Insurance Institute of India

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Newsletter

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Health Insurance

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News	IRDA nominates members for Health Insurance Forum
Newspaper	The Hindu Business Line
Source	http://www.thehindubusinessline.com/industry-and-economy/banking/article2951088.ece

The Insurance Regulatory and Development Authority has nominated Mr M. Rama Prasad, Member (Non-Life), as the Chairman of the Health Insurance Forum.

The chairman and managing directors of Life Insurance Corporation of India, New India Assurance Company, Star Health and Allied Insurance Company, Chairman of General Insurance Public Sector Association, chief executive officers of ICICI Lombard General Insurance Company, Bajaj Allianz Life Insurance Company were also nominated as industry representatives.

From the third-party administrators, the heads of Raksha TPA and India Healthcare Services Pvt Ltd were nominated as per an order issued by the regulator.

The IRDA constituted the forum last month to act as a consultative body for all stakeholders.

The functions of the forum will be to advice and assist the regulator in evolving health insurance regulations and facilitate the creation and adoption of standard processes and definitions in health insurance.

News	Healthcare stakeholders seek greater prioritization this Budget
Newspaper	The Hindu Business Line
Source	http://www.thehindubusinessline.com/industry-and-economy/article2967133.ece

Mumbai, March 5:

Innovative medical insurance schemes for senior citizens, support to locally produced medical devices and the pending request for infrastructure status to facilitate setting up of hospitals are just some healthcare areas crying out for Government attention.

With the Centre committing to increasing its healthcare spend to 2.5 per cent of GDP by 2017, healthcare stakeholders hope a similar optimism is reflected in the Budget so that long-pending issues get addressed.

Health insurance

Advocating an integrated approach to healthcare, Mr Gautam Khanna, Executive Director (Healthcare Division), 3M India, says the 65-year age-limit beyond which health insurance is not extended to senior citizens needs to be restructured. An innovative structuring of the premium paid by the individual — where the monetary burden on the end-user reduces as age increases and ability to contribute decreases — will help increase affordability, he points out.

Medical equipment

Also vying for the Government's attention are local medical-device makers who are crying foul over “anomalies” in their sector — where it is easier to be a trader than a local manufacturer. Customs duties on the import of raw materials is higher than on finished products, paving the way for large companies to import products into the country, rather than manufacture here, explains medical technology company Trivitron's Founder, Dr G.S.K Velu. Calling for greater support to local manufacturing, he says the domestic pharma industry is where it is today because of such support in the past.

A greater focus on universalized healthcare will need a strong devices industry, agrees Becton Dickinson's India-head, Mr Manoj Gopalakrishna. But increased budgetary allocation alone will not translate into improvement of healthcare services, unless the Government prioritizes and streamlines how the funds are used within the healthcare sector, he adds.

Pharma industry representatives are skeptical about the Government's projections, as the infrastructure to deliver affordable healthcare is not in place, says an industry expert. With the proposed Pharmaceutical Policy already under scrutiny at various levels, the forthcoming Budget may not hold much interest for the industry, he added.

But Dr Vivek Desai, head of Hosmac India, a healthcare consultancy, observes increased commitment will bring in change. For instance, even public health infrastructure, hospitals and primary healthcare centers are going in for quality certification now, he says, indicating that the Government's optimism is showing on the ground.

Re-insurance

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News	Reinsurance premiums set to rise
Newspaper	Financial Chronicle
Source	http://www.mydigitalfc.com/news/reinsurance-premiums-set-rise-321

Indian general insurers' have delayed finalization of the reinsurance treaties for the next financial year as last year's losses are poised to drive up rates translating into higher premiums.

Swiss Re' managing director for India operations, Dhananjay Date said, "Treaties are delayed in view of the catastrophe losses of last year." Swiss Re is one of the world's largest reinsurers. Almost all the Indian companies have reinsurance treaty arrangements with Swiss Re. Date added, "Delays are not peculiar to India. It is happening globally."

Ritesh Kumar managing director and chief executive officer at HDFC ERGO general insurance said, "This year there has been some delay in negotiations because of the uncertainty on how rates will shape up. We are still negotiating the contracts with reinsurers."

But the delays were also partly because domestic insurers need to finalize their retentions. Retentions implied the amount of the liabilities that can be retained by the insurers on their balance sheets.

A public sector insurer said, "Reinsurers want higher retention by the domestic insurers." The demands for higher retentions were also partly on account of the large losses suffered by the large reinsurers last year, on account of Japan's tsunami, New Zealand earthquake, Australian and Thailand floods. The stiffening stance comes despite the absence of major claim events in the country during the last one-year.

All the public sector general insurers together reinsure at least 30 per cent of their liabilities with global reinsurers. This means that 30 per cent of the premiums collected are passed on to reinsurers. In the event of a claim being lodged it becomes the reinsurers' liability. In the case of private sector general insurers, it is about 50 per cent.

Higher retentions, implied premiums would substantially harden, especially, where risk covers are largely reinsurance driven. This included risk covers high value sectors, including petroleum and power, already struck hard by increases in input costs. Date said, "Rates will harden. There can be no doubt about it."

Primary insurers are also braced for a substantial increase in premiums for the next year. Bharti Axa General Insurance Company, chief executive officer, Amarnath Ananthanarayan said, "Rates need to firm up or the deductibles would have to go up." Deductibles increase implied that customers themselves would have to be absorb a higher quantum of risks directly on their books. Premiums are likely to go to at least 150 basis points for every Rs 1000 of sum assured.

Kumar said, "Catastrophic premium should see a hardening of rates, around 20-25 per cent for insurance companies."

Among the companies likely to be impacted, by the increase in premiums include ONGC. Petroleum major, ONGC last year had paid a premium of $28 million for risk cover of $33 billion. This year, premium is expected to be far higher, when the cover comes up for renewal this month end.

Moreover, for the next financial year, domestic reinsurer GIC is also expected to cut back on providing risk covers to sectors that have high claims. Under present regulations, at least 10 per cent of the premiums would have to be ceded to GIC. The finance ministry, that is the single stakeholder in GIC does not want GIC to accept loss making risk covers, a move that would result in pushing up tariffs.

Therefore more primary general insurers would be pushed into the spot markets in view of the losses suffered by the global reinsurers. Spot reinsurance covers, or Facultative reinsurance refers to a reinsurance contract under which the primary insurer has the option to cede and the reinsurer has the option to accept or decline individual risks. FacRe contracts are far more expensive than treaty driven insurance. Consequently the push to FacRe markets is likely to influence domestic tariffs.

PSU insurers are already reconciled to an increase. The PSU official who declined to be quoted said, "The present levels of tariffs for fire and engineering risks are not sustainable, if underwriting margins are to be protected." Underwriting margins pertain to the difference in premiums collected and claims paid out. In sectors like motor and health, underwriting margins are negative, with claims being well in excess of the premiums collected.

General Insurance

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News	Get ready for higher medical, car insurance premiums
Newspaper	Business Standard
Source	http://www.business-standard.com/india/news/get-ready-for-higher-medical-car-insurance-premiums/466839/

In about a month's time from now, purchasing general insurance policies for health, motor and property could become more expensive, as the government has asked insurers to bear the risk of loss-making businesses on their books — else hike the premiums adequately. This would impact the car insurance segment especially, as insurers were used to accumulating their risks in a common insurance pool.

The premium rates are expected to jump by about 15-20 per cent for both motor and health covers. "It depends on the insurer and its pricing model and whether it would follow suit," says Amarnath Ananthanarayanan, managing director and chief executive, Bharti AXA General Insurance Company.

For example, if paying an annual premium of Rs 15,000 on your comprehensive health cover, you would have to shell out Rs 3,000 more (due to the expected 20 per cent hike).

Property, fire and marine insurance premiums are the ones that would take a direct hit. "Although motor and health premiums won't get directly impacted, their pricing would suffer indirectly. And, with the ever-increasing medical inflation, health premiums may go up 18-20 per cent, too," says Sanjay Data, head, customer service, ICICI Lombard.

Hence, the advice: Go for a health cover when young, as the risk to life then is the least. There are certain steps, however, that one can take to brace for the 'premium' eventuality. One, the policyholder can 'shop around'. Even if you had the same policy with the same company for the past few years, you may still want to make that strategic move by making the switch to another firm. Thanks to a plethora of insurance price comparison websites, the exercise should be fairly simple: Feed your details and the websites will compare the prices for you.

So, at the time of policy renewal, you can shift to a cheaper one.

In case of health insurance, one can go for a top-up instead of the entire policy. This turns out much cheaper. "If you are looking for a high sum insured, but cannot afford the premium, it may be a good idea to opt for a top-up cover. This can cover higher hospitalization expenses. In comparison, your existing base health cover (provided by the employer) or the insurer's policy may fall short. Also, buying a top-up cover is better, as the premiums are 30-40 per cent lower than those of an additional health insurance plan," explains Suresh Sugathan, head, health administration team, Bajaj Allianz General Insurance.

Take advantage of the no-claim bonus (NCB) status on your insurance premium, too. This could provide you a discount on the premium for every claim-free year. Ensure you get the correct NCB on your car's renewal. So, it may be a good idea to forgo a small claim on your car in order to retain the accumulated NCB.

More, even if you are buying a new car, you could transfer the NCB accrued to the new car's insurance policy, provided you have sold the old vehicle. Confident drivers can also opt for a voluntary deductible on the premium in lieu of co-payment at the time of claim.

Global News Top

Asia

News	***World Bank urges consolidation of China's financial regulatory system***
Newspaper	***Air e-daily Asia Insurance Review***
Source	***http://www.asiainsurancereview.com/pages/e-weekly-archive.asp***

The World Bank has suggested that China unify its financial regulators or functional supervision to improve individual regulators' ability to deal with cross-industry financial risks. China needs to focus on developing a strong macro-prudential framework - while the concept is not yet fully rooted in Chinese financial regulation, "its importance for securing financial stability is being emphasized globally", adds the Bank.

In a report released earlier this week, titled “China 2030: Building a modern, harmonious and creative high-income society”, the World Bank says: "The existing regulatory and supervisory structure does not provide the necessary monitoring and surveillance to deal with the spillover of risks among financial institutions and industries, as the co-ordination mechanism is perfunctory and information-sharing is sporadic." The Chinese regulatory system consists of three individual regulators: China Insurance Regulatory Commission, China Securities Regulatory Commission, and China Banking Regulatory Commission. "In spite of laws that insist upon segregation among banking, securities and insurance in the financial sector, the degree of financial conglomeration is stunning," says the report which points out that the Chinese government's role as both owner and regulator of China's financial institutions is the basis for most existing problems and potential risks in the country's financial system.

The advice also focuses on the role of local government in financial supervision. "Better provincial-level financial supervision will not only alleviate the supervision burden of the central regulator, it will also fill the vacuum and ultimately reduce regional financial risks," it says. Although local governments are held responsible for the failure of local financial institutions, they do not have adequate supervisory capabilities. Instead, provincial governments have adopted an ownership role in local financial institutions, to the detriment of their supervisory duties.

"Central to the report's findings is the need for China to modernize its domestic financial base and move to a public financial system - at all levels of government - that's transparent and accountable, overseen by fewer but stronger institutions, to help fund a changing economic, environmental and social agenda," says Robert Zoellick, president of the World Bank.

Middle East

News	***UAE: Brokers appeal against new rule on premium payment***
Newspaper	***eWeekly Middle East***
Source	***http://www.asiainsurancereview.com/pages/e-Weekly.asp?country=8***

The UAE brokerage community has approached the Insurance Authority (IA) for a reappraisal of a recent directive, which came into effect from 1 March, on how premium payments are collected, said media reports.

Under the new rule, the IA mandated that all premium payments on policies sold or renewed by brokers should be issued directly in favor of the insurers as per the new rule. The move was part of a broader move by the IA to bring in an updated regulatory regime for the insurance industry.

Previously, brokers would use the premiums collected for their own short-term working capital needs as per arrangements with the insurers. The brokers would make the payments to the insurers at the end of a specified period, usually averaging 60 days.

UK

News	***Swiss Re expands European marine team***
Newspaper	***Insurance Times***
Source	***http://www.insurancetimes.co.uk/swiss-re-expands-european-marine-team/1395203.article***

Swiss Re has formed two dedicated underwriting teams for marine insurance in Zurich and Genoa, which will be led by Patrizia Kern-Ferretti and Andrea Cupido, respectively.

Swiss Re Corporate Solutions will establish a cargo underwriting team in Zurich with a focus on Continental Europe.

The new office in Genoa will offer a full spectrum of marine insurance products to the Italian market and have the mandate to develop Swiss Re Corporate Solutions' hull portfolio throughout Continental Europe. The Genoa office is due to open on 1 May 2012.

The Zurich-based underwriting team will be headed up by Patrizia Kern-Ferretti in her new role as head marine Continental Europe. She will oversee the Genoa operation, which will be led by Andrea Cupido, who joins Swiss Re from Cambiaso Risso Marine.

"We have thoroughly analyzed the global Marine market and believe that it offers substantial room for expansion and growth for a player such as Swiss Re Corporate Solutions," said Swiss Re Corporate Solutions head of specialties Nikolaj Beck. "With this expansion, we are aiming at capturing growth in key markets. The move also leverages our existing Marine wholesale business in London and underwriting team in São Paolo."