator, has increased the maximum age for joining NPS to 65 years from 60 years for private sector and corporate models.

As more and more people are working beyond the age of 60 because of better healthcare facilities and more work opportunities in the private sector or are self-employment, the move to increase the age limit will help people save when they work and earn pension after retirement.

The annuity rates at an older age are better than that at the age of 60 years. The pension fund regulator has also taken a host of consumer-friendly initiatives like more choice for life cycle funds as per one's risk appetite and has appointed a second record keeping agency.

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IRDAI Circular

Source

List of corporate agents registered with the authority as on 31 Jan 2018 is available on IRDAI website.

Source

Updated list of TPAs as on 31st January, 2018 is available on IRDAI website.

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Global News

South Korea: Insurance industry's 2017 combined net profit shoot up 33% to over US$7 bln – Asia Insurance Review

South Korea's insurance firms saw their combined net profit jump by 33% to KRW7.82 trillion (US$7.21 billion) last year, according to the preliminary data from the Financial Supervisory Service (FSS).

The profit surge is due to hefty investment gains on the back of stock rallies and a rise in market interest rates, reported the Yonhap News Agency.

Life insurers saw their combined net profit soar by 63.4% last year to KRW3.95 trillion. The combined net profit of non-life insurers rose by 11.8% year on year to KRW3.87 trillion.

"When it comes to life insurance companies, stock rallies and higher interest rates contributed to increasing insurance income. In addition, growing dividend income and interest revenues led to an increase in the investment income of life insurers," the FSS said in a statement.

"Meanwhile, non-life insurers' earnings improved based on a better loss ratio in auto insurance. Furthermore, considerably expanded investment income was attributable to interest rate increases in 2017," it said.

Insurers' premium income totaled KRW191.2 trillion last year, a dip of 2.1% year on year.
Their aggregate assets grew by 7.3% to KRW1,109.9 trillion Last year, the insurers' return on equity rose to 7.61% from 6.15% in 2016.

Source

Australia: Brokers air concerns about new rules – Asia Insurance Review

The National Insurance Brokers Association (NIBA) has said that a new set of regulations for the industry does not take account of existing obligations, including the statutory duty on insurance brokers to act in the best interests of their clients when giving personal advice to retail clients. NIBA stated this in finalising its submission to the Federal Treasury in response to draft legislation which will implement the government's proposals for the new regulatory process across all areas of financial services. Briefly, every financial product which needs a Product Disclosure Statement will also be required to have a "Target Market Determination", which specifies the target market for the product.

Insurers will be responsible for developing these new documents. Distributors of insurance products – those acting for the insurance company and insurance brokers acting for and on behalf of their clients – will only be able to distribute the product in accordance with the Target Market Determination.

NIBA CEO Dallas Booth said that the idea and the core principle is relatively clear. But the detail of the legislation has been developed with investment products in mind, not general insurance policies. It will be extremely difficult for insurers to develop Target Market Determinations that comply with the new laws, and it will also place a huge onus on insurance brokers to make sure they are operating in accordance with the Determination. There are civil and criminal penalties for failing to do so. NIBA will seek to hold detailed discussions with Treasury in relation to these concerns, Mr Booth said.

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South Korea: Regulator to open up insurance sector – Asia Insurance Review

South Korea's top financial regulator has unveiled a plan to ease licensing regulations in the financial industry, including in the insurance market. Mr Choi Jong-ku, Chairman of the Financial Services Commission (FSC), speaking at a conference on 5 February, said that the measures are planned for insurers, banks, trusts and investment firms to facilitate job growth and innovation.

In the insurance sector, the FSC plans to allow more daily life-based, small-sized specialised insurance companies to offer services online, reported *Pulse News*. As part of efforts to attract more participation, the regulator plans to lower minimum capital requirements for online-only insurance companies.

The regulator is also considering introducing an overall system that allows small-sized insurers to offer specialised short-term cover such as pet and travel insurance as they would be less vulnerable to risks. In addition, the FSC will ease regulations to allow more specialised insurers in the life, pension, casualty, liability, nursing, and reinsurance sectors where new market entries are currently barred. In banking, regulations will be eased to allow the operations of Internet-only banks, mortgage banks and other special-purpose institutions.

In the securities brokerage sector, the FSC will push for more small-sized, specialised firms to be set up by lowering minimum capital requirements. The regulator will ease barriers to allow more specialised brokerages engaged in private equity and services in the secondary Kosdaq and smaller, venture-focused Konex markets by allowing them to simply register for operations instead of applying for approval. The FSC will establish a committee which will assess the competitive balance of the financial sector and advise regulators.

Source