Insurance Institute of India

G Block, Plot No. C-46, Bandra Kurla Complex, Bandra (East), Mumbai – 400051.

Newsletter

29-April-2011 to 05-May-2011

Date – 29-April-2011

News	Irda to crack down on healthcare fraud
Newspaper	Deccan Herald
Source	http://www.deccanherald.com/content/157430/private-firms-help-irda-fight.html

Insurance sector regulator Irda has decided to appoint research organisations to analyse the pattern of claims to help the regulator put a lid on the insurance fraud in the healthcare sector.

The Insurance Regulatory and Development Authority (Irda) proposes to enter into a partnership with a firm or an organisation to report on industry-wide trends of fraudulent behaviour affecting the insurance industry," it said.

"The objective of this exercise is to benefit the insurance industry by developing effective reporting on industry-wide fraud trends within healthcare insurance and increasing the difficulty of committing fraud against insurer," Irda said.

Such an analysis would help insurance companies lower their costs and offer better rates and service for consumers.

Irda has called a meeting of the interested entities on April 30 to explain to them the scope of research to be done.

The issue of health insurance claim had become a bone of contention between the PSU insurers and big private hospitals.

Date – 30-April-2011

News	Irda issues guidelines for e-insurance policies
Newspaper	The Financial Express
Source	http://www.financialexpress.com/news/irda-issues-guidelines-for-einsurance-policies/783549/0

New Delhi: In order to reduce transaction costs and ensure swift modifications in insurance policies, the sectoral regulator Irda on Friday unveiled guidelines for issuing them electronically.

It also laid down the guidelines for repositories, which compile and store data about policyholders on behalf of insurance companies.

"The objective of creating an insurance repository is to provide policyholders a facility to keep insurance policies in electronic form and to undertake changes, modifications and revisions in the insurance policy with speed and accuracy," Insurance Regulatory and Development Authority (Irda) said.

Now, insurance companies can sell all the polices, be it life, pension and non-life, in the electronic form.

Irda said that making available e-insurance policies would bring about efficiency, transparency and cost reduction in issuing and maintaining them.

The guidelines state that an insurer issuing 'e-insurance policies,' shall have to take services of a registered repository.

"All such insurance policies in electronic form shall be treated as valid insurance contracts," Irda said.

A certified insurance repository has to have a networth of at least R25 crore, without any foreign investment, and wherein no insurance company can hold over 10 per cent or hold any managerial position.

"The insurance repository before commencing the operations shall put in place measures to safeguard the privacy of the data maintained and adequate systems to prevent manipulation of records and transactions," Irda said.

Further, the guidelines said that an insurer can enter into an agreement with one or more insurance repositories for maintaining the electronic insurance policies.

News	Cos put money on awareness drive to push cashless service
Newspaper	The Times of India
Source	http://articles.timesofindia.indiatimes.com/2011-04-30/mumbai/29490522_1_cashless-service-cashless-insurance-cashless-scheme

MUMBAI: Faced with a barrage of complaints and grievances, state-owned insurance companies are taking steps to make policyholders aware about the benefits of cashless insurance.

Improved under the Preferred Provider Network (PPN) last year, cashless insurance, as the name suggests, allows policyholders to get admitted in a hospital without shelling out any cash. Under this system, rates for various medical procedures have been prefixed by insurers and they are paid to the hospital after the patient has received his or her treatment.

Insurance officials say that while the cashless procedure helps policyholders immensely, there are many who are unaware of its presence and advantages. In many cases, patients and their families do not even know whether their hospital is a part of PPN.

Date – 02-May-2011

News	Standard treatment norms on cards
Newspaper	Financial Chronicle
Source	http://www.mydigitalfc.com/insurance/standard-treatment-norms-cards-526

Both the health insurance and healthcare industry seem to be converging on the need for standardising treatment protocols with cost indicators and a combined group is ready with 20 most common surgical procedures and medical conditions.

As hospitals do not follow any ailment-specific treatment processes, the absence of a standard treatment protocol has often led to vast differences in treatment procedures and consequent costs for seemingly identical ailments across hospitals. This situation has increasingly led the health insurance industry and healthcare providers being at cross roads as instances of over treatment or more than necessary diagnostic testing for insured patients have been on the rise.

Industry body Ficci, in consultation with heath insurance companies and healthcare providers such as Aiims, Medanta, Arvind Eye Care and Narayana Hrudayalaya, has developed a list of 'standardised treatment protocols and cost indicators' for 20 common procedures and medical conditions.

"This has been prepared. Based on its acceptance, the effort could be channelised to cover 50 surgical procedures. We were in touch with the health ministry and Insurance Regulatory Development Authority on the issue. The list will be submitted to the health ministry in the next four-six weeks," said Narottam Puri, advisor, Ficci Health Services Committee and chairman, National Accreditation Board for Hospitals & Healthcare Providers.

Experts also point out that this list is a notable progress from the point of view of cost standardisation and could be expected to reign in arbitrary treatment costs. Eventually, one of the favourable impacts could be on the adverse claims ratio and related outgo for the health insurance industry, which collected around Rs 11,000 crore as premium last year.

According to a new report by Foundation of Research, Training and Education in Insurance, an initiative of Ficci and ING Insurance, general insurers have a deficit of Rs 6 for every Rs 100 collected as premium because administrative cost collection, agent commission and third party administrator fees as well as claim pay-outs account cost around Rs 106. Plus, claims payout ratio at an industry-level is around 100-150 per cent, which means insurers pay more claims than the premium collected.

Puri added the initial list contains treatment protocols with cost indicators for cataract, respiratory ailments, diabetes and specific forms of cancer. After the documents are submitted, health ministry officials along with a team of renowned doctors are expected to consider the issue and draw up a standard.

"If this gains ground, private hospitals and health insurance could settle mediclaim easily. Though finalising the standardised protocols is not an easy task as both diseases and their treatment depend on individuals, but this is a good move," said Antony Jacob, CEO of Apollo Munich Insurance and co-chairman, Ficci advisory group on Health Insurance.

News	Insuring insurers
Newspaper	The Financial Express
Source	http://www.financialexpress.com/news/fe-editorial-insuring-insurers/784278/0

After Crisil's estimates that industry losses for third-party motor insurance would be R10,000 crore in 2010-11, there's worse news for the R2,65,000-crore life insurance industry. The number of new policies sold each year is the best way to judge the health of the industry, and the first-year premium grew by just 15% in 2010-11 as compared to an average of 25% per year in the last four years. Private firms, which account for a fifth of the life insurance market, were the worst hit, and their first-year premiums rose just 2.5% as compared to over 35% each year in the last four years. LIC wasn't as badly hit, and its first-year premiums rose 22% in 2010-11. There are four segments of the life insurance business—individual single premium, individual non-single premium, group single premium and group non-single premium—of which individual non-single premium is seen as the segment with the greatest growth potential. This segment saw a fall of 22% for the private sector life insurance players.

Much of the reason is the sudden fall in the purchases of unit-linked insurance plans, or Ulips, which account for 40% of LIC's business and around 80% in the case of the private sector players. The new Irda guidelines, which came into effect from September last year, have made Ulips a lot less lucrative. For one, the lock-in period for Ulips has been raised to five years from the earlier three. A minimum of 20% of the value of the premium now has to compulsorily be used for the insurance part of a Ulip. Commissions for agents have also been drastically pared. While insurance companies used to pass on around 40% of the first year premium to agents, this has now been reduced to 5%. So, customers are less keen on Ulips and agents aren't going overboard to push them anymore. Irda has also made it mandatory for life insurers to guarantee a minimum level of return on their Ulips. Irda has also mandated insurance companies to rationalise their cost structure, which has resulted in companies downsizing their distribution model, especially in tier II and tier III cities. For now, with just seven of the 22 private life insurance firms making profits, the insurance industry could do with some life cover of its own.

News	***Health plan success may lead to wider spread for more schemes***
Newspaper	***The Economic Times***
Source	***http://articles.economictimes.indiatimes.com/2011-05-02/news/29496377_1_labour-ministry-rsby-rural-development***

NEW DELHI: The government is examining the possibility of turning its two important social sector programmes into universal schemes covering the unorganised sector in phases, taking a cue from the successful extension of a health insurance plan to 23 million poor families.

The labour ministry will prepare a feasibility plan together with the rural and finance ministries that run the old age pension scheme for the below poverty line people and the Aam Aadmi Bima Yojana (AABY) targeting the rural landless.

"The idea is in its conceptualization stage. We have to carry out studies and discuss all details, including funding options, with the rural development and finance ministries," labour secretary P C Chaturvedi told ET.

News	***ESICs can outsource medical services, says Kharge***
Newspaper	***The Hindu Business Line***
Source	***http://www.thehindubusinessline.com/industry-and-economy/article1981286.ece***

Hyderabad, April 30:

A Rs 130-crore super-speciality hospitality of the ESIC to serve about 50 lakh insured people and families in South India, was opened here on Saturday by the Union Minister for Labour, Mr Mallikarjun Kharge.

The 126-bed hospital in the premises of the ESIC (Employees State Insurance Corporation) here, will have all the latest facilities and provide the best medicare.

Speaking on the occasion, Mr Kharge said ESICs can go in for contract and outsourced medical professionals to meet patients' demands.

Mr Kharge said the Ministry provides 87.5 per cent contribution to the running of ESICs, at present. He urged State Government's to utilise the facilities to the maximum. "We are willing to reimburse as much as you spend," he added.

The super-speciality hospital has all the facilities comparable to any private corporate hospital. It will provide emergency and diagnostic services to the insured workers in Andhra Pradesh, as well as other southern States. The Union Ministry had in 2006-07 decided to set up four such super-speciality hospitals across the country in each region. New Delhi (North), Kolkatta (East), Hyderabad (South) and one in West. The Corporation is also entering into tie-up arrangement with other hospitals on cashless basis. At present, the ESIC has 147 hospitals, 1402 dispensaries and 1,540 panel clinics.

He said the country's first ESIC-run medical college will also come up in the campus.

Work is already in progress and 10 per cent of the seats would be reserved for employees of the ESIC.

10 lakh families to benefit

The Andhra Pradesh Chief Minister, Mr N. Kiran Kumar Reddy, said at least 10 lakh families would benefit from the super-speciality hospital. There was a need for professional doctors and healthcare manpower in the State.

He said 10 lakh surgeries were performed under the 'Arogyasri' scheme in the State so far.

The Union Ministers, Ms D Purandeswari (HRD), and Ms Panabaka Lakshmi, (textiles), who also spoke at the function, made a plea to the Minister to start similar hospitals in Guntur/Vijayawada; Visakhapatnam and Tirupathi.

Date – 03-May-2011

News	Paperless Policy
Newspaper	***The Financial Express***
Source	***http://www.financialexpress.com/news/paperless-policy/784728/0***

After stocks, mutual funds and bonds in demat format, investors have got the option to keep their insurance polices in the electronic form. All individual life insurance polices, health and pension policies and group policies issued by insurance companies can be held in the demat format.

The Insurance Regulatory and Development Authority (Irda) has come out with guidelines to form an insurance repository on the lines of National Securities Depository or the Central Securities Depository. The repository will be licensed by Irda and will be connected to all insurance companies.

The move, experts say, will bring in benefits along the same lines seen in the equity market after regulator Sebi introduced dematerialisation of shares, which speeded up the transaction process and also reduced transaction costs for investors and eliminated fraudulent cases. It also saved investors the hassle of preserving share certificates in physical form, and the chances of losing them were completely eliminated.

Irda's move will consolidate all policies under a single account and the family will immediately come to know of the policies purchased by an individual in case of an emergency and can get the insurance benefits much faster.

Irda guidelines say that all insurance policies in electronic form will be treated as valid insurance contacts. The repository will have to be a public limited company with a net worth of R25 crore, a company fully promoted by either the Life Insurance Council or General Insurance Council or by both together.

The insurance repository will have to put in place measures to safeguard the privacy of the data of the customer and will have to maintain the data and prevent manipulation of records and transactions.

The repository will carry out all the required task under the "know your customer" or KYC norms and an Aadhaar or a permanent account number card will be the basis on which an e-insurance account can be opened, irrespective of the amount of premium. The repository will verify the copy of the address proof and ensure safety. It will also have the names of the beneficiary, assignees and nominees and no KYC has to be carried out for the same individual if he has an an e-insurance account and wants to buy additional insurance cover. The customer will be issued a login ID and password and a statement of account can be seen online with details of policy maturity, surrender and lapses.

"By keeping all insurance polices in the electronic form, it will help the investors keep track of multiple insurance polices and will help them find the date of renewal payment, maturity of the policy and also keep track of payment and bonus received," says Suresh Kapoor, an Irda-certified insurance broker. He adds that it will save crores of rupees for insurance companies.

At present, insurers have to print the policies and dispatch them to policyholders and often they get lost in transit, causing inconvenience to customers. The insurance regulator has underlined that no costs of e-insurance will be collected from the account holders either by the insurance repository or by an insurer.

The Irda guidelines say that the repository will have to put in place measures to avoid opening of multiple e-insurance accounts by the same policyholder. The repository will make provisions that will enable policyholders to pay their insurance premium online. The repository will have a policyholders' grievances cell for resolution of complaints and if the repository surrenders its registration, it will transfer the entire data to the new repository that will be appointed be Irda.

While the move is likely to benefit millions of policyholders, insurance companies feel that the their customer data can be tracked by others and many may lose their existing clients.

"E-insurance will be of great advantage for customers in case of health insurance, which will become portable from July 1, and they will have to just give their account number in case of any claim and can even keep track of their no-claim bonus and pre-existing disease coverage," says Ashok Das, an insurance consultant.

To avoid fraudulent encashment of cash benefits, the repository will use electronic payment and in case such a facility in not available, it will print the bank account details, furnished by the policyholder, on the payment instruments like a cheque or a bank draft.

If the insurance repository fails to issue the insurance policy in the electronic form within the time specified, it shall be liable to a penalty of R1 lakh for each day's delay or R1 crore, whichever is less. Analysts say such a high penalty will make the repository and insurance companies issue the policy on time and bring in transparency in the way of the functioning of the companies.

Date – 05-May-2011

News	House panel defers report on insurance Bill
Newspaper	Business Standard
Source	http://www.business-standard.com/india/news/house-panel-defers-reportinsurance-bill/434539/

IN what could be a serious blow to the United Progressive Alliance (UPA) government, Parliament's Standing Committee on Finance, headed by Yashwant Sinha of the Bharatiya Janata Party (BJP), has indefinitely deferred finalisation of its report on the long-pending Insurance Laws (Amendment) Bill.

This decision comes less than a week after the fiasco at the April 28 meeting of the Public Accounts Committee (PAC), where UPA members rejected a draft report on the 2G spectrum allocation. According to some Opposition leaders, a new phase of arm-twisting between the UPA and an irked Opposition has set in, which could lead to stalling of legislative sanction to key economic reforms.

Opposition camp sources told Business Standard a meeting had been called on Friday to specifically discuss and clear the standing committee's report on the Insurance Bill, an issue pending before the committee since 2009. But now the committee has 'Demand for grants for the Ministry of Corporate Affairs' as the sole item on the agenda.

The change in the agenda assumes significance as the UPA brass, especially Prime Minister Manmohan Singh and Finance Minister Pranab Mukherjee, was keen to roll out the proposed legislation. Apart from mentioning the Bill as a part of the government's key reforms agenda in his last Budget speech, Mukherjee had appealed to the standing committee to clear its report as early as possible.

According to Parliament rules, the government can't go ahead with a Bill if it is pending before a standing committee. The Union cabinet, however, has the right to reject the committee's recommendations.

"I can't reveal what the earlier agenda was. All that I know is we are going to discuss the demand for grants for the corporate affairs ministry on Friday," said CPI(M) leader Mainul Hassan, a member of the committee.

Sources also disclosed that the committee's draft report on the contentious Bill was ready but had not been circulated among the members — an exercise before approving any report — till today.

"As of now, no date has been fixed for discussing the Bill in the committee," said BJD MP Bhartruhari Mahtab, a member of both the PAC and the Standing Committee on Finance.

The finance panel is currently in possession of six key reform Bills, including the Direct Taxes Code and the Goods and Services Tax Bill.

Even if the committee finalises and gives its report, the government will have to depend on the BJP to pass some of the Bills in Parliament. To pass the Goods and Services Tax legislation — a constitutional amendment Bill — the government needs a two-third majority in both Houses.

News	Mortality charge in life insurance premium
Newspaper	The Economic Times (Delhi Edition)
Source	http://epaper.timesofindia.com/Default/Scripting/ArticleWin.asp?From=Archive&Source=Page&Skin=ETNEW&BaseHref=ETD/2011/05/05&PageLabel=13&EntityId=Ar01304&ViewMode=HTML

Mortality charge, the key component of life insurance premium, refers to the part of the premium that provides for death benefit. Put simply, this is the charge levied by the insurance company to hand over the sum assured to the nominees of the dead person. Mortality charge constitutes the largest cost component in the case of a pure term insurance plan. It is included in endowment plans and Ulips (unit-linked insurance plans), too, but other charges like premium allocation and policy administration costs (in the case of the latter) corner a bigger chunk of the premium in such products. Here, unlike pure term policies, the bulk of the premium goes towards investing in a savings or investment fund, which is returned to the policyholder when the policy matures or the policyholder dies. The mortality charge for an insurance-seeker is determined by several factors, including the table of charges prepared by the Life Insurance Corporation (LIC), since this is the only company which has five decades of experience and consequently has historical data on life expectancy. This table is now being reviewed, with data from all companies being incorporated. The premium rates are expected to fall as life expectancy of the average Indian has gone up.

Apart from this table, private players also take into account their own claim experience while fixing premiums. Age is the primary determinant of the effective mortality charge, with the state of the individual's health contributing to the assessment of risk. The younger and healthier you are, the lower the premium likely to be charged from you. Therefore, it makes sense to buy insurance at a young age. A 25-year-old will enjoy greater benefits than a 55-year-old in terms of lower mortality charge and, by extension, the annual premium, due to higher life expectancy. Also, the mortality charge for women will be lower than that for men in the same age group. Similarly, a smoker will have to shell out a higher premium compared with a nonsmoker. Financial planners typically recommend buying pure protection products — term plans — over other more expensive policies like Ulips and endowment plans. Term policies are the cheapest form of life insurance available today and, thanks to the formation of two special categories of term plans — high-end and online, the rates are coming down at a faster pace.

News	Rs 900-cr provisioning pulls down United India's net in 2010-11
Newspaper	The Hindu Business Line
Source	http://www.thehindubusinessline.com/industry-and-economy/banking/article1991071.ece

But for a Rs 900-crore charge on profits on account of higher provisioning for wages, pension, gratuity and 'motor pool losses', public sector non-life insurer, United India Insurance, would not have reported a lower profit for 2010-11 than the previous year.

The company reported lesser net profit at Rs 130 crore in 2010-11 compared with Rs 707 crore the previous year. United India reported a 22 per cent growth in premium income to Rs 6,377 crore in 2010-11.

If it were not for provisioning, the company would have reported net profits of over Rs 1,000 crore. The company had to take hit of Rs 500 crore on provisioning for pension, gratuity and wage revision. Another blow came from third party motor pool losses of Rs 400 crore.

Motor pool

The motor pool is an arrangement under which all non-life insurance companies contribute to a common fund, out of which claims are paid. Since the claims are higher than the funds available, the deficit is apportioned to the companies in proportion to their market share. Public sector companies, with higher market share, bear the brunt of the motor pool losses.

Recently, the Insurance Regulator and Development Authority (IRDA) mandated all general insurers to make provisioning on account of motor pool losses for the last four years, including 2010-11.

Due to this, United India's solvency ratio has fallen to 2.75 from 3.5 per cent. But the ratio is still at a higher level than the required 1.3 per cent by the regulator.