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QUOTE OF THE WEEK

"There are only two ways to live your life. One is as though nothing is a miracle. The other is as though everything is a miracle." - Albert Einstein

INSIDE THE ISSUE

INSURANCE INDUSTRY

India: Credit scores and lifestyle indicators increasingly used in underwriting – Asia Insurance Review

Insurers in India are increasingly looking at customer data beyond medical test results, that would provide indications of the clients' lifestyle so as to make underwriting decisions more effectively.

“We use data, such as a customer’s credit score that is available from credit bureaus, with the customer’s consent and do the underwriting based on that,” Mr Vineet Arora, MD and CEO of Aegon Life Insurance told Daily News & Analysis. “You look at how much information you get from a medical test versus how much information you are able to get from the lifestyle of the customer. That’s the next level that insurance companies will have to reach very soon,’’ he said.

“A person who has a good credit score and his loan repayments are on time, everything else remaining the same, it is a fair assumption to make that the customer is a better customer. I (the insurer) still need to check the medical history,’’ Mr Arora said.

Mr Kayzad Hiramanek, COO, Bajaj Allianz Life Insurance, said that life insurance companies are extensively using data from credit bureaus as a financial surrogate. So, if the person has a good credit score, then the company does not ask for additional income documents.

Insurance companies are seeing a relationship between the claims behaviour and the credit score. "The better the credit score, the safer we find the customer is from an insurance perspective", said Mr Anurag Rastogi, member of executive management, HDFC Ergo General Insurance.

The claims process may be simplified for customers who have higher credit scores. While for those whose credit scores are low, the claims process may involve a higher level of due diligence.

While globally, insurance companies use scores as an input into their pricing models, Indian insurers are in the process of piloting such processes, said a spokesperson from Experian India.

In India, credit bureau information is used at the time of underwriting a policy. In addition, insurers are starting to use credit reports at the time of claims processing as well, said the spokesperson.

Meanwhile, TransUnion CIBIL, a leading credit information bureau, is lobbying the Reserve Bank of India and the Finance Ministry to allow telecom companies and insurers to report customer payment data to credit bureaux.

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INSURANCE REGULATION

India: Regulator issues draft for more liberal product regime – Asia Insurance Review

The insurance regulator IRDAI has released a draft paper, proposing regulations to standardise life insurance products - with several changes to the benefit of customers. In particular, insurers are to be given the freedom to offer a lower sum insured, a move which will increase the savings component in the insurance policy, leading to a higher return in exchange for a lower protection amount.

Another one of the proposals is to make the minimum death benefit seven times for regular-premium products and 1.25 times for single-premium products for all ages, reports Times of India. Currently, the minimum death benefit is 7-10 times the premium paid. That is, for a premium of INR10,000 ($136), the life insurance or death claim paid is between INR70,000 and INR100,000.

There is a proposal too for policyholders to receive a specific sum if they surrender the policy after two years. IRDAI did not specify how the surrender value would be calculated. Currently, for life insurance policies, insurers pay out a lump sum only if the policy is surrendered after three years.

For pension products, IRDAI is looking at an option of up to 60% of the pension maturity amount for commutation, which is the percentage of the pension maturity income available to the policyholder before maturity and is exempt from tax. IRDAI also plans to have partial withdrawal for linked pension products. Currently, unit linked insurance products (ULIPs) provide some flexibility to policyholders by allowing them to withdraw a partial amount from their fund value before the policy ends.

To cope with market volatility, the draft paper proposes to allow customer switches in ULIPs during the settlement period and an open market option for annuities. IRDAI also said it is looking at permitting "insurers flexibility in designing individual term, group term and credit and micro insurance products which offer a range of policy terms", and permit more group products.

The exposure draft said that "insurance products should be able to cope with the dynamism of the market".

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Source

India: IRDAI to make electronic issuance of insurance policies compulsory – Asia Insurance Review

The IRDAI is working on making it mandatory for all insurance policies to be issued in electronic form, according to Mr SV Ramanan, CEO of CAMS Repository Services. Mr Ramanan told Moneycontrol that the IRDAI may change the rules to ensure that policies are issued online only through insurance repositories.

"The regulator has already changed the regulations to ensure that all electronically issued policies will be stored on an e-account," he said. An e-insurance account stores all the insurance policies of a policyholder in a digital format. This is maintained by an insurance repository. The policyholder has access to his insurance portfolio contained in the account at a click of a button on the Internet. Each e-insurance account has a unique account number.

The electronic insurance repository service was launched in 2013. However, to date, there are around 2m digitised insurance policies.

Insurers have complained that customers demand their insurance policy in hard copy even after receiving an e-policy. This doubles the costs for insurers, since they already pay fixed annual charges for the electronic issuance of the policy. For customers, the service is provided free to them.

Mr Ramanan said the IRDAI may also carry out awareness campaigns to show why customers don't need a hard copy insurance policy.

TOP

Source

LIFE INSURANCE

Early insurance exit still costly, pension plans take after NPS – Mint – 31st October 2018

Though nothing may have changed to substantially improve the returns from traditional insurance-cum-investment policies—you know them as endowment and money-back plans—you may get a slightly better exit route in case you wish to surrender your policy early.

The exposure draft that was put out by the Insurance Regulatory and Development Authority of India (Irdai) last week proposes that all traditional plans will now acquire a surrender value after you pay two premium instalments. So if you surrender after the second premium, you will get some money back.

Surrender before that and you go empty-handed, as rules allow insurers to levy a 100% surrender charge.

Surrender costs

Currently, if you buy a policy with a term of over 10 years, you are eligible for a surrender value only after three years. This is down to two years. Also, the quantum of how much the insurer has to return has increased slightly from 30% to 35% of the premium paid. In addition, the guaranteed surrender value will comprise surrender value of any bonus—which is now defined as at least 30% of it—accrued to the policy.

Unlike the current product regulations that allow insurers to file surrender values after the seventh policy year, the draft exposure states that surrender value should follow a smooth progression and converge to at least 90% of the premiums as the policy approaches maturity. In other words, even when you are close to maturity, you may not get the entire money back. "From a customer standpoint the good aspects are that minimum surrender values have increased slightly in the early years and are clearly defined in outer years," said Kapil Mehta, co-founder, SecureNow Insurance Broker Pvt. Ltd.

But surrender costs continue to remain high despite the fact that serious concerns were expressed by the product review committee. "About 61% of the policies don't stay till the end of 5 years, and with nearly 80% of the industry's product mix sold in the traditional product category, this (heavy surrender charge) has put the industry's reputation at risk, affecting the viability of the business," the committee report said.

Traditional plans remain products with high cost of surrender.

Pension gets a boost

There is good news for pension products. The draft proposes to increase the commutation money—the amount you can withdraw at maturity as lump sum—from one-third or 33.33% of the maturity corpus to 60%. Currently, up to 33.33% of the corpus can be withdrawn and the remaining two-thirds or 66.66% needs to be mandatorily used to buy an annuity product.

Now imagine a situation where other fixed-income products look more appealing than annuity, but your money in stuck in the latter. The proposal, therefore, gives more flexibility.

This is also in line with the National Pension System (NPS) that allows you to commute up to 60% of the corpus. "Of course as of now only 33.33% will continue to be tax free as per tax rules, but it gives more flexibility to customers to make use of their corpus," said R.M. Vishakha, managing director and CEO, IndiaFirst Life Insurance Co. Ltd.

Taking another cue from the NPS, the draft proposes partial withdrawals for linked pension plans. As per the draft, a policyholder can make partial withdrawals after the lock-in period of 5 years and can subsequently make three partial withdrawals during the policy term. The withdrawals can't exceed 25% of the fund value and can happen only for specific purposes like child's education, treatment of critical illness and purchase of a house.

Further, the draft proposes flexibility in terms of shopping for an annuity product with other insurance companies instead of getting tied to the insurer you bought your pension plan from.

Protection element

The draft proposes to decrease the minimum mandated level of insurance cover from 10 times the annual premium to 7 times the annual premium for regular premium policies. This is a step down in the level of protection that insurance plans can offer, but some experts believe this will help in improving returns. However, if you want to enjoy tax benefits you will have to take a policy with a sum assured of 10 times the annual premium.

The draft also proposes differentiated prices for the insurance component in linked products based on health score which is a positive, said Manik Nangia, director marketing and chief digital officer, Max Life Insurance Co. Ltd. "The exposure draft proposes differentiated prices on linked products based on wearable data. We believe this is very progressive and should be extended to non-linked as well. What this means is that if a person is willing to share data of his wearable devices and we find the person healthy, then we will be able to engage them better and also offer discounts on life insurance plans. In time, this will change the fact of life insurance from being a product which you purchased once into a service which you engage with regularly," he added.

The draft, which is open for public comments till 15 November, doesn't effectively address the main concern of high surrender penalties and the damage it does to your money, but there are some small wins that can be celebrated.

The big takeaways from the draft proposals
R.M.Vishakha, MD and CEO, IndiaFirst Life Insurance
It's important because when markets are volatile, customers may want to stay invested even after maturity. Since insurers can only levy fund management charge during the settlement period, it's a cost efficient and flexible option. What further adds to the flexibility is the proposed option to switch between funds even during the settlement period.

Vignesh Shahane, Whole-time director, IDBI Federal Life Insurance
Savings plans are not the right products to address the protection gap and the draft takes note of it by reducing the minimum sum assured requirement from 10 times to 7 times the annual premium. Savings products should focus on maximising saving. Hopefully, tax rules will change too. The other takeaway is that customers could have the option to recalibrate their premium and PPT (premium paying term) to align to their needs and hence keep the policy alive. This will boost persistency.

Tarun Chugh, MD and CEO, Bajaj Allianz Life Insurance
The draft strikes a balance by increasing the surrender value but ensuring that the surrender costs are not lowered to levels where it puts pressure on capital and penalise existing policyholders through suppressed returns. If the draft comes into effect, I think insurers will get into variable insurance products, as they follow the transparent cost structure of Ulips and investment pattern of traditional plans. The draft allows insurers to declare the rate of interest at the end of the year which is a huge plus.

Kapil Mehta, Co-founder, SecureNow Insurance Broker
From a customer standpoint, the good aspects are that minimum surrender values have increased slightly in the early years and are clearly defined in outer years. Also, surrender values will accrue after two years itself. The proposal that maturity value can't be less than premiums paid is important because certain policies, especially taken by older people, returned a maturity value lower than premiums paid. to manage the increased benefits, there may be some policy re-pricing or reduced commissions.

TOP

Source

Insurance firms post moderate new business growth in H1 - The Economic Times – 29th October 2018

Insurance companies have reported moderate new business growth in the first half of the financial year with the focus shifting towards protection and away from savings. All the three companies have shown value of new business margins improve by around 100 bps while ICICI Prudential was most affected by interest rate movement.

New business annualised premium equivalent growth was muted for ICICI Prudential which saw 5 per cent decline during the quarter. SBI Life saw 9 per cent increase while HDFC Life reported a strong 18 per cent increase in APE growth.

ICICI Prudential Life Insurance posted 28.5 per cent decline in net profit during the quarter to Rs 301 crore as income from investment was down 56.35 per cent. HDFC Life reported 20.3 per cent rise in net profit to Rs 286.98 crore with an increase in investment income to Rs 6,840.5 crore from Rs 5,636.6 crore in the second quarter of last financial year. SBI Life Insurance saw 11.1 per cent increase in net profit to Rs 251 crore for the quarter ended September 2018.

Business mix continued to shift towards higher protection which are pure term and health products. HDFC Life has higher protection APE at 16.2 per cent, ICICI Prudential Life is at 7.9 per cent and SBI Life at 5.4 per cent. This is when 61st month persistency declined, reflecting the proportion of life insurance policies that were renewed by customers after five years falling. Higher persistency ratios help insurers lower expense ratios, thereby improving profitability.

VNB margins improved by around 100 basis points over for all the three players. Halfyear margins for HDFC Life was 24.3 per cent, 17.5 per cent for ICICI Prudential and 17.3 per cent for SBI Life.

The pace of margin improvement with respect to increase in protection mix has slowed down. "Increasing competitive intensity in credit protect segment, coupled with higher bargaining power of distributors have reduced the core profitability of this segment relative to what they were 2-3 years earlier," said Jefferies in a report. The share of participating products in the product mix has fallen due to risk of surrender charge regulations to company and poor value offering to policyholder. Its mix in APE has reduced by more than 400 basis points for all the three players. There has been negative investment variance from higher bond yields.

Source

TOP

HEALTH INSURANCE

Mumbai: No private city hospital wants to be part of Modicare - The Economic Times – 1st November 2018

Over a month since the launch of Ayushman Bharat Yojana, the world's largest health insurance scheme, not a single private hospital in the city wants to enrol in it.

The scheme—popularly dubbed Modicare—provides an annual health cover of Rs 5 lakh per family for secondary and tertiary care hospitalisation. Four lakh families in the city (83.71 lakh in total in the state) stand to benefit from it. It is being implemented along with the state government's Mahatma Jyotiba Phule Jan Arogya Yojana.

The Indian Medical Association (IMA) and the Association of Private Hospitals, which represents 50 of the 79 charitable hospitals in the city, say the central scheme is unviable for them owing to the low mediclaim package.

Calling the rates "unrealistic", Dr Parthiv Sanghvi, secretary of the state IMA—which represents 43,000 doctors —says the association has demanded their revision. "They are 20 per cent less than what are being offered in the state scheme, which are already low. The hospitals have collectively decided that unless the package is revised, they will not get empanelled."

He warns that low mediclaim rates may breed corruption and prompt healthcare providers to compromise on the quality of treatments. "Ultimately, patient care and safety will be at risk."

Citing a typical C-section as an example, Sanghvi says it costs Rs 35,000-40,000 in a private facility. "Under Ayushman, a private hospital will have to perform the procedure for only Rs 9,000. How can the use of facilities, expertise and a doctor's services be recovered by this meagre amount?" he asks. "Even a blood test costs Rs 5,000. How can the Centre's package of Rs 1,000 for it recover the hospital's costs?"

He says the IMA, Delhi, had raised these concerns with the Centre prior to the launch of the mediclaim scheme on September 23. "The Centre had planned a meeting with us for July 23 to discuss revision of the rates, but it never took place."

None of the 79 charitable hospitals in the city, like Nanavati, Lilavati, Jaslok, Breach Candy and Hinduja, have enrolled for the scheme either. Sources say the facilities under the umbrella of the Association of Private Hospitals had earlier opposed enrolment in the state scheme too.

Dr PM Bhujang, president of the Association of Private Hospitals, says, “We haven’t passed any orders on not empanelling with the central scheme, but hospitals are taking this call on their own. Charitable hospitals any way reserve 20 percent of beds for the poor.”

He says no associated hospital has expressed willingness to sign for Modicare yet. “We will take a collective decision if the scheme is forced on us.” Dr Sudhakar Shinde, CEO of Mahatma Jyotiba Phule Jan Arogya Yojana who is also in charge of implementing Ayushman Bharat Yojana in the state, clarifies that no private facility can be forced to join the scheme. “It’s true, though, that no corporate or charitable hospital has applied so far.”

He claims that 1,700 nursing homes and small hospitals in the state, including 50 in the city, have sent applications for enrolment. “Since it is a new scheme, we are still processing their applications. We are preparing the software to link hospitals.” According to Shinde, 46 nursing homes and hospitals, including BMCand state-run facilities, in the city currently cover the state scheme. Ayushman Bharat is covered by all 19 state and civic hospitals.

He says 971 ailments are covered by the state scheme. “The central scheme covers an additional 329 procedures. We are asking state healthcare facilities to opt for at least just these additional procedures.” He says the response to the central scheme from private hospitals elsewhere in the state has been good. So far, 1,500 patients in the city alone have benefited from it.

TOP

Source

People have saved around Rs 600 cr in FY'19 under PMBJP: Mandaviya - The Economic Times – 31st October 2018

Union Minister Mansukh Mandaviya Wednesday said people have saved around Rs 600 crore in the current fiscal so far under the Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP). The government's endeavour to provide quality medicines at an affordable price is now making an impact on the lives of common masses, Mandaviya said in a statement.

In 2018-19 (up to October 2018), the total sales of Janaushadhi medicines have crossed Rs 150 crore, the Minister of State for Chemicals and Fertilisers said.

"This has led to total savings of approximately Rs 600 crore for common people, as these medicines are cheaper by 50 per cent to 90 per cent as compared to average market price of branded medicines," Mandaviya said.

Currently, there are more than 4,300 Janaushadhi stores in 640 districts in the country, he added. "The average monthly sales per store have grown to Rs 1.50 lakh, as per a recent survey by the Bureau of Pharma PSUs of India (BPPI)," Mandaviya said.

By the end of 2018-19, the total number of Janaushadhi stores would reach over 5,000 with annual sales crossing Rs 300 crore, he added.

TOP

Source

Modicare's biggest problem: 500 million beneficiaries who don't have a clue - The Economic Times – 26th October 2018

The world’s largest healthcare program in India is running up against a challenge: many of its 500 million beneficiaries don’t have a clue about it, as they didn’t have to enroll for it.

Prime Minister Narendra Modi’s solution is to tackle the problem at its roots. He is writing letters to 100 million families educating them about the benefits of the program, which automatically registered 40 percent of India’s population that make up the bottom of the population as per the socio-economic caste census data, said Vinod K. Paul, a member of NITI Aayog, the government’s policy think tank.

“It’s a big step toward access of services, it will change the health system by making costs rational,” said Paul, who’s the architect of the program that could influence Modi’s fate in national polls next year. “Many Jobs will be created. It will be a stimulus for growth,” he said in an interview at his New Delhi office on Wednesday.

A month since it was formally unveiled, the healthcare program, ’Ayushman Bharat,’ Hindi for long live India, has benefited 112,000 people and approved claims totaling 1.4 billion rupees ($20 million). The government expects to spend up to 120 billion rupees annually on premium payments as Modi tries to seek support of the poor before elections.

Paul, a pediatrician who became a member of the NITI Aayog last year, described Ayushman Bharat as a massive assurance firm. The program is being implemented by most of India’s 29 states on a trust model where pooling of premium and settlement of claims is handled by a trust and not an insurance company.

The health protection program promises an annual cover of $6,818, and the entire hospitalization cost is borne by the federal and state governments in the ratio of 60:40.

Paul’s home-state Punjab, which had no state-funded insurance program, has gone a step further by taking it to a bigger chunk of population using its own funds. Himachal Pradesh, another north Indian state, is extending benefits to even the economically better-off at a premium.

The program is based on cumulative learning from states schemes and global best practices, Paul said, adding the private sector is playing an active role in it. Half of the 15,000 hospitals that enrolled for the program are from the private sector. The government is going through another 49,000 applications from health institutions that want to be a part of the plan.

Spending on health pushed more than 52 million people below the poverty line in India, according to a 2017 World Health Organization report. The world’s-fastest growing economy spends about 1 percent of its gross domestic product on healthcare and aims to increase it to 2.5 percent by 2025 but has to overcome challenges from poor health facilities.

“Challenges are many but none are disturbing,” Paul said.

TOP

Source

MOTOR INSURANCE

Insurance costs hit two-wheeler sales – The Economic Times – 24th October 2018

Two-wheeler sales this festive season have been disappointing, say dealers and manufacturers, as higher insurance premiums, rising fuel costs and poor market sentiment have led people to delay or drop their plans to purchase a motorcycle or scooter.

Dealers are staring at large inventories built-up ahead of the festivals, as they apprehend a sharp decline in demand compared with last year’s festive season. “Market sentiment is poor and stocks are huge,” said Nikunj Sanghi, director, Federation of Automotive Dealers.
“We are seeing a sales decline of 10-15% this festive season from last year with some dealers in eastern India reporting a 50% decline in sales during this season.” Since the last week of August, there have been more than four instances where the cost of insurance has changed, a senior executive at a leading Indian two wheeler maker said.

"Clearly, that has led to uncertainty and hence deferral in the purchase. Already there were economic headwinds which had impacted growth in the segment and the insurance cost spike only added to the slowdown," added the executive.

The Insurance Regulatory and Development Authority of India earlier this year made five-year third-party insurance cover mandatory for all new two-wheeler owners. The premium for the five-year term must be paid upfront, at the time of purchase. A five-year personal accident cover of Rs 15 lakh was also made compulsory but, after a court order, the regulator reduced the tenure to one year.

The increase in compulsory minimum personal accident cover to Rs 15 lakh from the previous Rs 1 lakh pushed the premium up to Rs 750 per year from Rs 50. The premium for third-party cover to be paid at the time of purchase on two-wheelers exceeding 350cc has gone up to Rs 13,034 for five years from Rs 2,323 for one year, a more than five and-a-half-time increase in upfront cost.

According to Sanghi, insurance and registration costs are not financed by most lenders. This increases the down payment, or the amount the buyer has to pay from his pocket at the time of making the purchase. Many potential buyers who could just afford the earlier down payment have been priced out of the market.

The crash in the stock market is also a factor, Sanghi said. Middle-class consumers who had invested through systematic investment plans and were planning to redeem that to fund vehicle purchases, are in a loss due to the decline in stock prices, he added. Dealers said if they are unable to move the built-up stock, they may have to resort to deeper discounts post festive season.

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India: Insurers confused about what constitutes mental illness – Asia Insurance Review

Insurers in India are at different stages in their preparations to provide coverage to those who are mentally ill. One of the reasons for this situation is confusion among insurers over the definition of the term "mental illness" in the Mental Healthcare Act 2017, which became effective in May 2018.

Mr Mayank Bathwal, CEO of Aditya Birla Health Insurance Company (ABHIC) told Firstpost that it is easier to chalk out policies for in-patient facilities (which include hospitalisation) because of already available data and existing clarity on benefits for customers; but for mental health care, there is work that needs to be done in terms of understanding the range of issues or the benefits that insurers need to provide.

"We are now reviewing the process. Mental health is a fairly vast area," he said. Mr Bathwalsaid that ABHIC is looking at how to provide mental healthcare benefits and is in touch with the IRDAI to seek clarification wherever required. "We will offer these benefits at the right time," he said.

He added, "We also need to be very clear about what mental health is. Our products already cover some of these lifestyle conditions, and when our health coaches have interactions with our customers, the top areas they talk about is how to deal with stress, etc. So, in some sense, we're already providing some of these benefits and we're doing some of these interactions with our existing customers. How you take it forward in terms of OPD expenses or hospitalisation expenses are areas that will evolve."

ICICI Lombard, on the other hand, is ready to cover mental illness in line with an IRDAI's directive. In an emailed response, Mr Sanjay Datta, chief–underwriting, claims, reinsurance and actuarial, at ICICI Lombard, said, "Our existing policy will cover mental illness in the same manner as physical illness as per policy terms and conditions."

Mr Ashish Mehrotra, MD & CEO of Max Bupa Health Insurance, in an article in Financial Express, pointed out that the National Mental Health Survey 2016 estimated that about 150m adult Indians, or 15% of India's population suffered from mental health problems. Those between 30-49—a productive age group in the workforce—were among the most affected.

"Without the availability of insurance, patients have had to cover the entire cost of treatment out of pocket. This has proved a major deterrent, due to which an estimated 80% of patients do not seek or receive any treatment," Mr Mehrotra said.

Immediate effect

Following the passage of the Mental Healthcare Act 2017 in May 2018, the IRDAI issued a circular in August directing health insurance providers to cover mental health problems as part of their policies with immediate effect. At that time, there was not a single policy in the market which covered mental healthcare.

Mr Bathwal said, ”While the policies, document, terms and conditions have not changed yet—because they have to be filed with the regulator— the circular meant that insurers, despite not having made changes to terms and conditions, will have to start offering those benefits. All these insurers have to go back and refile their terms and conditions because the document which is currently written for most of them will have a clause which says that anything to do with schizophrenia, Alzheimer’s are excluded. Technically, they’ll have to erase this sentence. That has not happened because it’s a long drawn process. Most insurers are in that process.”

While the Act implies that everybody is deemed covered for mental health problems, how the insurers cover their customers also depends on how they interpret the IRDAI circular.

Mr Vaidyanathan Ramani, product and innovation head at Policybazaar.com, said, “Different insurers can interpret it in different ways. For example, today, there are health insurance policies which cover you typically only if you’ve been admitted to hospital for more than 24 hours. If you have not, then there are special lists under which the coverage is allowed, like daycare procedures. One quick interpretation of the IRDAI circular is that an insurer will also cover mental health insurance the same way."

Mr Ramani’s understanding is that there is an informal committee constituted by insurance companies which is looking into defining mental illness and standardising the procedures.

Insurers and the IRDAI have a lot of ground to cover, including deciding on procedures to be followed, terms and conditions in insurance policies, evaluation parameters to be used to screen patients, and the premium at which mental healthcare can be covered.

TOP

Source

CROP INSURANCE

Expert smells scam in crop insurance scheme – The Tribune – 29th October 2018

The country’s crop insurance scheme is a much bigger scam than the Rafale deal, said renowned journalist P Sainath here on Monday. He was in the city to deliver a lecture on agrarian crisis.

Speaking at Kisan Bhawan, Sainath said the finance capital had waged a war against peasantry of this country. Citing example of the Pradhan Mantri Fasal Bima Yojana, he said a private insurance company earned profit of Rs 143 crore from just one district of Maharashtra.

“It is being implemented in the entire country. Calculation will reach at much bigger figure than Rafale deal,” he claimed.

Sainath said insurance companies charged premium in Maharashtra, but failed to establish dispute settlements forums at district level. “Pradhan Mantri Fasal Bima Yojana is a rascal deal. They are looting more money from farmers than the entire scam of Rafale deal,” he added.

Calling the present phase as finance capital in a war with farmers, Sainath said unfortunately farmers didn’t know that they were prisoners of war.

He said the government was demolishing each system required to assess agrarian crisis. From rainfall measurement to crop insurance; from water distribution to crop damage assessment everything is being privatised.

Giving example of changes brought in the drought manual two years ago, he said now they have replaced village-level assessment with tehsil-level assessment and the work had been given to a private company, which failed in Maharashtra.

He appealed to every citizen of the country to demand a 21-day special joint session of Parliament to discuss agrarian crisis and related issues.

TOP

Source

Crop cover needs separate set of rules: experts - Financial Chronicle – 29th October 2018

To achieve the target of covering 50 per cent of the farming households under the Pradhan Mantri Fasal Bhima Yojana in next 3 years and address the challenges in crop insurance, the government should introduce a farm insurance law, say experts.

In many developed and developing countries, the crop insurance system is codified through proper legislation, so the various agencies involved in the process do their job sincerely, said MK Poddar, GM, Agriculture Insurance Company of India.

"In India an agricultural insurance law is overdue. Time is ripe that India takes it seriously and goes for it as a substantial part of central and state funds are involved," he said in an IRDAI journal. To make PMFBY a major success, adequate support services have to be in place and for this it is necessary to follow the best practices prevailing elsewhere particularly in high and middle-income countries. A comprehensive legislation on agriculture insurance would facilitate this, he added.

Further, crop insurance is different from general insurance when it comes to receiving insurance premiums and making claim intimation. Hence a different set of rules are needed to govern crop insurance.

Moreover, crop insurance is plagued by different challenges. In India, crop yield estimation in the insurance units is done by conducting crop cutting experiments (CCEs) in the field-plots selected through a sampling scheme.

Subjectivity in the yield measurements has become a concern. According to experts, crop cutting experiments is an ill-managed activity that needs immediate revamp. They want remote sensing technology and synthetic aperture radar imagery to be used for more accurate data.

Moreover, the crop cutting experiments data often takes a lot of time to get transferred from farms to insurer's data base and results in delay in claim settlement, said Vivek Lalan, assistant V-P (agri business), Bajaj Allianz General Insurance.

"Due to lack of adequate manpower to conduct crop cutting experiments in a short time window (usually 20-40 days), the quality of CCEs is affected. In addition to that, manual capturing and consolidation of CCEs yield data further delays the process," added Azad Mishra, vice-president, HDFC ERGO General Insurance.

Another critical challenge is distribution with "bad risks" getting insured. Areas or crops prone to losses due to lack of irrigation facility or crops, which are too susceptible to adverse weather conditions are usually covered, leaving majority of the "good risks" out of the insurance basket.

Predominantly bad-risk-insurance portfolio will attract a high premium rate which in turn will put a strain on state government's budget. Experts want existing risk-sharing between insurance companies, central and state governments and reinsurers may be reviewed to strike a win-win situation for all the stakeholders.

Lower awareness and less participation by non-loanee farmers work against spread of crop insurance.

TOP

Source

REINSURANCE

A hugely under-insured India gears up to capture more reinsurance biz - Business Standard – 27th October 2018

There is just no getting away from the harsh fact that insurance is an afterthought across the globe, especially assets. This is what comes through from the global report on under-insurance by Lloyds' released this week. And other reports show low per capita income in over populated Asian countries make insurance a costly choice.

Just sample this data. Netherlands and Indonesia both sit on flood-prone geographies. As one would expect, their appetite for insurance is at par with their relative per capita income levels; Netherlands tops the world league of general insurance penetration as a percentage of GDP (7.7 per cent) while Indonesia is ranked 40th (0.5 per cent), as per the Lloyds' report. But in both countries the insurance coverage for their population has declined in the five years since the first report was published in 2012. The dip for Netherlands is more at 1.8 per cent, than Indonesia's 0.1 per cent.

This is the point, the report "A World at Risk: Closing the insurance gap" puts across. Countries under-insure and they do so even when they have periods of rising prosperity. The report estimates the current global insurance gap at $162.5 billion, just marginally down from $168 billion in 2012 when the largest insurance syndicate in the world issued its first report. The global insurance gap, or under-insurance, is the "difference between the amount of insurance coverage that is economically beneficial and what is actually purchased", says Geneva Association, an international think tank of the insurance industry. Low per capita income makes buying of insurance a costly choice.

Where India stands

China and India make up almost two-thirds of this gap—China's insurance gap is $76.4 billion and India is $24.6 billion. Indonesia is next. Between them, the three countries also account for nearly 39 per cent of the world population. So, just as a motor car owner who pays less premium than she should pay for her car has to dip deep into her own resources in the event of an accident, a country with an insurance gap has to mortgage more of its GDP to pay for recovery when something like a flood or a cyber meltdown strikes. After a major loss, the country has to to fend for itself often by raising additional taxes from its own people. It could mitigate some of that if it is able to dip into an international insurance pool instead.

Of course, there is a business case here for the insurers too. As more countries, especially in Asia, perceive the risk and reach out for more insurance cover, global reinsurance giants like the Lloyds' syndicate would discover more opportunities.

One of the reasons poorer countries buy less insurance is the high cost of reinsurance. Early this year, after plenty of back and forth, India has mandated that at least 5 per cent of all insurance policies from Indian markets have to be offered to national reinsurer, GIC Re. The sector regulator, Irdai has mandated a waterfall mechanism even for foreign companies. This is meant to keep the cost of insurance low so that the public buys more cover. General insurance penetration in India is less than 1 per cent of its GDP.

Shankar Gargiparthy, India Country Manager, Lloyds agrees that per capita income plays a part in low insurance penetration but he does not agree that costs of re-insurance play a role in it. "Insurance companies need to seek out reinsurance cover before writing policies. Also to cut corners it does not help if those policies are peppered with exceptions. Those create absence of trust in the population when there is a massive loss".

Portents are favourable for 2019. As mega losses have been lower this year the world over (Kerala floods and typhoon Michael notwithstanding), reinsurance pricing in global markets where GIC Re plays along with Lloyds' and Munich Re is expected to decline across the globe. In January 2019, when renewals for policies come up for review, a Reinsurance News report quoting JP Morgan analysts notes that lower catastrophic losses over the third quarter of 2018, along with ongoing over-capitalisation and the robust appetite of alternative capital markets like India, has created this benign combination.

Paradoxically, as a country like India moves up the development chain, the losses it can suffer from climatic events such as typhoons, floods, earthquakes or cyber crimes rise. "India suffers, as its neighbour Bangladesh does, from flooding and earthquakes in the north around the Himalayas, but being a far more developed economy, it has significantly more GDP potentially at risk in absolute terms," the Lloyds' report points out. It notes that Asia suffers more floods than any other continent -- more than 600 since 2008 -- with four of the top 10 most serious floods since 2008 occurring in China.

Insuring against cyber threats
In the case of cyber security, a key reason for the level of under-insurance is a similar lack of understanding of the cyber threat and how cyber insurance can help. "One of the biggest reasons for not purchasing cover is that potential buyers do not understand their exposures," the report notes. While Japan, Australia, South Korea, and the Philippines demonstrate their willingness to buy the right insurance to cover these risks, both India and China lag.

Yet the costs can be terrible. Citing the Equifax case, where credit card data was massively hacked in the US, the second Lloyds' report notes that "breach-related costs are now predicted to hit $439 million for Equifax, of which only $125 million will be covered by insurance.

Despite the level of threat, another report by Munich Re issued this year points out the world has insured itself only against 30 per cent of catastrophic losses. It also makes the same point Lloyds' highlights that the protection is skewed in favour of developed economies. "This global trend masks huge differences between the various country income groups. Progress in terms of shrinking the gap has basically been limited to high and upper middle-income countries". So while Bangladesh is the country with the least penetration at 0.2 per cent of GDP, "in Japan, a country with its own fair share of risk exposures, insurance penetration is 2.3 per cent of GDP". Both countries figure in the Lloyds' list of ten countries that face the highest risk of natural calamity, but while it is 0.83 per cent of its GDP for Bangladesh, it is 0.29 per cent for Japan. And, Bangladesh's economy is about a twentieth of the size of the Japanese economy.

India has fortunately dropped out of this infamous list since the last report of Lloyds' in 2012. "India is the only country that has dropped out of the top 10 countries with highest expected annual losses as a percentage of GDP since the last report. This can be explained by the relatively low number of natural catastrophes in India in recent years, with the only significant property losses in Chennai, set against a rapidly-growing economy. Its place has been taken by the Philippines, which rises up the table in part due to a devastating typhoon that hit the country in 2013.

Still, between the two Asian giants, India remains more at more risk than China for two other reasons. Its low per capita income, about a third less than China, means a catastrophic loss can push more of India's population into destitution. Also, the economy being located more in the tropics, is more susceptible to climate change-imposed vagaries. For both China and India "The combination of high GDP at risk and a newly emerging culture of insurance adoption means these countries rank highly in absolute losses", it adds.

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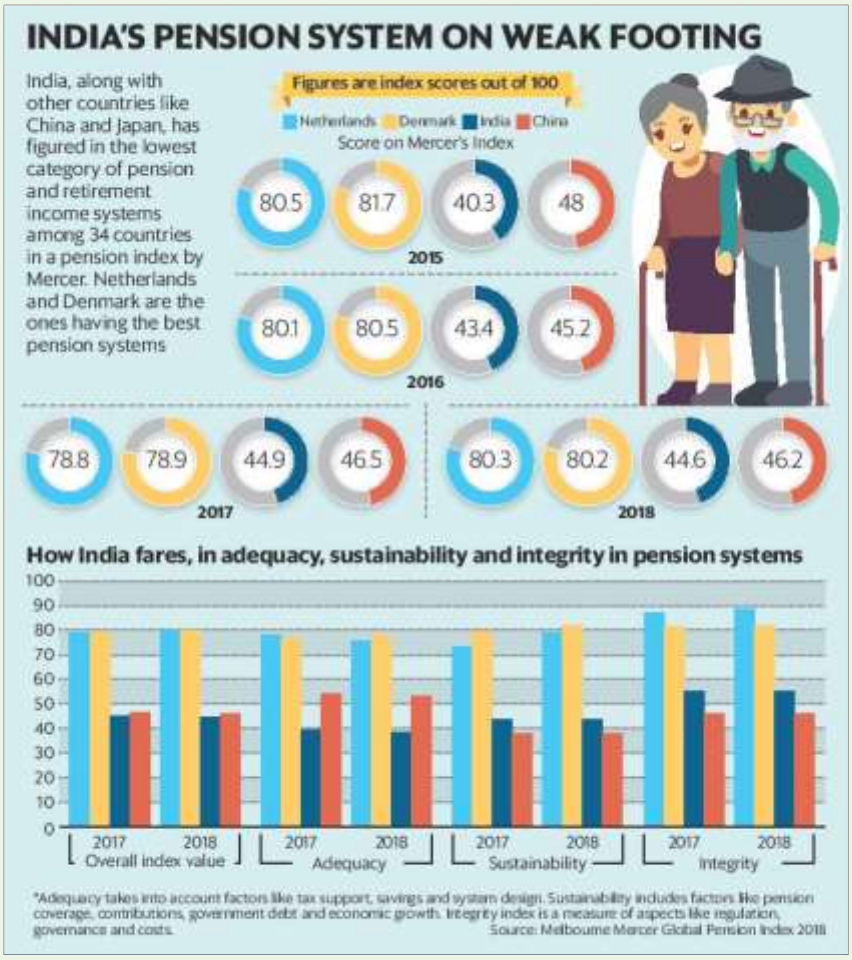
SURVEY & REPORTS

India low on global pension index; proactive regulation can bring meaningful change – Mint – 1st November 2018

The pension and retirement income system in India has figured in the lowest category in the world, according to the Melbourne Mercer Global Pension Index 2018, published by Mercer, a human resources consulting firm, along with Australian Centre for Financial Studies and Monash University.

The other countries in this category along with India are Japan, South Korea, China, Mexico and Argentina. According to the study, these countries have a system that has some desirable features, but also have major weaknesses or omissions that need to be addressed. Without improvements on these weaknesses, the efficacy and sustainability of these systems are in doubt.



The index has categorised 34 countries' pension systems based on their adequacy, sustainability and integrity. Adequacy index takes into account factors like tax support, savings and system design. Sustainability includes factors like pension coverage, contributions, government debt and economic growth. Integrity index is a measure of aspects like regulation, governance and costs.

The top category with countries having a "robust retirement income system" includes only two countries, Netherlands and Denmark. These countries have a score of over 80 in the index, while the category which includes India has a score between 35 and 50. India scored 44.6 in 2018, which is marginally lower than its score at 44.9 in 2017.

Top ranked systems

Netherlands and Denmark, which are at the top in the Mercer index, have defined contribution and defined benefit plans. Denmark's retirement income system comprises a public basic pension scheme, a means-tested supplementary pension benefit, a fully funded defined contribution scheme and mandatory occupational schemes, according to the report. A means-tested scheme is where a person is given a certain benefit if she has income below a certain threshold.

There are also other countries that score high in the index, though not in the top category, including Finland, Sweden and Canada. Canada's retirement income system comprises a universal flat-rate pension, an earnings-related pension based on lifetime earnings, voluntary occupational pension schemes, and voluntary individual retirement savings plans.

India pension story

India's pension system, which is largely limited to the organised sector, comprises the Employees' Pension Scheme (EPS) run by the Employees' Provident Fund Organisation and the National Pension System run by the Pension Fund Regulatory and Development Authority of India.

For the unorganised sector, the Atal Pension Yojana (APY) has been gaining importance with about 1.1 crore registrations in the first 3 years of its introduction and about 4-5 lakh new members signing up every month.

Challenges in India

The Mercer study highlights that steps like introducing a minimum level of support for the poorest, aged individuals, increasing coverage of pension arrangements for the unorganised working class, improving the regulatory requirements for the private pension system and increasing the level of contributions in statutory pension schemes can lead to increase in the index value for India.

Ritobrata Sarkar, head of retirement, India, Willis Towers Watson, said that while general savings rates in India are moderate, there is a lack of awareness around savings for retirement or pure pension products. This is particularly true for the unorganised sector, where people may not understand the importance of retirement adequacy and the financial implications of a longer post retirement life due to increasing life expectancy.

"Within the organised sector, there is greater demand for investment products like mutual funds or unit-linked insurance plans which provide more flexibility of withdrawals. The lack of transparency on investment returns, charges around pension products as well as unavailability of innovative and meaningful annuity products, have also contributed to a low penetration of pension," he said.

Moreover, with rising life expectancy contributing to an ever-increasing retired population, lack of a meaningful universal pension system continues to pose a major long-term challenge for India, he said.

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OPINION

Health insurance: Bringing mental illness under health insurance cover will help customers – Financial Express – 31st October 2018

The Mental Healthcare Bill 2017 was a progressive reform in the midst of growing awareness. The Insurance Regulatory and Development Authority of India's (Irdai) directive that followed, now includes mental illnesses in the ambit of health insurance coverage for customers.

Viewed against the evolving narrative on mental health, this has the potential to significantly expand access to treatment —a critical need given India's worsening mental health crisis.

The National Mental Health Survey 2016 estimates that about 150 million adult Indians, or 15% of India's population suffer from mental health problems. Those between 30-49—a productive age group in the workforce—are among the most affected. Without the availability of insurance, patients have had to cover the entire cost of treatment out of pocket. This has proved a major deterrent, due to which an estimated 80% of patients do not seek or receive any treatment.

Cover for mental illness
Provisions to cover mental illness in policies will have to be framed within certain inherent challenges. Insurers will have to chart out the implementation and scope of coverage against different parameters. As treatment becomes accessible and more affordable with insurance, many more Indians will come forward to seek treatment. Including coverage for mental illnesses will also increase the penetration of health insurance coverage, as a new section of people find insurance products that comprehensively answer their needs.

A 2018 Health & Wellness survey conducted across six Indian cities, with 2,100 respondents, to understand the shifting health and wellness trends across the country spotlighted the changing preferences of customers. The study revealed that the definition and awareness of wellness is fast expanding beyond just physical health, to achieving a stress-free lifestyle.

Tailor-made solutions
Customers are increasingly looking for greater value in their insurance plans. They want tailor-made solutions that work for them, with more personalisation, whether it's in health, well-being or mental health care. Going forward, insurers will have to take a customer-centric view, re-evaluating conventional plans. Mental health treatment, for example, does not always require hospitalisation—traditionally covered by insurance. Holistic treatment here might include psychiatric consultation along with ongoing support through medication and periodic reviews to avoid reccurrence of the condition.

Insurers would have to look through the prism of what customers need, to design products that are relevant and fit their specific needs.

In an outcome-based shift, insurers are rewarding customers for healthy behaviour, which is what the new-age customer is asking for. Around 43% of the respondents in the wellness survey said they expected an increase in coverage with no increase or a marginal increase in premium for achieving fitness targets. Catching the problem early is critical in the context of mental health.

Insurers could respond with health plans that cover preventive services, such as depression screening for adults. There are still several challenges hampering efforts in mental health care – a serious paucity of mental health facilities, professionals and financing facilities in the country. The insurance regulator's directive will pave the way for change on multiple levels and focus on the needs of patients.

(The writer is MD & CEO, Max Bupa Health Insurance)

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Source

How riders add value to your life insurance plan – Financial Express – 30th October 2018

The basic objective of buying life insurance is to provide maximum financial security to the dependants in case of untimely death of the policyholder. In almost all the cases the basic sum assured and accrued bonus till the time of death determines the final payout to the nominee. However, there are provisions for providing different benefits in different circumstances, which the policyholder may not even foresee at the time of signing a proposal for taking a life insurance policy.

It is a common practice worldwide for life insurers to provide add-on benefits under the same policy on payment of a small additional premium. For example, almost every company offers double accident benefit. This benefit can be secured by payment of additional premium as low as rupee one per thousand sum assured.

Rider benefits

Under this rider benefit, in case of death by accident a sum equal to the basic sum assured is paid to the nominee over and above the sum assured under the policy. The additional sum under this rider is meant to provide additional funds to help the family. The worst would be that the policyholder, the victim of the accident, is permanently incapacitated and is unable to earn any longer.

The accident benefit rider comes to the rescue of the family by providing monthly or yearly financial support which may be of some help to the affected family. In certain cases, riders provide for premium waiver benefit.

There is a similar rider available under child policies under which if the proposer, generally one of the parents, dies prematurely during the tenure of the child's policy, the subsequent premium is fully waived and the policy remains in force with all the assured benefits for the child. All these benefits come at a very low cost and must be purchased as rider with the basic policy.

Term rider

Term rider is yet another very significant value addition to a policy. This is taken with the endowment policy to enhance the risk cover to the extent of 200-300% of the basic sum assured. The premium paid for the term rider is a small sum. During the entire tenure of the policy the risk cover remains higher and this takes care of the objective of having enough provision for financial protection in case the policyholder dies during the term of the endowment policy.

Life insurers are providing another valuable rider known as critical illness rider. Critical illnesses cause serious strain on the finances of the policyholder and this may mean not being able to pay life insurance premium and the policyholder may have to borrow money to meet the high cost of treatment.

The critical illness rider defines certain health situations and diseases under which the insurer pays a lump sum amount which is generally equal to the sum assured to enable him to meet all expenses.

Generally, on the conclusive diagnosis of one of those critical diseases, the insurers make such payment. While purchasing a policy the buyer must ask for relevant information from the insurer's representative and add this rider to his/her policy.

Accelerated maturity payout
Under the accelerated maturity payout rider, a part of the sum assured is payable three to five years before the date of maturity if the policyholder suffers from terminal illness. The insurers do not wait for paying the sum assured till the death of the policyholder. However this benefit is not made available by most of the Indian insurers. This rider is popular in developed countries where life expectancy is very high. The rider benefit steps in to financially support such policyholders during the last few years of their lives.

Insurers also sell annuity policies where a constant amount is guaranteed during the lifetime on payment of a lump sum amount. However, those who survive too long may need more funds for long term care. Policies in developed countries provide for riders under annuity policies for long-term care benefits. The fast emerging socio-economic profile of the citizens in India would also require such riders to be offered to the policyholders and the annuitants.

The policyholders who add rider benefit to their chosen plan ensure higher financial protection for themselves and their family through a single policy than those who either do not know or who are not suitably informed by agents about riders. Riders are available at low cost and add tremendous value to a policyholder's financial planning providing security to himself and his family.

(The writer, Mr Kamalji Sahay is former MD & CEO, Star Union Dai-ichi Life Insurance)

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Source

Why you should have an accident insurance cover - Financial Express – 29th October 2018

Arjun Krishnan, an advertising professional, met with a serious road accident on his way to work last year. He sustained injuries and fractures on both his legs and was advised bed rest for the next three months. Fortunately, on his wife's insistence, Arjun had bought a personal accident insurance policy sometime back. The policy that came at a very nominal price turned out to be really helpful to meet the expenses that Arjun had to incur on his treatment.

Cover at nominal premium
We often undermine the need of insurance policies like personal accident despite the fact that they are not at all heavy on the pocket—there are insurers who offer cover for Rs 10 lakh at a nominal premium of around Rs 500. In fact, in situations like the one mentioned above, a personal accident insurance policy can come in handy as it covers the policyholder against death or disability due to an accident.

A personal accident policy can also help deal with income loss in case of temporary disability, permanent disability or fatal injury. Krishnan was bedridden for three months post his accident and his personal accident policy paid him a daily allowance to cover his expenses and income loss during the period.

Secondly, the magnitude of the mishap doesn't matter for claim trigger under the Personal Accident insurance; while major accidents such as the road accident are covered under these policies, medical treatment for minor accidents like falling off a bicycle and breaking an arm, or fracturing a leg while playing football too, are covered.

Payout after an accident depends upon the kind of injury one suffers: If an accident causes death, the claim payout would be 100% of the sum insured, and in the case of permanent partial disability, it could be up to 75% of the sum assured. The amount varies depending upon the specific policy coverage.

Currently, insurers also offer plans offering worldwide protection and covers for adventure sports, air ambulance, fracture care, children education benefit, loan protector cover and EMI payments that will take care of one's financial liabilities due to any untoward event against situations such as death, permanent total disability and permanent partial disability.

Helpful while travelling
Like health insurance policies, a personal accident policy is immensely helpful during young age because of routine travel that one needs to take such as work related travel or leisure travel. Personal accident policy is an annual policy, which needs to be renewed after a year and the coverage starts right from the day one, without any waiting period. A personal accident insurance cover is essential to protect your family's financial health that can go off track suddenly due to an unfortunate accident. Planned financial support in time of exigencies not only helps you to cope with the suffering better but also allows you to have a normal life as soon as you recover.

(The writer, Bhaskar Nerurkar is head, Health Administration Team, Bajaj Allianz General Insurance)

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Source

PENSION

Government plans global exchange traded fund to tap pension segment - The Hindu Business Line – 28th October 2018

The Finance Ministry plans to launch a global exchange-traded fund (ETF) to attract long-term investments from overseas pension funds. The new ETF, which will be constituted after studying the appetite of large investors, is planned for the next financial year, an official said. Initially, the Ministry was planning to list Bharat-22 ETF abroad, but decided not to as investors expressed apprehensions over the costs associated with hedging and currency conversion.

"The target is to tap the untapped investors, that is, the large overseas pension funds. A new ETF is being thought of which will be constituted based on the sectors for which these investors show interest," the official told PTI.

Scope for dilution
The official said that the PSUs in which there is substantial scope for further dilution of government equity — say, where promoter holding is above 58 per cent — will be included in the proposed ETF for global listing. The government has listed two exchange-traded funds — CPSE ETF and Bharat-22 ETF — on the domestic stock exchanges. The government has already raised Rs 22,900 crore through two tranches of Bharat-22 ETF, and Rs 11,500 crore through three tranches of CPSE ETF.

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IRDAI CIRCULAR

Updated list of life insurers is available on IRDAI website.

Source

Individual surveyors updated as on 30.10.2018 is available on IRDAI website.

Source

List of corporate surveyors as on 30.10.2018 is available on IRDAI website.

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Source

GLOBAL NEWS

Australia: Terrorism pool starts study into cyber terrorism – Asia Insurance Review

Australian Reinsurance Pool Corporation, the government agency responsible for administering the country's terrorism reinsurance scheme, has commenced a research study on the threat of cyber terrorism in Australia, including the nature and cost of physical damage to commercial property (including business interruption), which may be caused by acts of cyber terrorism.

The 12-month research study, titled "Insurance risk assessment of cyber terrorism in Australia" will identify and explore current and prospective threats, plausible scenarios as well as the practicalities of extending insurance coverage to include cyber terrorism in Australia.

"Business insurance policies and the ARPC scheme currently exclude coverage for acts of cyber terrorism which affect commercial and high value residential property in Australia," said Dr Christopher Wallace, ARPC chief executive.

"ARPC expects the cyber research study findings to inform development of government policy in this important area, including the three-year review of the terrorism insurance scheme by the Treasury," Dr Wallace said. He said the research study will also make a significant contribution to the data set and knowledge of cyber terrorism risk in Australia, a risk which is currently under-researched.

ARPC has commissioned Cambridge Centre for Risk Studies, based at the University of Cambridge in the UK, and the OECD, based in France, to undertake the research with ARPC.

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Australia: New rule makes it mandatory for life insurers to report data on claims and disputes – Asia Insurance Review

Consumers will soon have access to high-quality, comparable data on life insurance claims and disputes after the Australian Prudential Regulation Authority (APRA) issued a new reporting standard to the industry.

The release of Life Insurance Reporting Standard LRS 750.0 Claims and Disputes will enhance the consistency and quality of life insurance data published through a ground-breaking programme established jointly last year by APRA and the Australian Securities and Investments Commission (ASIC).

The standard makes it mandatory for life insurers to report data on claims and disputes, and is a critical milestone on the path to delivering enhanced transparency and accountability through the regular publication of credible, reliable and comparable data.

The regulators have so far released two rounds of pilot data on life insurance claims and disputes. However, participation was voluntary, and insurers did not interpret the reporting requirements consistently.

APRA Member Geoff Summerhayes said the publication of such high-quality, granular life insurance data, at both industry and entity levels, would put APRA and ASIC at the forefront of innovation among global insurance regulators.

"This new standard, based on more than 18 months of engagement with industry and consumer groups, codifies life insurers' reporting obligations and provides greater clarity around definitions and claims processes. The introduction of a legally binding reporting standard will improve the consistency and reliability of the data we receive, and guarantee it continues to be made available to regulators and consumers," Mr Summerhayes said. ASIC's Deputy Chair Peter Kell said the enhanced claims data would help the regulators identify emerging problems, assess product value and take action to improve consumer outcomes.

"ASIC identified the issue of inconsistent and inadequate life insurance data in its 2016 review of life insurance claims and is pleased to be working together with APRA on this important initiative. Access to reliable and comparable data will help consumers make informed decisions about their life insurance," Mr Kell said.The first public release of data collected under LRS 750.0, featuring insurer-level data, is due in early 2019, with ongoing publications to be issued every six months.

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Source

Australia: Satisfaction with risk and life insurance declines – Asia Insurance Review

Satisfaction with risk and life insurance has fallen to 65.4% in September 2018, down from 66.4% in 2017 and 69.5% in 2015, according to new research from Roy Morgan, a market research company. At these levels, risk and life insurance continues to have the lowest satisfaction of all major household and personal insurance types including general and health insurance.

These are the latest findings from Roy Morgan's Single Source Survey (Australia) which is based on in-depth personal interviews conducted face-to-face with over 50,000 Australians per annum in their homes, including over 10,000 with risk and life insurance.

Insuranceline tops satisfaction ratings
In the year to September 2018, Insuranceline with a satisfaction rating of 81.6% was the best performer, well ahead of second placed Suncorp Insurance (78.7%) and Real Insurance (74.7%).

AMP the market leader in terms of the number of policies, had 64.3% customer satisfaction and was below the market average (65.4%), showing a drop of 1.6% points over the year. The second largest player is MLC and it scored marginally below average with 64.9%, having declined by 1.9% points over the last 12 months.

Although overall satisfaction with risk and life insurance declined over the year, some companies showed improvement. The biggest gains were from Suncorp Insurance (up 8.6% points), Asteron (up 6.5% points), Zurich (up 6.2% points) and Insuranceline (up 4.0% points). The major brands showing declines in satisfaction were Westpac (down 10.3% points), Alliance (down 4.4% points), AIA Australia (down 4.4% points) and TAL (down 4.3% points).

Satisfaction improves likelihood of customer retention
Customer retention is important in a market where over 1m risk and life policies over the last year were at risk of being moved because they either actually changed their provider (226,000) or at least were considering to do so by looking around (795,000). Policyholders that say that they are 'extremely likely' to renew their insurance with the same company have a satisfaction rating of 73.3%, well above the market average of 65.4%.

As the likelihood of renewing with the same company declines, we see that this is associated with much lower satisfaction levels. Among policy holders who are unlikely to renew with the same company only around a quarter (25.6%) are satisfied with their current insurer, compared to 66.9% satisfaction among those who are at lease fairly likely to renew.

In addition to the million existing policies that are potentially subject to changing provider in a year, there are also those that are entering the market for the first time. In the 12 months to September 2018, this amounted to 228,000 new risk and life policies, which when combined with existing policyholders that are potential changers, makes for a total available market of over 1.2m in a 12-month period.
Norman Morris, Industry Communications Director, Roy Morgan said, "These results show that although 86% of risk and life insurance policies are renewed automatically without shopping around, there is a risk associated with having below average satisfaction as this has the potential to discourage renewal and new clients.

"The channel used to purchase risk and life insurance is important because it may impact satisfaction and retention. The most frequent method used to purchase this type of insurance is still directly from an insurance company with 36%, which has been falling over the last three years from 42% in 2015. The most common way people purchase directly from their insurance company is by telephone.

"Purchasing this type of insurance online is relatively small with 9.3%, having only shown gradual growth from 6.7% over recent years. The biggest increase in the purchasing channel used over the last three years has been from employer as part of superannuation, which has increased from 16.3% to 26.5%. The other major channel is the use of insurance brokers and financial planners which now account for around 17% of the market, down from 21.8% three years ago.

"The use of these third parties to purchase risk and life insurance has the potential to take the customer relationship away from insurance companies and as a result they are likely to have less control over satisfaction and retention levels. "The considerable adverse publicity given to life insurance by the Finance Royal Commission is likely to have been a contributing factor in continuing the decline in satisfaction."

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Source

Australia: Tough times expected to continue in life sector – Asia Insurance Review

The poor performance of the individual income protection line of business in Australia will continue to undermine earnings in the life segment, which have declined over the past three years, says S&P Global Ratings.

There are numerous reasons for the troubles with this line of business including: increasing consumer awareness in relation to policy benefits; greater lawyer involvement in the claims process; and a rise in mental illness and stress related claims. Moreover, the business line has been consistently loss-making for the past five years despite the industry's aggressive remediation actions including: price rises and the tightening of terms, conditions, and definitions; and stricter underwriting standards.

The volatile operating performance has been a key driver of divestments of life risk operations by domestic groups, a trend that is anticipated to continue, the international credit agency says in its report titled, "Australian life insurance: Tough times are set to continue".

Impact of proposed superannuation legislative changes

In the group risk segment, the proposed Protecting Your Superannuation legislation continues to cause major uncertainty for life insurers in the group risk segment, over six months after the government first announced the proposed changes. S&P Global Ratings believes the legislation has the potential to significantly hurt the growth and earnings profile of Australia's group risk insurance business, which comprises around 40% of total life insurance premium risk inflows.

The package includes proposed changes to the current default arrangements for the provision of life insurance to superannuation members. Under the proposals, trustees will only be permitted to provide insurance on an opt-in basis to new superannuation members under 25 years old, to members with account balances under A$6,000 ($4,256) and to members with accounts that have been inactive for 13 months or more.

This is in contrast to current arrangements under which trustees provide insurance to all members on an opt-out basis.

To put the magnitude of the potential impact in context, the Commonwealth Treasury estimates that account balances of less than A$6,000 make up more than 40% of all superannuation accounts (based on 2015-16 data).

Australia's high levels of superannuation member disengagement and the tarnished image of the life insurance industry means there is a risk that affected members will not opt-in to life insurance in large numbers. This would result in a material decline in group risk premiums, which would impact significantly on the revenue of large group risk insurers. It is also expected that insurers would lose predominantly younger policyholders because of the reform, who are likely to claim less than older members and whose premiums often currently cross-subsidise older cohorts.

Royal Commission disclosures

On top of it all, there is uncertainty surrounding the extent and impact of the Royal Commission recommendations due early 2019. All these challenges reinforce the negative trend S&P sees for the sector.

The disclosures stemming from the Royal Commission have further damaged an industry whose reputation was already tarnished. Revelations include: misleading the corporate regulator, premiums being charged for deceased individuals and advice not provided, inappropriate direct selling techniques, poor claims management practices, and using outdated medical definitions.

With the Royal Commission the hot topic at both the wholesale and retail level, there is a risk that policyholders and large group (superannuation) clients lose confidence in the industry and subsequently lower or withdraw their cover. To date, there is no overwhelming evidence to suggest this is happening. In S&P's view, it is more likely that there would be an increase in switching between providers, with the beneficiaries being those insurers with good claims paying reputations, especially when it comes to the re-contracting of group schemes.

The tarnishing of an insurer's image can undermine creditworthiness due to a weakening in competitive position or deficiencies in risk management or governance. Moreover, subsequent remediation costs, penalties, fines, and legal action can further impinge on credit quality related to a weakening in capitalisation.

The Royal Commission highlighted a number of topics that may be the subject of its final recommendations that cover all aspects of the life insurance industry, including product design, disclosure, sales, claims handling, regulation, and compliance and breach reporting. The main risk to the industry lies in the potential for far reaching changes in the industry's structure and more onerous and costly regulation.

Thus, the next year will remain challenging for the Australian life insurance sector. The full extent of the difficulties are yet to play out but should become clearer once the Royal Commission recommendations (and government response) are known early in 2019 and when there is clarity as to the extent to which the Protecting Your Superannuation reforms are to be implemented.

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Source