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INSUNEWS

- Weekly e-Newsletter

26th May – 1st June 2018

• Quote for the Week •

"Your past has determined where you are at this moment. What you do today will determine where you are tomorrow. Are you moving forward or standing still?

Tom Hopkins

INSIDE THE ISSUE

Insurance Industry

Minuscule number of policies part of e-insurance account - Financial Chronicle – 1st June 2018

Despite IRDA mandating that all the electronically sold insurance policies should be brought into e-insurance account, only 10 to 12 per cent of the life policies and less than one per cent of the general insurance policies are added to the repository accounts.

IRDA in September last year had clarified that opening of e-insurance account for all policies that are sold on the ISNP Platform has to be followed up with opening of an e-insurance account within 15 days post selling of insurance policies. It had also stated that any non-compliance will be seen as a violation of the aforesaid guidelines. Any policy bought or sold using an electronic device has been defined by the regulator as sold on the ISNP platform.

However, according to insurance repositories who manage e-insurance accounts, only 10 to 12 per cent of the electronically sold life insurance policies and less than one per cent of the general insurance policies are now part of e-insurance accounts.

Life Insurance Corporation, the public sector behemoth, has not come on the platform and the company also sells policies mainly in the physical formats. "Some of the private insurers claim that a very high percentage—80 to 85 per cent—of the policies is sold in the electronic format. Some of them are compliant, but many are not. Hence the compliance level in the life insurance space is 10 to 12 per cent,' said S V Ramanan, CEO, Cams Repository.

However, the situation is worse in the general insurance space. A very high percentage of motor and health policies are sold electronically. These could either be a digital policy or that which is sold by an agent using an electronic medium. Of these, less than one per cent is part of e-insurance accounts.

"The insurance industry has to understand the benefits of such accounts. In case of motor, traffic authorities can easily validate a genuine policy by checking with the e-insurance accounts. In case of two-wheelers, renewals become fewer because the insurance companies find it costly to remind the owners for a low premium. A repository is also a useful platform for the insurance companies to verify the insurance details of a customer," said Ramanan.

However, many of the insurance companies find that managing two parallel systems—both physical and online accounts, is adding to their cost. Providing KYC details to the repositories also is looked upon as an additional hassle.

Source

Back

ESIC to open 'dispensary cum branch office' in every district - The Economic Times – 30th May 2018

The labour ministry today said the state insurer Employees' State Insurance Corporation (ESIC) has decided to open Dispensary cum Branch Office in every district of the country to strengthen medical services.

Besides this, some very important decisions were taken towards improvements in service delivery mechanism of the ESIC in its 174th meeting in New Delhi yesterday under the Chairmanship of labour Minister Santosh Kumar Gangwar, a labour ministry statement said.

To strengthen medical services in all the districts of the country, the decision for opening of one ESIC Dispensary cum Branch Office (DCBO) in every district of the country was taken in the meeting, the statement said.

DCBO will provide primary medical care, referrals for secondary medical care, scrutiny of bills of secondary care referrals, etc. besides distribution of drugs to Modified Employer Utilization Dispensary, IMPs (Insurance Medical Practitioners) in the district, payment of cash benefits, survey work for coverage in the district.

The ESIC will bear the establishment and operational cost of DCBO, without sharing, in the similar manner of expenditure of ESIC hospitals.

During the meeting, the decision for starting a Nursing Internship programme in ESIC hospitals was also taken. The programme will be open to duly registered fresh graduate nurses, who are looking to update their skill in real work setting under the supervision of regular staff, the ministry said.

"The ESIC would offer practical work experience to graduate nursing pass outs, focusing on application of nursing theory and knowledge to actual nursing tasks in medical settings.

"A stipend (consolidated) of Rs 22,000 could be provided for duration of the internship. The selection would be based on merit and number of positions for internship could be around 20 per cent of the sanctioned strength of Staff Nurses for the ESIC hospital," the statement noted.

The ESIC has given in-principal approval to Modified Insurance Medical Practitioner (IMP) Scheme, 2018 to make it more attractive on pilot basis. This scheme may further be expanded in the new areas as well as existing areas as per need.

In an area, where ESIC does not have its medical establishment, or in newly implemented area, primary medical care is provided cash less through tie up arrangement with Insurance Medical Practitioner (IMP). The ESIC will utilize the services of private practitioners (as IMPs) for delivery of primary care services (except for lab tests & medicines) to insured persons.

"The decision of construction of 100 bedded ESI Hospital in Bahadurgarh, Haryana; 50 bedded additional facilities for Super Specialty treatment at ESIC Hospital, Varanasi, UP; and starting of 100 beds medical facilities in ESIC Medical Hospital, Bihta, Patna, Bihar were also taken in the meeting," it said.

Source

Besides this, the proposal for upgradation of existing ESIC Hospital at Bibvewadi, Pune from 50 to 200 beds (upgradable to 500 beds) and enhancement of bed strength of the ESIC Hospital, Namkum, Ranchi from 75 to 200 beds and construction thereby of 200-bed ESIC Hospital at Ranchi, Jharkhand were approved.

Back

India: Lack of say deters foreign investors from insurance mart – Asia Insurance Review

Foreign insurance companies from Asia, Canada and Europe are said to be hesitant about entering the Indian market three years after the insurance law was amended to allow a higher foreign investment limit in insurance companies in the country.

Foreign investors are reportedly deterred by a requirement for Indian management control for all domestic insurance companies.

Despite multiple requests from interested foreign partners, sources said that the government will not be loosening the rules on this front, reports Money control.

The Insurance Laws (Amendment Bill) 2015 was passed in March 2015, increasing the foreign direct investment ceiling in an insurance company from 26% to 49%. But there is a caveat that insurance companies in India must have Indian management control.

"When we put in adequate capital and take a 49% stake in an insurance company, we would also like to get decision-making powers on an equal footing. Without that, the investment does not make business sense," said a senior executive of an Asian insurance major that was in talks to form a joint venture in India.

Sources told Money control that at least three insurers had approached the central authorities in recently, seeking clarification on the Indian management control rules. However, they were told that no tweaks will be made.

Soon after the Insurance Act was amended in 2015, there were reports of how the Indian insurance market would receive at least millions in funds over the next six to eight months from foreign insurers seeking to set up ventures in the country. Reports were that two insurers from South East Asia, one from Canada and two from Europe were leading the queue in 2015. So far, none of them has set foot in the Indian market.

Source

Back

Insurance Regulation

Don't give insurance without PUC, IRDA told – The Times of India – 30th May 2018

The road transport ministry has asked the insurance regulator to direct all companies not to issue or renew insurance of vehicles unless they have 'pollution under control' (PUC) certificate.

As per law, no vehicle is allowed to ply without at least having third-party insurance, a rule which is largely flouted due to poor enforcement. The ministry has also asked the Insurance Regulatory and Development Authority (IRDA) to direct the companies to submit their compliance report by June 15. The ministry will also write letters to about two dozen insurance companies.

The letter issued on Tuesday said, "The Supreme Court has directed vide its order dated 10th August 2017 that the insurance companies will not insure a vehicle unless it has a valid PUC certificate on the date of the renewal of the policy. It may further be noted that fitness certificate is also a mandatory requirement for all valid registered transport vehicles." The ministry has also set April 2019 as the deadline for putting emission reports of all vehicles online.

Source

Back

Life Insurance

Telangana Cabinet clears major life insurance scheme for farmers - The Hindu Business Line – 27th May 2018

Life Insurance Corporation of India (LIC) will implement a massive insurance scheme for farmers in Telangana. Farmers in the age group of 18 to 59 years in Telangana will get an insurance cover of Rs 5 lakh. The scheme will commence on August 15. Officials of the Agriculture Department will prepare a list of eligible farmers, forward it to LIC and pay the premium. The farmers will get the policy documents after August 15. The State Cabinet on Sunday cleared the proposal to introduce the scheme.

LIC has been entrusted with the task of providing the cover, which entails a premium of Rs. 2,271 per farmer. The State government will pay the premium on behalf of eligible farmers. The scheme will get an allocation of Rs. 1,000 crore in the State Budget. Those in the age group of 18 to 59 by August 15 will be eligible for the scheme. The farmer whose life is insured can propose the nominee of his choice to receive the proceeds in case of his or her death.

"Irrespective of the reason due to which a farmer dies, including natural death, the insured amount of Rs. 5 lakh shall be paid to the nominee proposed by the insured farmer within ten days of the claim," Telangana Chief Minister K Chandrasekhara Rao said.

"The farmer need not pay a single rupee for premium. Funds required for the payment of aggregate premium shall be budgeted. The total premium will be credited to the implementing agency by August 1," he said. "The premium would have been less if it were accident insurance only, instead of life insurance. Yet, we have decided to go for life insurance to provide financial support to the kin of deceased farmers," the Chief Minister said.

"Small and marginal farmers in Telangana account for 93 per cent (of about 58 lakh farmers). There are 18 lakh farmers whose holdings are less than one acre. Their livelihood is entirely agriculture and farming and for any reason when the farmer dies his family will have to face a lot of hardships," a government release, quoting him said.

Source

General Insurance

Third party cover: Insurers critical of ministry directive on compulsory PUC - The Indian Express – 1st June 2018

General insurance companies have expressed reservations against the directive of the Ministry of Road Transport and Highways to provide third party insurance cover only to vehicles which possess valid pollution under control (PUC) certificates. In a directive to the Managing Directors of general insurance companies on May 30, the Ministry had said: "It must be ensured that no third-party insurance policy is issued or renewed without ascertaining the availability of a valid PUC. In the case of transport vehicles, the availability of a valid fitness certification is also mandatory."

However, insurance companies said it's not practical to execute the Ministry's latest directive. "It may not be possible to implement this directive. We are planning to meet the officials of the Insurance Regulatory and Development Authority (IRDA) to explain the difficulties involved in implementing the PUC certificate order," said a senior official of a leading general insurance company.

The Ministry directed insurers that "directions may please be complied without any exception". "A compliance report to this Ministry may be submitted latest by June 15, 2018," it said.

"Please refer to the order dated August 10, 2017 passed by the Supreme Court in Writ Petition (C) No. 13029 of 1985 in MC Mehta vs Union of India and others, wherein the Court has directed that the insurance companies will not insure a vehicle unless it has a valid PUC certificate on the date of renewal of the insurance policy. It may further be noted that the fitness certification is also a mandatory requirement for all validly registered transport vehicles," the Ministry of Road Transport said in its letter to insurance companies.

The SC bench headed by Justice Madan B Lokur had asked the Ministry of Road Transport and Highways to ensure that all fuel refilling centers in the National Capital Region (NCR) have PUC centers. The bench was hearing a PIL filed by environmentalist M C Mehta way back in 1985 dealing with various aspects of pollution.

The Supreme Court had accepted the recommendations of the Environment Pollution (Prevention and Control) Authority (EPCA) to ensure mandatory linking of PUC certificate with the issue of annual vehicle insurance. The court also asked the authorities to issue specifications for the kind of equipment required to be installed at PUC centers so that regulatory violations can be curbed. Though it was expected that Insurance Regulatory and Development Authority (IRDA) may issue some instruction to the general insurers for complying with the SC order, the regulator refrained from taking the step and took a stand that the matter is between SC and insurers and there was need for its intervention. "As insurers it would be difficult for us to ensure the use of PUC by any customer. We don't have the means to enforce it," said an insurance official.

While own damage business is a profitable portfolio for insurance companies, third-party motor insurance — which is compulsory for all vehicles to ply on Indian roads — is a loss-making proposition. IRDAI administers the third party insurance pricing and reviews the rates annually based on a pre-determined formula. The regulator takes into account various factors including the loss ratios for insurers, inflation and higher awards by judiciary. In all other classes of P&C business where DE tariffing has taken place and pricing freedom given to insurance companies, the premiums have come down, thanks to competition.

Though externally, insurance companies are supporting detariffing of motor TP premium, there is a perception that behind this facade they are working for retention of the tariff where they get assured increases in premium rates by Irda instead of facing the prospects for drastic reduction in premium in a competitive detariffed environment.

Source

Back

New India Assurance launches P&I cover for ship owners - Business Standard – 31st May 2018

State-run New India Assurance today forayed into protection and indemnity (P&I) cover for the inland and coastal vessels, which is dominated by international players.

"This is the first time that any domestic plater has entered in the segment, which is dominated by international players under the exemptions given by the regulator," New India Assurance Company chairman and managing director G Srinivasan told reporters here.

Initially, he said, the company will cover vessels in Indian waters including dry cargo, tugs barges among others. "We will extend it to ocean going vessels later," he added.

The sum insured for each vessel will be Rs 33 crore and there is no provision for any condition survey for vessels less than 10 years.

Source

This product has been backed by reputed reinsurers and P&I Clubs of repute, Srinivasan said.

Back

General insurers' gross direct premium in April rises 13.8% - Financial Express – 30th May 2018

General insurance companies started the current financial year on a positive note as they saw growth of 13.8% (year-on-year) in gross direct premium in April. The growth was largely led by segments such as health and motor insurance, according to market participants. Data from the Insurance Regulatory and Development Authority of India (Irdai) show that general insurance company saw gross direct premium in the month of April at Rs 13,880.74 crore as against Rs 12,198.60 crore in previous year.

New India Assurance continued its dominant position in the industry with market share of 18.25%, while in private sector ICICI Lombard remained at the top with market share of 9.71%. Senior officials in the industry stated that, in the last financial year corporate business had not picked-up. But once this year with expectations of positive growth in the country, we might witness surge even in segments like fire, marine and engineering line of business. Apart from New India Assurance, other public sector insurers like National Insurance and United India Insurance had market share of 10.53% and 9.28% respectively in the month of April.

Many big players like Bajaj Allianz General Insurance, ICICI Lombard General Insurance, New India Assurance saw growth of 35-17% in the month of April. However, two specialized players ECGC and AIC saw negative growth of 16.42% and positive growth of 30.32% respectively in the month of April.

Insurers are confident that, even in this financial year crop insurance would be Rs 26,000-Rs 28,000 crore which will further boost the growth of the industry. Senior officials in the industry say that, in the last fiscal crop insurance had seen premiums of over Rs 24,000 crore. Apart from general insurance, stand alone health insurance companies also saw a surge in their premium at 29.21% in the month of April.

Source

Back

Insurers face up to Rs 25,000 crore hit, motor premiums may rise - The Economic Times – 30th May 2018

The general insurance industry is staring at a loss of anywhere between Rs 10,000 crore and Rs 25,000 crore in the next few years, and motor insurance premium rates may rise after the government increased compensation for third-party deaths tenfold to Rs 5 lakh. A notification amending the Motor Vehicles Act was issued last week and the changes came into effect from May 22.

"While for families of accident victims this is a welcome move, it will impact the industry hard," said Kamesh Goyal, chairman Digit Insurance, which is backed by Prem Watsa's Fairfax. "The premium will only increase next year. On existing books where claims are pending, the impact on the industry can be anywhere between Rs 10,000 crore and Rs 25,000 crore."

The amount will increase 5% annually for all types of compensations with effect from January 1, 2019. So far, the minimum amount payable for third-party deaths was Rs 50,000, which is now Rs 5 lakh. For permanent disability, it was Rs 25,000 and now Rs 50,000. However, the average claim pay-out was around Rs 3 lakh.

Third party motor cases take longer to settle, and the compensation amount is decided by the courts. The sum insured is unlimited in case of fault liability claims. Under "fault liability claims", the claimant has to prove negligence on the part of the vehicle that caused the accident.

The industry expects third-party motor rates to go up by 20-30%. This will be in addition to the revision in rates every year based on actuarial assumptions and performance of the portfolio.

The Insurance Regulatory and Development Authority of India (Irdai) has brought in significant changes in the third-party motor segment, which has seen a high claims ratio since 2008. Premium on third party motor insurance is determined by Irdai. From 2011, the insurance regulator has been reviewing and fixing the pricing

of motor third-party cover on an annual basis against the earlier practice of making a revision once every five years. Irdai looks into factors such as frequency of claims for each type of vehicle, average value of claims for each type of vehicle and inflation.

The Insurance Laws (Amendment) Act of 2015 mandates insurers to complete a certain minimum third party motor insurance business. Since it is mandatory to provide third-party insurance, risks that are declined by companies are sent to a separate pool.

As per the government of India report (Road Accidents in India-2015), about 1,374 accidents and 400 deaths take place every day on Indian roads. There is no legal time limit on claims. Cases can be filed either in the area where the accident occurred or where the claimant or defendant resides. The sum insured is unlimited in case of fault liability claims.

General insurance companies collected Rs 26,523 crore under the third-party motor segment in the last financial year while the premium collected under own damage was Rs 23,727 crore, according to the data published by Irda. This financial year, Irda reduced premiums by 11.35% for cars less than 1,000cc. Motor third-party cover is mandatory for all public, private and commercial vehicles. It covers liability arising out of third-party claims due to accidents.

Source

Until now, motor vehicle liability was unlimited, while aircraft liability is capped at Rs 5 lakh and railway liability at Rs 2 lakh. Industry estimate suggests that 70% of two-wheelers and 30%-40% of private cars plying on roads are uninsured.

Back

New India Assurance looks to lower health-loss ratio to 95% - The Hindu Business Line – 27th May 2018

State-run New India Assurance is looking at bringing down its health-loss ratio to 95 per cent in the current financial year and hopes to break-even in the segment by FY20, a top company official has said. In FY18, the largest general insurer's health-loss ratio had come down to 103 per cent from 114 per cent.

"We will be bringing down the health-loss ratio. This year (in FY19), it will come down to 95 from 103 per cent. To break-even, the ratio has to come down to 85 per cent, which will happen in the next one year later (FY20)," chairman and managing director G Srinivasan told PTI.

The company's health insurance portfolio consists of retail (30 per cent), group health (60 per cent) and government businesses (10 per cent). In the last financial year, the state-run insurer had taken a slew of steps to bring down its losses from the health insurance portfolio.

"The group health insurance is a major area of concern where we have done a substantial repricing this year. We have also walked away from businesses where we did not get the right price," he said. The state-run insurer said there is further scope for repricing in group health insurance premium.

"In case of group health, there is further scope of repricing. At every renewal, we can look at the claim experience and reprice it. So, there a little more scope (to reprice) in this portfolio in the course of the current year and that is why we are saying that the health-loss ratio will come down to 95 per cent in FY19," Srinivasan added.

Source

He said the repricing in group health insurance premium varies in the range of 10-40 per cent.

Back

PSU general insurers told to shore up capital levels – The Times of India – 26th May 2018

All three public sector general insurers — Oriental Insurance, United India Insurance and National Insurance — have been pulled up and told by finance ministry officials to boost their capital levels, ahead of their merger, said sources. All three have poor scorecards with United India's solvency ratio at 1.54, Oriental at 1.67 and National Insurance at 1.26, according to public disclosures made by the companies.

The solvency ratio represents the ratio of the company's own capital to the risk that it is exposed to and is equivalent to the capital adequacy ratio for banks. While United India and Oriental have scraped through the regulator's solvency ratio requirement of 1.50 — a measure of an insurer's ability to meet claims — National Insurance has not met industry standards.

This poor performance comes into sharp contrast when measured with New India Assurance's 2.58 and private players ICICI Lombard General Insurance's 2.05 and Bajaj Allianz General Insurance's 2.76 as on March 31, 2018.

Given the deadline of merging by April 2019 and then going public, it would be near impossible for the three to boost their capital levels organically, said an executive from a public sector insurer.

The executive added, "Irdai officials made representations that the government would have to step in with fresh capital or allow insurers to raise funds from the market.

Source

Both suggestions were discussed, but nothing was finalized. But the companies and Irdai did make it clear that it would not be possible for them to cut expenses, trim their budget and meet capital requirements on their own within the next 11 months."

Back

Now let Google home assist you with your queries on General Insurance – Business Standard – 25th May 2018

HDFC ERGO General Insurance Company, India's third largest non-life insurance provider in the private sector, launched its AI enabled Chatbot 'DIA' on Google Assistant, which enables the users to access the service through the Google Home device.

DIA will also be available to customers with mobile devices in which the Google Assistant application can be installed. Through this launch, 'DIA' will now be accessible 24/7 to a wider audience providing instant solutions to their queries related to general insurance, thereby delivering superior customer service experience.

Post the successful launch of DIA on Amazon Alexa, this new development by HDFC ERGO will offer customers a more intuitive way to interact with the company.

Also, since the beginning of the year, the usage of Google Assistant has tripled in the country, allowing the company to spread its wings wide and reach out to the consumers to demystify general insurance, through a simple voice command - "Ok Google, Talk to HDFC ERGO".

Ritesh Kumar, MD and CEO, HDFC ERGO General Insurance Company said, "At HDFC ERGO, the customer is at the core of all that we do and hence we are always exploring new trends and opportunities to ensure we reach out and offer the best experience possible.

Leveraging newer platforms, like Google Assistant, to help provide customers with richer experiences and simplified solutions therefore, becomes imperative for us. The integration 'DIA' with Google Assistant is a step in this direction to reach out to the large and wide spread audience who have mobile devices and engage with them to provide a 24/7 support for all their general insurance related queries."

The primary mode of interaction will be through voice, but input through the devices keyboard is also supported on the Assistant.

Using this approach, the Google Home device searches the internet for the information requested, through the Assistant. Customers using Google Home or any mobile device, with Google Assistant, can get access to enable the services from HDFC ERGO.

To enable this, customers must enable or install Google Assistant on their mobile phones. DIA will be available at your service on calling out the phrase "Ok Google, Talk to HDFC ERGO" or simply typing "Talk to HDFC ERGO". Customers can easily use DIA to locate the nearest network hospital, network garage or HDFC ERGO branches, understand the products offered by the Company and even get answers to various queries related to general insurance.

It will also guide the customers on queries like "How long does it take to process claims?" or "How can I renew my policy?" or even get a response to complex questions on topic like Salvage, No Claim Bonus and so on.

HDFC ERGO understands the power of technology and integrating its AI enabled Chatbot, DIA on Google Assistant is a step ahead in simplifying things and taking customer experience to the next level.

Source

With time, more services will be enabled and made available on Google Assistant to raise the bar of customer service experience.

Health Insurance

Private hospitals want government to review rates of insurance scheme - The Economic Times – 1st June 2018

Five of India's largest private hospitals have asked the government to reconsider the pricing list of the Modi government's flagship insurance programme Ayushman Bharat Scheme because quality care to patients at current rates is unviable.

Five national private hospitals ET spoke to said that government should have taken their inputs before deciding the package costs that the Niti Ayog announced in May this year. Branded as Modicare earlier, the Ayushman Bharat scheme flagged the world's largest insurance scheme by the ruling BJP government is expected to give insurance cover to a vast majority of Indians.

Niti Ayog announced a detailed list of rates for 1,354 packages for 23 treatments across various therapies and procedures. This scheme is expected to provide insurance cover of Rs 5 lakh per family for up to 10 crore Indians below the poverty line. The policy covers hospitalisation, treatment expenses including for secondary and tertiary level of medical and surgical care. The government said procedure costs are in the range of Rs 1,000 to Rs 1 lakh depending upon the complexity of the ailment.

"If we need quality care, we need to spend money," said Sunita Reddy, CEO of Apollo Hospitals, India's largest hospital chain. Reddy said though the scheme provides opportunity for the hospital's tier-2 operations, the government needs to relook at the prices so patients do not end up getting substandard care.

Habib Khorakiwala of Wockhardt Hospitals said he was unsure if large hospitals would participate in this scheme. "The issue is not the total cover of Rs 5 lakh, it is the individual price point will not be possible to meet", Khorakiwala told ET.

Large private hospitals have stayed away from state insurance schemes for lack of profitability. The Ayushman Bharat scheme held out hope with the Rs 5 lakh cover a balance could be struck between profitability and affordable healthcare.

"Some of the procedures are definitely unviable, we are anyways not looking for government schemes to give us money, but the pricing is definitely low," Dr Devi Shetty, who built Narayan Health hospital chain a decade ago, said, adding that he expects a revision soon.

Under the scheme the cost of pulmonary artery double stenting is capped at Rs 65,000, a bypass surgery with synthetic graft at Rs 90,000, a cementless hip replacement at Rs 90,000 and knee replacement at Rs 80,000. The package rates are nearly 20% less than the treatment package covered under the Central Government Insurance schemes and state schemes like Rajiv Gandhi Bima Yojana. Analysts say this is where the industry is miffed because it expected comparable to better than similar earlier schemes.

Many private providers treat state scheme patients profitably onthe back of a cost-effective delivery model in areas like consumables, drugs, implants procurement and low doctor and employee costs said Kaustav Ganguli, managing director, of healthcare consultancy Alvarez and Marsel.

"When you expand the overall coverage per annum for a family and that too from Rs 30,000 to Rs 5 lakh per annum," Ganguli explains, "the natural expectation would be that you will get realistic rates for the services provided".

BS Ajaikumar of BSE listed Healthcare Global Enterprises (HCG), which specialises in cancer care, has decided his hospital will be unable to treat the patients under this scheme at these prices.

"The government should have looked at having insurance for all, as insurance companies understand healthcare and can negotiate with hospitals. But this current approach is geared towards providing inferior treatment", Ajaikumar said, adding "We don't find any reason to participate in this scheme."

However, Niti Aayog is convinced about its pricing. "I am very disappointed that some hospitals are planning to not participate in the programme", said Indu Bhushan heading the programme from Niti Aayog.

Bhushan said hospitals should treat this scheme as part of their corporate social responsibility (CSR) as it'll benefit the 40% poor people instead of hospitals or insurance companies.

"The rates are decided nationally. We have given states some flexibility to change the rates. If the rates are not correct, the hospitals should help us in discovering the right rate," Bhushan said, holding up hope for private players. However, there might be a silver lining.

"A number of people who could not afford tertiary care are going to avail of this program and there are still many hospitals, besides the super speciality ones, who would like to cater to them" said Shriraj Deshpande of Future Generali General Insurance.

Source

Back

Modi-care is better than Obamacare: Rajnath - The Tribune – 31st May 2018

The national health protection plan of the Narendra Modi-led government is even better than the famous 'Obamacare' plan of former US president Barack Obama, Home Minister Rajnath Singh said on Thursday.

"We (people) have begun to say that Modi-care has gone far ahead of Obamacare," Singh said, talking about the NDA government's achievements in the last four years at a press conference here.

"The government led by Modi took the historic decision to roll out Ayushman Bharat Swasthya Bima Yojana," he said.

"Obama health care has been much talked about globally, but our government has decided to launch the world's biggest healthcare (plan) of Rs 5 lakh (coverage) for ten crore people," Singh said.

Source

The Patient Protection and Affordable Care Act, more commonly known as Obamacare, was introduced during the presidency of Barack Obama.

Back

Modicare may be co-branded with Arogya Bhagya – The Times of India – 30th May 2018

In a decision with political implications ahead of the 2019 parliamentary elections, Arogya Bhagya of the Karnataka government may be co-branded with the Centre's Ayushman Bharat.

Both schemes are related to medical expenses coverage and were announced in 2017. The ambitious state health assurance scheme was announced by the previous Congress government and attracted attention as it would be available for the entire 6.5 crore population of Karnataka.

The scheme, after much delay, was officially launched in February this year. However, it could not be executed entirely due to the model code of conduct that kicked in after the assembly elections were announced.

Meanwhile, in his 2017 budget, Prime Minister Narendra Modi announced a health insurance scheme for the entire country.

"There will be an obvious overlap of both schemes. We cannot tell people that if you're covered under the Centre's scheme, you're not eligible for the state scheme. We may now consider co-branding them," said a senior health department official.

Additional chief secretary Ajay Seth confirmed the development and said talks were under way. It's said the Centre has appeared to be leaning towards co-branding considering the political implications for the 2019 polls.

"If the Centre remains adamant at retaining its scheme, then Karnataka, the only big non-BJP state, will also promote Arogya Bhagya ahead of elections," said a government official. Official sources said co-branding will mean only one scheme will be available in Karnataka. The modalities of the integration will be worked out after the Centre formally agrees to co-branding, they added.

Arogya Bhagya scheme
* Above Poverty Line urban households pay Rs 700 per person every year and Rs 300 per person every year in rural areas as insurance for a cover of Rs 1.5 lakh to Rs 2 lakh per person
* For priority (BPL) families, the scheme is free

Ayushman Bharat
* Will provide a cover of up to Rs 5 lakh to each BPL family
* Primarily targets 10 crore BPL families in the country
* Rules and regulations yet to be formalized

Source

National Health Insurance premium likely to be Rs. 1,050 - The Hindu Business Line – 29th May 2019

The National Health Protection Scheme is likely to have an annual premium of less than Rs 1,100, with the Centre and States saying it should be closer to Rs 1,050 for every family.

The scheme, which is likely to be launched on August 15 with Prime Minister Narendra Modi's Independence Day address, is expected to provide complete health insurance cover to a family of five.

Industry sources said that insurers were keen on keeping the premium a bit higher at about Rs 1,500-2,000 per year for the scheme to be feasible.

However, the government is banking on the scale of the scheme as well as previous schemes such as the Rashtriya Swasthya Bima Yojana while fixing the premium.

Niti Aayog, which is finalising the contours of the Ayushman Bharat National Health Protection Scheme, is in the last rounds of discussions with insurers and States.

It is expected to finalise the full details of the health insurance scheme, and also finalize a tender for calling bids from insurers by early next month with an upper limit for the premium.

At present, the ceiling is likely to be set for only one year and could be revised from the second year, based on the response.

"The idea is to keep the annual premium as close to Rs 1,000 per family as possible as it will make it more affordable. People often have to reassess costs at even marginally higher prices of even Rs 1,100 or Rs 1,500," noted a source, adding that it would ensure that insurers also do not face losses.

Officials also point out that the very low rates for the annual premium for other government insurance schemes, such as the Pradhan Mantri Jeevan Jyoti Bima Yojana and the Pradhan Mantri Suraksha Bima Yojana of Rs 330 and Rs 12, respectively, have made them tremendously popular with crores of subscribers.

"Insurers under Ayushman Bharat will not have to worry about losses, given the huge market that will be available to them," noted a senior government official.

Source

Announced as part of the Union Budget 2018-19, the government had said the National Health Protection Scheme would cover over 10 crore poor and vulnerable families or about 50 crore beneficiaries. It would provide coverage of up to Rs 5 lakh per family per year for secondary and tertiary care hospitalization.

Back

Partial waiver of bills if patient dies in a day of being admitted to Delhi private hospital - Hindustan Times – 29th May 2018

The Delhi government on Monday issued a draft policy with sweeping changes in charges levied by private hospitals in the city, including a controversial provision for a partial bill waiver if a patient dies within a day of being taken to a hospital emergency.

Under the draft policy, which will be open for suggestions from the public for a month, if a patient dies within six hours of being taken to a hospital emergency, 50% of the cost of treatment will be waived. If the death occurs within 24 hours, 20% of the total bill amount will be waived.

"There have been a lot of complaints of overcharging and malpractices in private hospitals. This policy will help increase transparency," Delhi health minister Satyender Jain told reporters on Monday.

"The maximum number of feuds happens when the patients die within the first few hours and the relatives are handed a huge bill. We have suggested that the hospitals waive off 50% of the cost on humanitarian grounds as 50% covers the cost of consumables and medicines," added Dr KK Aggarwal, former president of the Indian Medical Association and a member of the panel that proposed the policy aimed at capping profits of private hospitals.

The new draft policy urges doctors to prescribe drugs from the 376 medicines on the National List of Essential Medicines (NLEM), the prices for which are fixed by the Union government. For drugs not on the essential list,

hospitals can charge either the Maximum Retail Price (MRP) or a mark-up of 50% on the purchase price, whichever is less, it says.

The same applies to all disposables and consumables such as gloves, syringes and cotton swabs. For surgical implants, the hospitals can charge MRP or a 35% mark-up on purchase price, whichever is less. The policy also says that hospitals must list the cost of various treatment packages and counsel the patients on the expected complications and the added cost, if they happen. An additional surgery or procedure performed on the patient should cost only 50% of original cost. In case of complicated cases, the hospitals may prepare high-risk packages, which can cost 20% more than normal packages.

The advisory also said that any private hospital or nursing home shall not refuse treatment to any patient brought in emergency condition. It said they no dead body can be detained in the hospital for want of non-payment of dues.

In order to bring about these changes, the Nursing Homes Registration Rules that govern all private hospitals and nursing homes will have to be amended to include the provisions. This will require the Delhi government to clear the proposal in its Cabinet and send it to the Lieutenant-Governor for clearance.

"The draft has been released for public consultation, after which it will have to be approved by the Delhi Cabinet and the L-G for it to become enforceable," said Dr Kirti Bhushan, Delhi director general of health services.

A Haryana government panel probing the death of a seven-year-old girl from dengue related complications at Fortis Memorial Research Institute in September had in January recommended reducing profit margins at corporate hospitals.

The panel said profit margins on drugs and consumables ranged from 5% to as high as 1737%. The bill could have come down to one-third of the amount charged if a comprehensive package had been offered by the hospital, the panel had said.

Several hospitals and health care experts described the measures as "harsh" and said they may adversely impact patient care.

"The advisory is quite harsh from the perspective of private health care services providers based in NCT Delhi. We are in the process of studying the document in detail and will be engaging with the government in a constructive manner. We completely understand the need for transparency and fair and reasonable profits. The reality, however, is quite different.

Most private players are making losses or single digit returns which don't even cover the cost of capital. Some of the recommendations may also adversely impact patient care and quality," said Max Healthcare authorities in a statement.

"Regulating prices in this way may push health care providers against the wall and lead to deteriorating quality of services. For example, in the case of a hernia, the chances for complications are little, 96% would not need any care, but what of the 4% who might need ICU care for prolonged periods?" said Dr MC Misra, former director of the All India Institute of Medical Sciences (AIIMS).

"You cannot expect five-star services and not want to pay for it; who will pay for the huge infrastructure that the hospitals have to maintain? Rather, the treatment cost can be controlled through insurance, which should be mandatory for all. Right now, there are so few people with health insurance that the ones with it are milked by the private hospitals," Misra added.

"How can you formulate these packages when the government has not set any standard treatment guidelines? When it comes to procedures, it is not that simple. Would capping prices lead to patients being turned away or restrict their choices? And is the public sector prepared to deal with the increased patient load? The issue is very complex," said Samit Chowdhury associate professor of Health Policy Research Unit, Institute of Economic Growth (IEG), but pointed out that consumers will benefit from the cap on drug prices.

Insurance companies, however, welcomed the move. "As the cost of health care goes up, so do insurance premiums, making them unaffordable. There are no regulation of costs for health care providers now. The draft regulations will ensure that the patients are charged reasonable rates and this will benefit all stakeholders," said G Srinivasan, chairman and managing director of New India Assurance.

Source

Health rates 'unsustainable' – The Telegraph – 28th May 2018

The Centre's proposed rates of reimbursement to hospitals for various medical procedures under the National Health Protection Scheme are low and unsustainable and could compromise patient safety, an organisation representing hospitals has told the government.

The Association of Healthcare Providers of India (AHPI) has said the proposed rates are in general significantly lower than the costs that large tertiary-care hospitals typically incur on medical procedures.

The NHPS, announced by the Centre earlier this year, will cover hospitalization costs of up to Rs 5 lakh each for over 10 crore "poor and vulnerable" households, or 50 crore people.

Working through insurance or trust models, the scheme will reimburse empanelled hospitals for medical procedures.

The AHPI has provided documents to senior officials tasked with rolling out the NHPS and argued that the proposed reimbursement rates range from 11 per cent to 58 per cent of the costs calculated by the Indian Institute of Management, Bangalore, and the Karnataka government.

"The fear is that if the tertiary-care rates are significantly lower than the actual costs, specialist tertiary-level hospitals might not take up the scheme," said Girdhar Gyani, director-general of the AHPI, which represents about 2,500 hospitals with 100 or more beds and about 10,000 smaller hospitals.

"We are concerned that if the rates are not compatible, patient safety may get compromised," Gyani told The Telegraph.

"The difference between costs and rates suggests that the rates are low and unsustainable," Gyani said. "The private sector would be happy to bear some of the costs to become part of this national scheme, but participation has to be within limits of sustainability."

In invoking safety concerns, AHPI officials believe that small hospitals or nursing homes without appropriate infrastructure, human resources or facilities might become empanelled to provide services under the NHPS.

Senior health officials have indicated that some of the proposed rates might be reviewed through consultations.

However, an alliance of doctors campaigning for ethics in medical practice has independently submitted a "rate calculator" to the government that takes into account the costs of land, infrastructure, consumables and doctors' fees to estimate the rates of medical procedures.

Source

"The calculator helps fix rates depending on the actual costs," said Arun Gadre, a gynecologist and founding-member of the Alliance of Doctors for Ethical Healthcare, who had been asked in December 2014 by the health ministry to develop the tool. "For those interested, the rate calculator is ready."

Back

Crop Insurance

Maharashtra CM asks crop insurers to pay farmers before June 7 – The Times of India – 31st May 2018

Three days after TOI revealed that insurance companies had paid only 7% of the 2,269 crore due to the state's farmers under the Prime Minister's Crop Insurance scheme by May 10, chief minister Devendra Fadnavis called a review meeting on Wednesday. He has directed insurance companies to make the payout which was due for the kharif 2017 season before June 7.

TOI's report on May 27 had said there was growing unrest among the state's farmers since the next kharif sowing season was approaching and they needed money to buy farm inputs. Insurance companies said they were struggling with delays by banks in uploading data and farmer account details to the National Crop Insurance Portal which was being used this year to process applications to the scheme. This year, insurance companies have been asked to credit the claims directly to the accounts of beneficiary farmers.

Fadnavis told insurance companies at the meeting to implement the Centre's directive to credit banks with the money in cases where there were technical problems in accessing or matching the farmer's data and bank details. In such cases, the state's cooperative department would provide the relevant data at a later stage, he said.

Sources said the main problems and delays in uploading data were being reported mainly from the district central cooperative banks in Solapur, Ahmednagar, Beed, Jalna and Osmanabad. Fadnavis also said the multiple pieces of data required to access government schemes were causing delays in accessing them. He asked officials to formulate a method where all the data can be gathered at one go.

As many as 81.6 lakh farmers had participated in the Pradhan Mantri Fasal Bima Yojana (PMFBY) in the state. Of these, nearly 45 lakh farmers or 55% were estimated to be beneficiaries. However, up to May 10, only 3.5 lakh farmers or 8% of beneficiaries had received the payout, TOI had said.

The lowest payout was from the public sector Agriculture Insurance Company. It has claims worth 1,014 crore owed to 18.7 lakh farmers. However, the payout was only 9 lakh to 40 farmers by May 10. In 2016, when PMFBY was launched, bank data was taken offline and payments were made by insurance companies to the banks instead of to the beneficiary's account.

Source

Back

Reinsurance

India: Biggest reinsurer shows sturdy results despite competition & global catastrophes – Asia Insurance Review

State controlled GIC Re, India's largest reinsurer, has posted a profit after tax of INR3,233.59 crore ($477.4 million) for the year ended 31 March 2018 (FY2018), 3.4% higher compared to INR3,127.67 crore for the previous financial year.

Growth in gross premium income of the company was 24.5% with premium reaching INR41,799.37 crore for FY2018.

In a statement, Mrs. Alice Vaidyan, GIC Re's chairman and MD, said that the company's performance was remarkable in respect of premium growth and profitability in FY2018 despite 2017 seeing record insured losses from global catastrophe events. The year saw catastrophe losses from hurricanes Harvey, Irma and Maria in the US and the Caribbean alongside the Mexican earthquake and California wildfires, which hit the profitability of the insurance and reinsurance industry in a major way.

In addition, GIC Re's FY2018 investment income increased by 17.6% to INR5,392.03 crore.

The incurred claims ratio increased from 81.0% in FY2017 to 86.5% in FY2018. The combined ratio was 104.0 % for FY2018 compared to 99.7% for FY2017.

The net worth of the company (without fair value change account) increased by 19.9% to INR21,525.92 crore at 31 March 2018 from 17,946.63 crore on 31 March 2017.

The reinsurer's solvency ratio stood at 1.72 at 31 March 2018, which was above the minimum required solvency ratio of 1.50.

GIC Re's group includes subsidiary companies, namely, GIC Re South Africa, GIC Re Corporate Member, London and three associate companies—namely, GIC Re Bhutan, India International Insurance, Singapore, and Agriculture Insurance Corporation of India.

GIC Re is the leader in the Indian reinsurance market. It is the largest reinsurer in the domestic reinsurance market in India. Although foreign reinsurers have opened branch operations in India since early 2017, GIC Re is expected to maintain its market leadership and market share.

According to Standard and Poor's, in September 2017, GIC Re ranked 12th amongst the top 40 global reinsurers. It has offices in London, Dubai, Kuala Lumpur and a representative office in Moscow. In April 2018, a syndicate supported by GIC Re became operational at Lloyd's of London. The move will help broaden and diversify the reinsurance group's international portfolio. GIC Re's dominance of the Indian market stems from continued obligatory cessions and the order of preference; a long-term relationship with the Indian market; and a zest for growth and opportunities.

Source

Insurance Cases

Insurer penalised for rejecting mediclaim – The Tribune – 28th May 2018

The insurer had repudiated the medical claim of the complainant, claiming that the illness was an outcome of liquor consumption. The company has also been directed to pay Rs 2,000 as litigation expenses.

Paramjit Kaur, a resident of Manna Singh road, had filed a case against The Oriental Insurance Company stating that she had purchased a medical insurance policy for her family. She stated that her husband suffered cirrhosis of liver with portal hypertension and was admitted to a private hospital. She stated that a total expenditure of Rs 2,02,477 was incurred on the treatment.

She alleged that the opposite party repudiated the claim of the complainant on flimsy grounds that the said disease had arisen due to the use of intoxicating drugs and alcohol.

The insurer stated in its reply that the repudiation was valid as the disease had arisen due to the use of intoxicating drugs or alcohol. As per the discharge summary, the insured was admitted to the hospital with the complaint of abdomen pain and diagnosed with cirrhosis with portal hypertension. The firm stated that upon verification of papers, it was noticed that the claimant was an alcoholic. Such a disease is a usual complication of the alcoholism, the company said.

The forum, after perusal of records, observed that the claim was repudiated on the report of a third-party administrator (TPA), who had no authority to reject the claim as only the insurance companies, after making investigations, can take such a decision.

Source

The forum stated that the claim was denied by the TPA against IRDA instructions. The forum further stated that the opposite party had not produced on record any medical evidence that the husband of the complainant had suffered this problem due to consumption of alcohol.

Back

Pensions

You can continue investing in NPS even after retirement – Mint – 31st May 2018

The National Pension System (NPS) is a retirement product in which you need to invest till 60 years of age, also the retirement age. At 60, you can withdraw 60% of the money, but you need to buy an annuity product that gives you pension for life from the remaining 40%. Of course, if you wish you can buy an annuity product from the entire corpus.

But what if you are not ready to withdraw from the NPS just yet? There are rules that let you defer the annuity phase and continue investing in NPS. Here are the details.

If you are below 60 years

If you are 18 years of age, you can invest in the NPS up to 60 years of age. On maturity, you have three options other than the default option in which you can annuitise the entire amount or a minimum of 40%.

You can annuitise the minimum mandatory corpus but keep the rest invested and withdraw it at 70 years of age. You can contribute further till 70 years of age after which you need to withdraw it.

You can also defer the annuity payment for three years from the time of exit. These options give you flexibility; so make sure you go over them carefully.

But if the maturity corpus is Rs2 lakh or less, you can withdraw all of it and not go for an annuity.

If you are above 60 years

Owing to better health, longevity and demand by people, the Pension Fund Regulatory and Development Authority (PFRDA) last year increased the entry age to 65 years.

This means if you are more than 60 years of age but less or equal to 65 years, you can start investing in the NPS. You need to invest for a minimum of three years and not more than 70 years of age.

Subscribers will enjoy the same investment choices and the same rules on exit will apply as on subscribers who are 60 years of age or less.

Is Early exit possible?
Early exit from NPS is considered when you choose to leave NPS before retirement or before three years if you began investing after 60 years of age.

Source

Being a retirement product, NPS discourages early exits and so what you get in your hand is only 20% of the corpus. The remaining 80% needs to get annuitized compulsorily. So, before investing in NPS, decide how much you want to invest in the NPS. However, remember that NPS does allow partial withdrawals.

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PFRDA eyes NRIs, corporates to expand NPS member-base - The Hindu Business Line – 28th May 2018

The Pension Fund Regulatory and Development Authority (PFRDA) will be focussing more on corporates and Non-Resident Indians (NRIs) to expand the subscriber base of its New Pension System (NPS), according to its Executive Director, Ananta Gopal Das.

Speaking to newspersons on the sidelines of an awareness meet on the advantages of NPS for NRIs, Das said there were 14 lakh subscribers of NPS from corporate/private individuals while the NRI subscriber base was at 4,000. "We found that about 80 per cent of NRIs are not even aware that they can subscribe to NPS. Many individuals go to the Gulf and other regions to work. NPS will provide them something to fall back on after their return," he said.

The total assets under management of NPS grew 35 per cent in the year ended March 2018 at Rs 2.40 lakh crore from Rs 1.74 lakh crore in the previous year. There are 2.12 crore subscribers, of which, about 1 crore are from Atal Pension Yojana. About 20 lakh Central government employees and 39 lakh State government employees, from 27 States (Tripura and West Bengal are yet to join), are among the subscribers of NPS, he added.

Source

Back

EPFO cuts administrative charges to 0.5%; firms to save together Rs. 900 cr annually - The Hindu Business Line – 27th May 2018

Now over five lakh employers together would save around Rs. 900 crore annually following the retirement fund body EPFO's decision to cut administrative charges, with effect from June 1, 2018. The Employees' Provident Fund Organization's (EPFO) trustees had decided to cut the administrative charges to 0.50 per cent from 0.65 per cent of total wage paid by employers in its meeting on February 21 this year.

"The labour ministry has notified the decision to cut administrative charges, which would be effective from June 1, 2018. This will encourage employers to formalize their workers employment by bringing them under the ambit of social security schemes run by the EPFO," the retirement fund body's Central Provident Fund Commissioner V P Joy told PTI.

The EPFO decided to cut the administrative charges in view of its expanding business and high recovery of such fees. According to the EPFO estimates, the employers would save in total around Rs. 900 crore annually after this move.

During the last fiscal, the EPFO had collected around Rs. 3,800 crore as administrative charges from the employers for running its social security schemes. The EPFO has accumulated surplus of over Rs. 20,000 crore in the administrative charges account which earns an interest income of over Rs. 1,600 crore per annum.

Explaining the rationale behind cutting administrative charges, Joy said the EPFO would not be affected by the cut in administrative charges because of increasing subscribers' contribution base. The administrative charges are levied as proportion of total wages of employees on which employers pays their contribution.

The EPFO had reduced administrative charges from 1.10 per cent to 0.85 per cent from January 1, 2015. It was further reduced to 0.65 per cent from April 1, 2017.

Source

The EPFO has a subscribers' base of over five crore and the body manages a corpus of over Rs. 10 lakh crore at present.

Govt notifies 8.55 percent interest on PF for 2017-18, lowest in 5 years - The Hindu Business Line – 25th May 2018

Retirement fund body has asked its field offices to credit 8.55 per cent rate of interest for 2017-18, the lowest rate since 2012-13 fiscal, into the PF accounts of around 5 crore subscribers.

The Labour Ministry has conveyed approval of the central government to credit 8.55 per cent rate of interest for 2017-18 into PF accounts of members, according to an order issued by the EPFO to its more than 120 field offices.

The finance ministry had ratified 8.55 per cent rate of interest on EPF for the last fiscal. But it could not be implemented because of model code of conduct for Karnataka elections.

The labour ministry had sought Election Commission's approval to notify rate of interest for crediting the same into members' accounts by the EPFO in view of model code of conduct for Karnataka elections.

The EPFO's Central Board of Trustees, headed by the labour minister, had decided to fix rate of interest at 8.55 per cent for the last fiscal in its meeting held on February 21, 2018. The labour ministry had sent the CBT's recommendation over the rate of interest to the finance ministry for its concurrence.

However, it could not be implemented for want of the finance ministry's concurrence and was further delayed due to model code of conduct for Karnataka polls on May 12.The EPFO had provided 8.65 per cent interest for 2016-17. The members got 8.8 per cent in 2015-16 and 8.75 per cent each in 2014-15 and 2013-14.

Source

In 2012-13, EPFO had provided 8.5 per cent rate of interest on EPF. Thus, at 8.55 per cent for 2017-18, it is a five year low.

Back

IRDAI Circular

Source

The circular regarding solvency margin for crop insurance business is issued to CEOs/CMDs of all non-life insurance companies and registered Indian reinsurers including foreign reinsurance branch offices.

Source

Updated List of Non-life Insurers is available on IRDAI website.

Source

The circular regarding Constitution of Central Database of Licensed Insurance sales persons in India (ENVOY) at IIB – Phase II issued to all insurers & all insurance marketing firms is available on IRDAI website.

Source

IRDA Act as amended by Insurance Laws(Amendment) Act 2015 is available on IRDAI website.

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Global News

Japan: Life insurers' profits boosted by foreign bonds – Asia Insurance Review

Earnings from foreign bonds helped boost core profits at four major Japanese life insurers in the fiscal year ended 31 March 2018 (FY2017), but low domestic interest rates will continue to pressure their investment yields, says Moody's Japan.

"On the other hand, the shift in product mix to counter low interest rates continues, and annualised net premiums (ANPs) from new third-sector insurance policies kept growing, while those from individual annuity policies dropped," said Soichiro Makimoto, a Moody's Vice President and Senior Analyst. "In addition, this gradual shift to higher-margin protection products will support the insurers' profitability."

The four life insurers are:

- Dai-ichi Life Insurance
- Meiji Yasuda Life Insurance
- Nippon Life Insurance
- Sumitomo Life Insurance.

Moody's conclusions are contained in its just-released report, "Dai-chi, Meiji Yasuda, Nippon, Sumitomo Foreign bonds help boost core profit in fiscal 2017 but low domestic rates will continue to pressure investment yields".

All life insurers reported increases in their core profits for FY2017 compared with the prior year. Combined with higher dividends from stocks, income from their gradually increasing foreign bond investments— boosted by a weaker yen, especially against the euro—played a key role in improving their results.

Low interest rates will continue to pressure investment yields

Due to low domestic interest rates, the insurers are seeking yield overseas. However, this development can offset yield pressure in Japan only to a limited extent.

The yen's depreciation in FY2017 increased the income from their overseas investments, as income flows are usually unhedged. Currency hedging costs are not included in the calculation of core profit, but they eat into bottom-line profit, says the report.

The insurers may also invest more in unhedged foreign bonds, depending on foreign exchange rates, but any increase will be gradual because their appetite for currency risk is limited.

Product mix shift to counter low rates continues

On an aggregate basis, annualized net premiums (ANPs) from new third-sector (medical) policies continued to grow, by 9% in FY2017.

By contrast, those from individual annuity policies dropped 56% due to lower guaranteed interest rates for regular-premium individual annuities, following a reduction in standard interest rates in April 2017.

This gradual shift to higher margin protection products from yen-denominated savings products will continue and support insurers' profitability.

With new medical products and strong distribution control, Dai-chi (combined with Dai-chi Frontier Life Insurance) and Meiji Yasuda were the most successful of the four with respective increases of 22% and 17% in sales of third-sector products, in terms of ANPs from new policies.

Meanwhile, at Nippon Life, combined with Mitsui Life Insurance Company Limited (A1 stable), third-sector product sales decreased 7%.

Economic capital increases

Moody's Japan also notes that embedded value (EV), which reflects economic capital (the numerator of the economic capital ratio), increased across the board, because increases in unrealized gains and retained earnings were larger than a decrease in the value of in-force policies due to a slight decline in domestic long-term interest rates at the end of March 2017 from a year earlier.

Unrealized gains at the insurers grew because an increase in those from domestic stocks more than offset a decrease in those from foreign securities caused by higher foreign interest rates. Also, insurers continued to enhance their capital by issuing hybrid bonds in FY2017.

Source

Back

Indonesia: Umbrella law for disaster risk insurance needed – Asia Insurance Review

Indonesia's Finance Ministry is considering a disaster risk insurance and financing scheme, that could be included in the State Budget in 2019.

Until now, there is no single legal umbrella covering this issue. The Ministry of Finance still needs to prepare the mechanism for natural disaster insurance.

So far, existing pre-disaster financing regulations are still sectoral, such as the law for agricultural insurance and the law concerning insurance for fishermen, fish farmers, and salt farmers.

Head of the Fiscal Policy Office (BKF) at the Ministry of Finance Dr Suahasil Nazara highlighted the need for a policy to mitigate funding needs for natural disasters, reports CNN Indonesia.

Economic losses due to catastrophic disasters in the period 2004-2013 reached IDR126.7 trillion (US$9 billion).

However, the State Budget is seen to have limitations in providing funds for disaster management activities. Budget allocations for contingency funds during the last 12 years was IDR4 trillion a year at the highest.

Source

"The important thing is the mindset that risk is always there," said Dr Suahasil. Insurance is efficient because risks are pooled, he said.

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