Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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• Quote for the Week •

"Don't measure yourself by what you've accomplished, but rather by what you should have accomplished with your abilities."

John Wooden

INSIDE THE ISSUE

Life Insruance

What does a rider mean in a life insurance policy? – Mint – 31st Oct 2017

There are a host of riders that life insurance companies offer. The most popular ones are accidental death and permanent disability riders.

How do you increase the life insurance element in a bundled plan? You can do that by buying a term life rider. A rider is an add-on cover to the base policy that provides additional benefits. Life insurance companies offer a range of optional riders that you can buy at an additional premium to suit your needs. Read for more details on riders.

A rider is an optional add-on to a policy, which is explained in the product brochure. So you can buy a rider as long as the product offers you that option. Typically, you need to choose the rider at the time of buying the policy. There are a host of riders that life insurance companies offer. The most popular ones are accidental death and permanent disability riders. Under this, if death of the policyholder occurs due to an accident then, apart from paying the life insurance benefit promised under the base policy, the policy will also pay an additional sum insured as specified in the rider. In case an accident leaves the policyholder permanently disabled, the rider will pay the specified sum insured.

Critical illness is also a common rider that pays a lump sum if the policyholder contracts any of the specified critical illnesses. Other than this, a waiver of premium rider is very popular with bundled policies. Under this rider, if an insured person dies during the policy term, the rider funds the future premiums due. Thus, on maturity, the beneficiary is able to receive the maturity benefits as planned. Bundled plans also offer a term insurance rider in order to enhance the insurance cover. A term rider is a term insurance policy that pays the sum assured on death of the policyholder. Keep in mind that since most of these riders are defined-benefit plans, the benefits are fixed against an insured event. Once the rider policy is claimed, the rider terminates; and the base plan continues as per its terms.

Advantages of a rider policy
Since a rider is attached to a base policy, the insurer gets to save on costs. The benefits of this get passed on to you and you may end up buying a rider a tad cheaper than a standalone policy. A quick check shows that a critical illness rider for a 30-year-old and for a sum assured of Rs10 lakh would cost around Rs3,741. Whereas, a similar stand-alone policy would cost about Rs4,425. The other advantage of a rider is that the premiums remain the same and of course there is convenience of managing just one policy.

Some of the things to keep in mind
Beware of the caveats. Do go through the rider benefits in detail and compare them with a stand-alone policy to understand the coverage, a lower premium in a rider could also be due to a less comprehensive coverage. Also, keep in mind that since it's a rider policy, it will only continue till such time that the base policy is in force. So, if you choose to surrender the base policy, you will have to forgo your rider benefits too. Also, the coverage of the rider is limited as per regulations. As per the rules, the premium of health related riders can't be more than 100% of the premium under the basic product and premiums of all other riders put together can't be more than 30% of the premium under the base policy. Also, any benefit from the rider cannot exceed the sum assured under the base policy.

Source

General Insurance

Home insurance policy: Why you must buy one fast; 4 must-know points - The Financial Express – 3rd Nov 2017

With overall non-life insurance penetration standing at just 0.7% in India, it is not surprising to see a dismal contribution made by home insurance.

With overall non-life insurance penetration standing at just 0.7% in India, it is not surprising to see a dismal contribution made by home insurance. At present, majority of home owners don't feel that any adversity could affect their abodes.

Home insurance is an effective tool to safeguard your home against adversities that may occur anytime causing substantial financial losses. As an economy we are at a tipping point, where Indians are meeting their financial goals much earlier as compared to a decade earlier, consequently asset building is also quick, thus, protection of these assets is equally important too.

Security against natural calamities
During recent natural calamities a drastic difference has been noted between the incurred economic loss and the insured losses. This is mainly due to lack of awareness about this essential financial tool, resulting in under-penetration of insurance.

Hence, during a natural catastrophe home owners suffer due to lack of home insurance. Thus, opting for a home insurance policy is a step towards protecting your dwelling, where you can shield not only the structure of your house but also the contents.

Protect content, valuables
We have all heard about burglaries at home or chain snatching incidents in the neighbourhood. Jewellery kept at home or in a bank locker can be separately covered under home insurance. You can also insure your jewellery that you are wearing not just at home, but also while travelling anywhere in the world. An individual can insure the contents at home including home appliances, portable equipment like cellphone or laptop, television, etc., under home insurance.

Cover risk due to fire and theft
In case of a fire, a home insurance policy not only helps you with the cost of construction as per your policy terms and conditions, but also offers riders such as resettlement cover for situations when you need to relocate due to severe damages to your home.

Despite the best security and fire protection systems installed by you, fire can still cause irreparable losses. A comprehensive home insurance policy helps you counter these situations without affecting your savings.

Protection towards liabilities
At times, sudden exigencies bring routine to a standstill, such as physical or property loss of a third person caused by some accident at your home, for instance—a cylinder blast or perhaps a repair activity at your home may cause a loss to your neighbour's property. All such contingencies can be effectively covered under home insurance by opting for public liability coverage.

There are a few insurers who now provide additional assistance for home services such as plumbing, carpenters and pest control that can make routine life much convenient. Contrary to the general perception, home insurance policies are very affordable in nature, premium for which may be as low as Rs 5 per day and can be bought either for a year or for a longer period.

When looking for a home insurance policy, one must look at the details of the coverage offered. It is also advisable to be well acquainted with the claims procedure and the exclusions. Unlike a few countries where home insurance is compulsory, in India buying insurance is largely an individual choice.

One sentiment that prevails across the country is that there is no bigger matter of pride than owning a home so shouldn't we take a step ahead and protect it with home insurance?

Source

Insurers must update details of motor insurance service providers on portal, IRDAI says – The Times of India – 2nd Nov 2017

Insurers are required to update the details of motor insurance service provider (MISP) in their network on the portal, the insurance regulator has said.

In August, the IRDAI issued guidelines for MISPs to recognize their role in distributing and servicing motor insurance policies.

"Automotive dealers, besides handling their core activity of selling of vehicles, have always been an integral part in coordinating insurance for motor vehicles. Insurers and insurance intermediaries are required to upload details of MISPs to be appointed by them," said the IRDAI, adding "Such information needs to be shared with the Insurance Information Bureau of India (IB)."

Source

Data upload of MISPs would be enabled on the IIB's portal on November 1, 2017.

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IRDAI hikes agent commission for 2-wheeler insurance policies – The Times of India – 2nd Nov 2017

Get ready to pay more insurance premium for your two-wheeler vehicles. The Insurance Regulatory Development Authority of India (IRDAI) has hiked the maximum commission payable to agents for two-wheeler motor insurance policies to 17.5% of the premium. So far, general insurance companies were allowed to pay a maximum of 15% as commission.

The commission structure is applicable for comprehensive two-wheeler motor insurance policies. The maximum commission payable for four-wheelers such as cars and SUVs (sports utility vehicles) however remains unchanged at 15% for comprehensive motor insurance policies.

Incidentally, IRDAI had hiked the commission of most non-life policies to a maximum of 15% of the premium from 10% under its new commission guidelines released in March this year. The revised commission structure came into force only in April this year.

The regulator had allowed general insurance companies to increase or decrease premiums by 5% to comply with the new commission guidelines for insurance agents and intermediaries. The increase in agent commissions comes close on the heels of the hike in insurance premiums. IRDAI had hiked insurance premiums by 28% for most vehicle categories for 2017-18. The revised rates came into effect from April 1.

The hike in motor third party (TP) insurance premium was about 28% for cars in 1,000-1,500 cc and those exceeding 1,500 cc. The hike in rates for two-wheelers in the 75-150 cc category was 16.3%. The regulator revises premium rates every year after taking into account the number of claims made and loss ratio for insurers. Motor TP cover is mandatory for all vehicles and covers liability arising from third party claims due to accidents.

IRDAI has now allowed insurance companies to pay 2.5% of annual premium on the third party portion of comprehensive policies from the fourth year onwards. This means that there will be no commission on the third party portion of comprehensive policies during the first three years.

Source

The premium of comprehensive policies has two components — third party and own damage. The insurance regulator has kept commissions on standalone third party policies at 2.5% of the annual premium.

Back

Motor accident insurance claims: Supreme Court lays down norms to calculate compensation – The Indian Express – 1st Nov 2017

"Future prospects" will be considered while deciding the amount of compensation in fatal motor accident claims for self-employed and fixed-income victims, a five-judge Constitution bench of the Supreme Court said on Tuesday. Future prospects refer to what the claimants would have earned in the form of future increase in income if they were alive.

The order marks a radical break from the practice, in which future prospects were considered only for those having a permanent job with scope for increase in salary. The court also standardised the mode of computation of compensation claims in fatal accident cases.

"The practice till 2008 was to award 50 per cent of the last drawn salary as compensation in case of fatal accident claims. In 2008, a two-judge bench of the SC in the Sarla Kumari case said future prospects should be taken into account while tabulating compensation to be awarded to those with permanent jobs. Accordingly, a specific percentage of the last drawn salary, over and above the last pay, was laid down for different age groups," said S Giridharan, a former regional manager with Oriental Insurance.

Subsequently, other SC benches ruled that it should also be extended to the self-employed, following which the matter was referred to the Constitution bench for greater clarity, he added.

Tuesday's judgment also extended the benefits of future prospects to the 50-60 age group for both permanent and self-employed/fixed income victims. As per current law, future prospects are not taken into account for tabulating compensation for victims above 50 years.

The bench, comprising CJI Dipak Misra and Justices A K Sikri, A M Khanwilkar, D Y Chandrachud and Ashok Bhushan, rejected the argument that in the case of those with permanent jobs, there was a certainty about what their future prospects would be, unlike the self-employed or those with fixed salaries for whom future prospects would be uncertain. "To have the perception that he (self-employed person) is likely to remain static and his income to remain stagnant is contrary to the fundamental concept of human attitude which always intends to live with dynamism and move and change with the time," the court said.

"Taking into consideration the cumulative... an addition of 40% of the established income of the deceased towards future prospects and where the deceased was below 40 years an addition of 25% where the deceased was between the age of 40 to 50 years would be reasonable (for self employed/fixed income people)," it added.

Source

For those in the 50-60 age group in this category, the addition will be 10 per cent.

Back

'Non-life insurance will be a major driver of growth' - The Hindu Business Line – 29th Oct 2017

General insurance sector has hit a "tipping point" and will continue to grow year-on-year irrespective of ups and downs in economic growth, according to G Srinivasan, CMD, The New India Assurance Co Ltd.

Non life insurance, which is at about 1 per cent of GDP as compared with life insurance share of 1.8 per cent, will be a significant driver of growth and out do life insurance in about a decade, he told media persons during an interaction today ahead of the company's IPO on Wednesday.

In recent years, the sector had grown at about 15-17 per cent and last year it had spiked to 32 per cent due to the Centre's new crop insurance scheme. In the current year, it is growing at about 20 per cent and will sustain at this level, he said.

Health and motor insurance are among the drivers of growth now and in the coming years increasingly SME, personal accidents and shopkeepers insurance products will also contribute to the growth. House owners' insurance holds a huge potential for growth and is among the lowest penetrated areas, Srinivasan said.

On crop insurance, the New India Assurance has disbursed about Rs 750 crore out of a total claim of Rs 850 crore it faced following droughts in Tamil Nadu. The rest will be disbursed in a couple of weeks, he said.

Source

With a net worth of over Rs 38,000 crore, the company has the capacity to sustain growth. Apart from the domestic markets, it is looking at expansions overseas with specific plans targeting Myanmar, which would be a re-entry into a traditional market where it was present a few decades back, Dubai and Qatar.

Back

Portal to help track uninsured vehicles - Times of India (Delhi) – 30th Oct 2017

Amid growing concern over vehicles plying on roads without even the mandatory third-party insurance, the road transport ministry has asked insurance firms to share details of insured vehicles with the government as part of an exercise to track offenders.

The ministry plans to host data on uninsured cars and two-wheelers on an eplatform that can be accessed by every state transport department and traffic cops to crack the whip on those who do not renew motor insurance.

Currently, enforcement agencies need to physically verify whether a vehicle has insurance cover only after stopping vehicles.

Sources in Insurance Information Bureau (IIB) said about 6.5 crore vehicles have insurance cover against approximately 21 crore registered vehicles. Since a large share of registered vehicles are off the road officials estimate 50-55% of the vehicles on the road are insured. While almost all commercial vehicles have a cover as they have to go for annual renewal of their registration, in case of passenger cars 70-80% are insured.Two-wheelers have the lowest coverage at around 4050%. This segment accounts for around 70% of all vehicles in the country.

Driving any vehicle without third-party (TP) insurance is an offence and attracts a fine of up to Rs 1,000 with a possible jail term of up to three months.

Sources said one of the reasons behind low TP insurance coverage is the policy adopted by insurance companies to push comprehensive policies (TP and own-damage that covers theft, etc), which is expensive. TP insurance costs only 30% of the amount for comprehensive insurance. In 2012-13, comprehensive motor insurance sold in the country was four times higher than TP , IIB data showed.

Though a Supreme Court panel had directed insurance regulator IRDA to sell TP for cars and twowheelers for three and five years respectively at the time of registration, IRDA has said it won't be possible since they notify the premium every year. “Why is IRDA not deregulating TP as it has done in case of self damage? Consumers get 40-50% discount on self-damage premium. Let t there be competition,“said S P Singh of IRTFT, a thinktank.

Source

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Survey & Reports

Healthcare sector revenues to grow 15% annually over next 3yrs: Crisil - Business Standard – 31st Oct 2017

The healthcare sector revenues are expected to grow at 15% annually over the next three financial years (FY2018-FY2020) led by rapid expansion in health insurance coverage through government-sponsored schemes, says Crisil Ratings.

"The Rs 4.8 lakh crore healthcare delivery sector in India has been showing strong demand growth and stable cash flows, and should maintain its momentum despite regulatory hiccups," the agency said in a statement today.

While strong demand will necessitate capital expenditure, stable cash flows from existing operations will continue to support credit profiles, it said.

"Profitability of hospitals, however, could see some pressure because of regulatory interventions, and they are expected to cope by adjusting cost and pricing structures," Crisil said.

It said the sector revenues are expected to grow by 15% annually over the next three years on the back o an increase in health insurance coverage through government-sponsored schemes.

The number of people covered by health insurance has nearly doubled to 42 crore in the past three fiscals, it said.

"Changing lifestyles, ageing population and increasing health awareness are the other drivers of demand," it added.

A study of 144 hospital firms rated by Crisil shows significant bed additions being undertaken to capitalise on demand prospects.

Large corporate chains with over Rs 400 crore revenue are expected to witness increasing capacity by 25% between fiscals 2018 and 2019, entailing an investment of Rs 5,000 crore.

"That would be 50% more than the annual average capex in the past three fiscals ended 2017. Small and medium hospitals will also follow suit, based on their ability to fund expansions," Crisil said.

"Hospital firms are likely to sustain their credit profiles despite large capex, backed by strong demand growth, stable cash flows from existing beds, and strengthening of business profiles through geographical diversification," Crisil's Senior Director Anuj Sethi said.

He also said prudent funding mix and longer loan-repayment tenure will further support credit profiles amid large capex.

Stable cash flows from mature beds, of over 5 years, enable better absorption of gestation losses from newer beds. At present, for large hospital chains, mature beds account for a healthy 60% of capacity.

Another factor that supports credit profiles is the measured approach that corporate chains take when undertaking capex to enter new markets, it said.

"In tier I and II cities, they prefer buyouts or tie-ups with regional hospitals to reduce the time-to-market and to improve return on investments. This approach synergises the best practices and infrastructure of large chains with the local market knowledge and experience of regional players," it said.

Source

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IRDAI Circular

Source

Data for calculation of Motor TP Obligations for the FY 2017-18 is available on IRDAI website.

Source

Circular on Motor Insurance Service Provider (MISP) is available on IRDAI website.

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Global News

Global: Insurer/reinsurer roles will consolidate – Asia Insurance Review

New models of reinsurers and insurers will emerge in the not too distant future, with the lines between them blurring as interconnectedness grows both within the insurance sector and outside it, said speakers at a panel discussion held at the Singapore International Reinsurance Conference yesterday.

Pointing out that there will be more consolidation of the roles of these players, Mr George Kesselman, founder of InsurTech Asia, said: "We will see a 'hybrid' period of quasi insurers/reinsurers, which will be more general in their roles, consume less value and which may take the shape of a multi-role entity."

He said that reinsurers will move closer to the forefront of risks, and engage more at the distribution level, together with startups and new players. "Rather than wait for someone to send the risks to you, they would ask, how do you enable (covering) new types of risks?"

Another panelist, Mr Anthony Hobrow, CEO of consultancy NexAssure Group, said that a fundamental shift that the industry will need to get used to is that the focus of insurance will shift from human error to machine error and technology-focused people will be the ones driving change. For instance, in motor, insurance will shift from driver to manufacturer. Operations, processes and legal contracts will be automated, and insurance wordings will be prepared via artificial intelligence.

Talent

He noted that in tandem, the skill base that is required within an insurance organisation will shift enormously too--and not just at a junior level. 'How many people in the boardroom really understand blockchain?" he asked, citing the challenges.

Ms Natasha K Mak-Levrion, Founder and Managing Director of PPEARL Consulting, who was also a panel speaker, said that the (re)insurance industry will be looking out for computational thinking skills to make meaning of the vast amounts of data efficiently, with a view to shift "from insight to foresight". The workforce will also shift from a mainly transactional nature to advisory functions, where the opportunities will be much greater. "Providing solutions, not just products, will be the key differentiator," she said.

Digital disruption

Separately, Mr Peter Hacker, Co-Founder & Partner, Distinction.Global, InsurTech opinion leader and author, said that technology and automation are moving at a pace that humans cannot match. "Disruption in the insurance and reinsurance industry has become the new normal. Anything that cannot be automated will be extremely valuable in the future," he said, in a special keynote address yesterdayat the SIRC. He mentioned here that creativity, intuition, emotion and ethics will be of immense value in the future.

Intangible assets and risks

Mr Hacker pointed out that, today, market capitalisation is driven by intangible assets. He said that while the conventional property and casualty risks will remain, the future will be dominated by mobility and intangible assets. "From an insurer's point of view there are huge opportunities because as the more the risk becomes intangible, the higher will be its severity," he added.

Source

The three-day 14th SIRC ended yesterday.With the SIRC turned into an annual event from this year and next taking place from 30 October - 1 November 2018, the East Asian Insurance Congress will be held in Manila from 6–9 May 2018 instead of its customary calendar slot late in the year.

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Australia: Genetics to pose testing time for insurers – Asia Insurance Review

A small rise in the number of genetic tests could lead to significant increases in life insurance claims costs, the Actuaries Institute has warned.

The impact of declining test costs and greater public interest in ancestry and health is driving increased genetic testing, the Institute notes.

Australia must have a robust debate around the increasing use of genetic testing and its implications for Australia's life insurance industry, two senior actuaries said in a paper paper issued last week.

Consumers who don't disclose their health risks, or those who withdraw from life insurance because genetic tests show they are unlikely to suffer heritable diseases, could destabilise the insurance industry.

"For the life insurance industry, if health information known to the insurance applicant is not disclosed, it may be expected to lead to anti-selection, increasing premiums and ultimately impacting the financial sustainability of the industry," said the report titled "Genetics - A Testing Time for Insurers".

"Conversely, if it is known that genetic test information may need to be disclosed for use in underwriting life insurance policies, that may deter people from undertaking a test that could benefit their wellbeing."

"This creates a fundamental tension between the desire for insurance providers to be inclusive and not discriminate between insurance applicants, and the sustainability of insurance companies' business models in the presence of information asymmetry and potential anti-selection," the report said.

Source

The outcome would be that insurers find themselves with a pool of insured lives that are becoming potentially less healthy, forcing premiums higher, particularly as recipients of such testing may choose to withdraw from life insurance if results show they're unlikely to suffer hereditary diseases.