Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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● Quote for the Week ●

"Pearls don't lie on the seashore. If you want one, you must dive for it."

A Chinese proverb

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Insurance Industry

Will FRDI Bill mean a throwback to the tumultuous pre-1960s? - The Hindu Business Line – 14th December 2017

The Finance Ministry sought to allay apprehensions of savers/depositors over the Financial Resolution and Deposit Insurance (FDRI) Bill on three occasions during the past week.

But, apparently, that has not had the desired effect if the continued voicing of fears over the matter is any indication.

The latest among these is whether the Bill, if passed, could precipitate a throwback to the period between 1913 and 1960 when 1,600 private banks closed down operations and depositors lost all their money.

It was then that the All India Bank Employees Association (AIBEA) took up the issue in Parliament, following which the Banking Regulations Act was suitably amended in 1960.

Any failed bank would henceforth be put on moratorium and merged with a peer bank, recalled CH Venkatachalam, veteran trade union leader and General Secretary of AIBEA.

In the last 55-plus years, a number of banks that faced liquidation have been led into merger in this manner. Neither has any bank been liquidated nor has any depositor lost his/her money, he said.

Affected bank

Among the affected banks were Bank of Bihar, Belgaum Bank, Lakshmi Commercial Bank, Miraj State Bank, Hindustan Commercial Bank, Traders Bank, Bank of Tamil Nadu, Bank of Thanjavur, Parur Central Bank, Purbanchal Bank, Bank of Karad, Kashinath Seth Bank, Bariely Bank, Sikkim Bank, Benaras State Bank, Nedungadi Bank, Global Trust Bank, United Western Bank.

"All these banks were protected under the Banking Regulations Act and merged with other banks," Venkatachalam said. No depositor lost a single rupee because of their failure.

In contrast, the 'bail-in' clause in the FRDI could discredit this glorious history of law-making that gave primacy to the interest of depositors.

Banks, he said, need resources and deposits of the people constitute the main resource. The clause could drive away these very depositors, which would in turn make banks unviable.

Source

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Arun Jaitley assures depositors over FRDI bill yet again - Financial Express – 11th December 2017

Finance Minister Arun Jaitley once again assured depositors over the proposed Financial Resolution and Deposit Insurance (FRDI) Bill and said that the government is committed to safeguarding depositors' money.

He also asked depositors to not give into "fears being spread on the social media", ET Now reported. Earlier in the day, the ruling Bharatiya Janata Party (BJP), had come out with a detailed explanation, claiming to differentiate between the myths and the facts.

Clearing its stance on the bill, the government had explained how the provisions of the FDRI bill, 2017 are actually meant to protect interests of depositors:

1)The FRDI Bill is far more depositor friendly than many other jurisdictions, which provide for statutory bail-in, where the consent of creditors or depositors is not required for bail-in.

2) The FRDI Bill does not propose in any way to limit the scope of powers for the Government to extend financing and resolution support to banks, including Public Sector Banks. The Government's implicit guarantee for Public Sector Banks remains unaffected.

3) Indian Banks have adequate capital and are also under prudent regulation and supervision to ensure safety and soundness, as well as systemic stability. The existing laws ensure the integrity, security and safety of the banking system. In India, all possible steps and policy measures are taken to prevent the failure of banks and protection of interests of depositors (e.g. the issue of directions / prompt corrective action measures, capital adequacy and prudential norms).

4) The FRDI Bill will strengthen the system by adding a comprehensive resolution regime that will help ensure that, in the rare event of failure of a financial service provider, there is a system of quick, orderly and efficient resolution in favour of depositors.

"Bail-in" provision
Everyone has long been used to the word "bailout", where governments step in to protect the interests of savers or depositors — like in the UK when there was a run on the deposits of banks such as Northern Rock, Llyods Bank, or RBS. There were cases in the US and other parts of Europe, too. The fact that huge public funds were used for such support, and criticism that bailouts incentivised bank management to take risky bets — called "moral hazard" by economists — led governments to seek other solutions. Regulators put in place laws and rules to discourage or prevent such bailouts with new resolution regimes. Losses of these financial firms had to be borne by shareholders and creditors rather than taxpayers. One of the tools for such resolution is "bail-in". It allows resolution agencies to override the rights of the shareholders of the firm — this could mean writing down of a company's equity and debt to absorb losses, or converting debt into equity. This could also mean overriding requirements such as approvals by shareholders and dispose of the firms' assets. The G20 at its Cannes Summit in 2011 endorsed some of the key attributes of such resolution, including transfer or sale of assets and liabilities, and legal rights and obligations including deposits liabilities and ownership in shares, to a third party without any requirement for consent. In other words, deposit holders do not have any superior claims.

What is the rationale behind this bail-in provision?
The principal aim, of course, is to minimise the cost of any such failures of financial firms to taxpayers. The other objective, as the EU's Bank Recovery and Resolution Directive, 2014, indicates, is that shareholders of banks and creditors must also pay their share of costs, rather than governments or taxpayers absorbing all losses. The Bank of England has been pushing banks in the UK to set aside more funds to cover for potential failures. The aim, the UK central bank says, is to ensure banks no longer remain "too big to fail", and to make sure that the risks that banks take are properly priced by investors who know they will suffer if things go wrong.

What is the worry that depositors and others have regarding the provision in the proposed Indian law?
India's financial sector is bank-dominated, and bank deposits make up the dominant share of financial savings. The fear is Indian policymakers may want to nudge savers on the same path as in many other parts of the world — to ultimately lower risks and the potential burden on taxpayers, although there is no explicit mention of this in the proposed law. In India, deposits in banks are insured for a maximum of Rs 1 lakh by the Deposit Insurance and Credit Guarantee Corporation, which is now an arm of the RBI. There are concerns that the Bill may not clearly lay down the quantum of protection for deposits, or classify deposits separately.

Source

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Why is everyone scared of the Financial Resolution and Deposit Insurance Bill? – The Economic Times – 8th December 2017

The Centre's proposed Financial Resolution and Deposit Insurance Bill (FRDI) has launched a big scare among people as it purportedly allows failing banks to use depositors money to cut losses. An online petition by one Shilpa Shree at Change.org, titled 'Do not use innocent depositors' money to bail in mismanaged banks #NoBailIn', has been signed by close to 70,000 people.

"This bill gives power to a government entity to use depositors money to save a bank on the verge of bankruptcy. This government entity can declare the bank doesn't owe you any money though you have deposited your hard earned money with it. Yes! Our hard earned money that we have saved for our children and for our future. That's why I have started this petition asking the Finance Minister, Arun Jaitley to remove the 'Bail-in' provision from the FRDI Bill," says the petition.

The government tabled the FRDI Bill, 2017, in August in the Lok Sabha, which was referred to a Joint Committee of Parliament. It will come up in the Winter Session of Parliament. The bill seeks to deal with insolvency of financial service providers. It provides for establishment of a resolution corporation with powers relating to transfer of assets to a healthy financial firm, merger or amalgamation, liquidation to be initiated by an order of the National Company Law Tribunal.

The Bill says that in case of a bank failure, the proposed corporation will provide deposit insurance up to a certain limit, which has not been specified. Currently, bank deposits of up to Rs 1 lakh are insured but there are few banks that have failed in India in recent years as the Reserve Bank of India (RBI) has stepped in to work out a resolution plan without creating any risk for depositors

The bill has suggested that the use of the 'bail-in' provision may result in cancellation of a liability, which could extend to bank deposits or could lead to modification of the terms or changing the form of the asset class. This provision would be last in the line for payments in case of liquidation.

The deposit insurance scheme currently covers all banks, commercial, regional rural and co-operative banks. So far in 2017, more than Rs 28 crore was sanctioned from the insurance scheme to all co-operative banks according to information on the DICGC website.

However, the government says the provisions contained in the FRDI Bill do not modify present protections to the depositors adversely at all. They provide rather additional protections to the depositors in a more transparent manner, it said in a press statement.

"The FRDI Bill is far more depositor friendly than many other jurisdictions, which provide for statutory bail-in, where consent of creditors / depositors is not required for bail-in. The FRDI Bill does not propose in any way to limit the scope of powers for the Government to extend financing and resolution support to banks, including Public Sector Banks. The Government's implicit guarantee for Public Sector Banks remains unaffected," the statement said.

"The Financial Resolution and Deposit Insurance Bill, 2017 is pending before the Standing Committee. The objective of the government is to fully protect the interest of the financial institutions and depositors," Finance Minister Arun Jaitley has said in a tweet.

Source

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Life Insurance

Proposed direct tax law could trim value of life insurers by 25% - The Times of India – 13th December 2017

The proposed new direct tax law will be a setback toshareholders and customers of life insurance companies. According to global actuarial and consulting firm Milliman, the embedded value — a valuation measure for life companies — is expected to drop by 25%. Embedded value is the addition of future profits from current business and net asset value.

Last month, the Narendra Modi government constituted a six-member task force — headed by CBDT member Arbind Modi — to come out with a new direct tax legislation. The new law is expected to be in place by 2019 and is aimed at simplifying tax by reducing tax rates and removing exemptions.

According to Milliman, the margins for Indian insurance companies as a percentage of value of new business (VNB) is the lowest in Asia.

In life insurance, accounting profits on new businesses are suppressed as acquisition costs are booked upfront. Analysts, therefore, use the VNB to measure how well a company has done in any given year. While the VNB reflects value added during the year in absolute terms, VNB margin is a ratio that mirrors profitability.

For listed Indian companies, the margin ranges from 10.1% to 21.6%. As compared to this, AIA, which operates in Asian emerging markets, has a VNB margin of 52.8% and Aviva Singapore 85%. According to Sanket Kawatkar, Milliman's principal and life insurance practice leader (India), the slim margins are a reflection of the low share of protection policies and stringent prescriptions by the insurance regulator on charges.

In India, three life insurers have gone public — ICICI Prudential Life, SBI Life and HDFC Life. ICICI Pru Life's offer price valued the company at Rs 47,956 crore. In the case of SBI Life, it was Rs 70,000 crore and for HDFC Life Rs 58,083 crore. The pricing reflects a multiple of 3.4-4.2 times of the embedded value (EV).

Speaking at a discussion forum on the life insurance sector, Philip Jackson, consulting actuary with Milliman, said that Indian life insurance companies' stock prices appear to be out of line against Asian peers. "What this indicates is that investors expect very strong growth in coming years. Unless insurers are able to maintain future new business growth and profitability, the high EV multiple currently enjoyed by insurers would not be sustained," said Jackson.

In Asia, China Life has a price-to-embedded value ratio of 0.88. It is 2.21 for AIA group and 1.06 for Samsung Life. As against this, ICICI Pru Life has a multiple of 3.15, SBI Life 3.6 and HDFC Life 5.3.

According to Kawatkar, the proposed direct tax legislation could shave off 25% from the embedded value of the companies. Also the reduced tax benefit for customers would have implications on future growth that could impact share price. Kawatkar said that part of the record growth in FY17 was fuelled by demonetisation. However, it has been difficult to sustain this and in September 2017 growth had eased to 4%.

Source

Back

MFs will take over fund business of insurance: Sanjeev Pujari, SBI Life Insurance – The economic Times – 13th December 2017

An actuary is the backbone of an insurance company. It is their word that determines the fate of a company. In India, there are hardly a few hundred practising actuaries and one such is Sanjeev Pujari of SBIBSE -0.56 % Life Insurance. In a discussion with ET journalists, Pujari explains the role his profession plays and how the industry is evolving. Edited excerpts:

In India, insurance is more of savings and less of protection. Is it because of the design of the product, or is it a cultural issue?
It is a cultural issue. Traditionally, insurance has been sold as such and LIC has been focusing on long-term savings. The regulatory intervention to keep a distinction between mutual fund and insurance came in 2008-09 when IRDA said that the products have to be long term, carry a minimum level of taxation. If you look at a typical endowment product, there is a sum assured. In that context, they are giving you a corpus whether you survive or when you die. This structure has its problem because long-term assets are hard to come by. So, giving a good guarantee for you to invest in this kind of a product, which is not participating, is a difficult proposition.

In an insurance policy, the buyer bets he may die, so his family needs protection. But an insurer like you bets the buyer may not die. As an actuary, how do you decide?
The interest is very common. We expect you would keep yourself healthy and you would also like to do that. Now, companies are taking interest to keep you healthy. In life insurance, mortality is a small part. Large part is savings through unit-linked products. It will undergo a change. Mutual funds are competing and they will take a large part of the chunk. The focus will shift to core business.

As an actuary, what exactly you do?
We have to predict the future — future cashflow, future uncertainties. Pricing is all about looking at the future and doing discounting to understand the premium and claim. I predict future outgo if I am insuring a 20-year-old person today over the next 15 years. It is based on how much I earn over the next 15 years, benchmarking that to rates available in the market today and assess future expenses and death rate. We pool all the experience of insurance companies and develop a table looking at the experience of the last so many years.

How frequently does it change?
Till recently, LIC used to bring it out because most of the data is with LIC. Now, it has come to the Institute of Actuaries in India. They get data from LIC and private players and arrive at a table. It is not very frequent but if you look at the western countries, they do it every 2-3 years.

What role does technology play here?
Technology has come in a big way in life also. When we are churning data like mortality data of 20 crore, we need technology to process it. We use technology for other areas like processing policies or use data analytics to sell policies. LIC was the first to import IBM mainframe back in 1960s. So, the first commercial application of a computer was with LIC in India.

Companies had to provide more towards provident fund and annuity. Have you revised annuity rates?
Improvement in mortality rate is good for life insurance, but not for annuity providers. In western countries, it is more severe where the mortality improvement is good. There are two tables — mortality and longevity. Longevity table has not been revised for a while. We don't have much data on annuity because it is so sparse. We make an assessment based on what has happened in Japan, China and elsewhere and take a cue.

How do you see changes in life insurance companies with focus on protection?
We need to be aware of today's shift from savings to protection. Slowly we are exploring innovative health products. On the savings side, it is pretty saturated. We are doing a lot on health like making available a cancer product at ATMs. There is not much underwriting in cancer. In 8-10 years, 50% of life insurance may come from health.

Does the embedded value (EV) go up if you sell more protection products?
EV is about profitability from various segments of products. Protection products will give more margins provided you have done the diligence while on-boarding the customers. In savings business, it is market risk that we have to manage. For the protection business, it is about underwriting risk. EV has two components — a retrospective part, including shareholder capital and profit in the past, and other part is future profit of all the business that I have written today.

Do you see mutual funds managing insurance company's funds anytime soon?
Another spinoff of risk-based solvency regulation could entail that. Today outsourcing regulation is very severe. In the West, insurance companies do what they are supposed to do — sell and underwrite policies and manage them. Investment is not a core activity of an insurance company. Here the regulations say that you have to manage investments in-house. It will come with maturity coming to the industry and the regulator, where they feel that companies can handle a few things of their own without specific regulations.

Source

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New premium income of life insurers up 6% in Nov - The Hindu Business Line – 11th December 2017

The total new business premium collections of life insurance companies stood at Rs 16,995 crore in November this year, against Rs 16,061 crore in the year-ago period, a growth of 6 per cent.

LIC reported a marginal drop in its new premium at Rs 12,337 crore (Rs 12,528 crore in November 2016), according to Insurance Regulatory and Development Authority of India (IRDA) data.
However, total new premium collected by all private insurers grew 32 per cent to Rs 4,658 crore from Rs 3,533 crore a year ago.

Barring Reliance Nippon Life, all other private life insurers reported growth in premium collections during the month.

SBI Life, which topped the table for private life insurers during November, reported a 21 per cent increase in its premium income to Rs 881 crore (Rs 731 crore).

HDFC Standard Life's premium income jumped 64 per cent to Rs 854 crore (Rs 521 crore). ICICI Prudential Life garnered new business premium of Rs 784 crore (Rs 741 crore).

Other life insurers that reported strong growth in new premium during November are: Max Life Rs 330 crore (Rs 287 crore), Kotak Mahindra Old Mutual Life Rs 216 crore (Rs 182 crore), Bajaj Allianz Life Rs 279 crore (Rs 221 crore), and Birla Sun Life Rs 188 crore (Rs 131 crore).

The cumulative new business premium during April-November 2017 of all life insurers stood at Rs 1,22,937 crore (Rs 103,405 crore in the year-ago period). LIC had a market share of 73.4 per cent, up from 72.8 per cent a year ago.

Future of the Indian life insurance industry "looks bright with strong growth in the coming years as the outlook for insurance has changed from a mere savings/investment to a protection product as well," said a report by brokerage firm Prabhudas Lilladher.

Source

"With e-commerce channel gaining traction, digitisation has been playing an important role too for the private players to grow new business and helping them gain market share from agency-led players and LIC," it said.

Back

How to prevent life insurance claim rejection: 3 things you must never hide - Financial Express – 11th December 2017

Jyoti Thakur (name changed) was shocked on being told that her claim to her late husband's life insurance policy had been rejected. The insurance company had, in a detailed letter, explained how her husband had failed to disclose necessary information while buying the insurance policy. This is not the first instance of claim rejection due to erroneous disclosure or hiding relevant information while taking a policy. In a recent report, the Insurance Regulatory and Development Authority of India (Irdai) had published data of claim settlement ratio submitted by various life insurers companies. The companies said most claims get repudiated due to non-disclosure of health conditions, misleading details of income and occupation and withholding of insurance with other companies prior to applying for the policy.

Correct details in proposal form
People insure themselves or their loved ones to ensure availability of adequate funds in case of sudden death of the insured having financial responsibilities. The provisions of insurance work like any other contract; albeit, it must be done in utmost good faith. For this, the insured person is required to disclose any potential matter that may influence the insurer's decision to accept the risk of loss.

The information submitted in the proposal form is the basis of contract between the insurance company and the insured, and it determines if the former is liable to pay the mutually consented amount to the nominee in case of death of the life insured. The amount of payment varies according to the terms stated in the contract and the premium paid (single payment or in instalments). Those seeking any kind of life insurance must ensure that they fill in accurate name (of both the insured and the nominees), correct mailing address and other contact details such as phone number and email id, pre-existing diseases, etc.

To avoid any possibility of dismissal of insurance claim, the insured must fill in correct details regarding:
Occupation and income: The maximum life cover allowed by any insurance company depends on the level of income, thus, necessitating the insured to provide right details of his/her income. Authenticity of income details may be determined by submission of last pay slip along with the Income Tax Return (ITR) filed. For those employed in risky occupations including aviation, army, police, defence services or mining jobs, giving information about the nature of job is especially important as the underwriting criteria decided by the insurer requires an added load to the premium paid.

Details of health: Insurance proposers tend to avoid filling details regarding health conditions fearing that information on any ailments may result in the insurer rejecting the contract or asking for a higher premium. It must be understood that insurance companies do not deny any scope for insurance to those afflicted with specific diseases or health troubles, but only after a proper and detailed medical examination along with extra premium.

History of illnesses in the family: Details of correct age along with health details of family members are important owing to the hereditary nature of certain diseases. Two or more people in the family succumbing to some specific illness that may be genetic in nature or exhibiting suicidal tendencies indicates a higher risk of death of those insured, and hence, attract higher premiums.

Source

Taking a life insurance policy in the age of uncertainty is a way to show your loved ones that you care. Since the process involves underwriting a legal contract, it is necessary that extreme caution is taken while filling out the form. This will ensure timely and complete payment of the claim to the nominee.

Facing 'minority appeasement' charge, Bengal govt offers Rs 5-lakh life insurance to Hindu pilgrims - Hindustan Times – 10th December 2017

The Trinamool Congress government in West Bengal has announced attractive sops for pilgrims attending the upcoming Gangasagar fair in an apparent attempt to reach out to Hindu voters and counter the BJP's charges of alleged minority appeasement.

Addressing a high-level meeting held at the state secretariat on Friday, chief minister Mamata Banerjee announced that pilgrims coming to Gangasagar next year will be covered by life insurance amounting to Rs 5 lakh each. The premium in this regard will be borne entirely by the state government.

Around five to six lakh pilgrims attend the Gangasagar fair on the occasion of Makar Sankranti at the confluence of the Ganges in Sagra Islands, South 24 Parganas district. It is scheduled for the second week of January.

This decision is being viewed as a direct attempt by the state government to counter BJP propaganda that the Rs 10-lakh compensation recently announced for deceased Haj pilgrims was nothing but minority appeasement.

Bengal panchayat affairs and rural development minister Subrata Mukherjee, who was present at the meeting, confirmed the decision. "Never before has any state government announced such a huge compensation for a fair attended by so many lakhs of people.

The first thing our government did after coming to power in 2011 was discard the tourism tax that the erstwhile Left Front government used to charge. And now, we have announced such a huge insurance cover (for Hindu pilgrims)," he told HT.

Several deaths – caused mostly due to stampedes, sinking boats, fire and the cold – are reported from Gangasagar every year. The death of six pilgrims during this year's edition of the fair resulted in a verbal battle between the Union and state governments.

While the Narendra Modi government at the Centre claimed that the pilgrims died in a stampede, the Bengal administration maintained that they occurred due to age-related ailments and the cold. As tempers rose, the state government even termed the ex-gratia compensation announced by the Prime Minister for the deceased's families as an "attack on the federal structure" of the country.

The BJP, as expected, was not impressed with the announcement of life insurance. Terming the state government's decision as a desperate attempt to cover up its "Muslim appeasement policy", BJP national secretary Rahul Sinha said, "This is obviously the fallout of the six deaths that occurred at the Gangasagar fair in January.

Source

But, more than that, the chief minister is starting to feel that her appeasement policy is sending out a negative signal to the masses."

Back

Why doctors are buying the most number of life insurance policies - The Economic Times – 9th December 2017

MUMBAI: Ever thought what scares your doctor the most? It's no different from your inner fears or the worries that drove India's greatest son, Buddha, to renounce the world: age, infirmities and crossing over to the other side. Those who deal with death, perhaps end up fearing it the most.

Ask insurance agents and mutual fund brokers what the investment portfolios of some of India's top doctors and surgeons look like. On average, doctors buy more than half-a-dozen life insurance policies, making them eligible for the list of "negative and insecure" investors.

These are official classifications by the way — not made up ones. What makes these men and women so edgy and unsure about life?
"We start earning very late in life... This makes us insecure throughout our life," said M Viswanathan, 64, honorary consultant at the department of interventional cardiology at Jaslok Hospital, Mumbai.

"We also suffer from some sort of 'scarcity' mindset... We're never sure how much money is needed to keep us well."

Doctors and perhaps lawyers are among those professions in which income surges take place in later part of the career. A medical practitioner typically starts earning a regular salary only after 32, or even later.

Compare a top-ranking medical student with a well-qualified engineering graduate: The latter starts earning in her early 20s. By the time she celebrates her 30th birthday, she will probably be earning a high seven-figure annual package.

The doctor will still be plowing through thick medical books to earn a postgraduate degree in a specialty. He may also have a large education loan to pay off.

"Ironically, both engineers and doctors start their professional education at the same time — after their 12th standard," said Meena Prabhu, senior consulting gynaecologist at Mukund Hospital in Mumbai.

Engineers, after spending four years mastering machine learning or naval architecture, can look forward to working at a bank or a Dalal Street broker... or maybe a shipyard.

Source

"You don't earn much even after becoming a junior doctor," said Prabhu, once a resident junior doctor at Mumbai's KEM Hospital in the 1970s with a salary of Rs 410 a month.

Back

India: Life sector gets boost from household savings – Asia Insurance Review

Life insurance will emerge as a dominant industry as household savings are moved to financial instruments like insurance and equities in the coming years, backed by strong economic growth, according to Indian stock brokerage Prabhudas Lilladher.

The stockbroking firm expects the gross life insurance premium to grow at an annualised rate of 18% to INR2.90 trillion (US$45 billion) by March 2020.

The outlook for insurance in India has changed from a savings or investment tool to a protection product, it says in a report.

While the ratio of household savings to the GDP is falling, financial savings rose from 44% to 58% of the GDP in five years to March 2017, Prabhudas Lilladher says. The share of insurance in financial savings improved from 21% to about 25% during the period, it said.

A big push came from last year's demonetisation that funnelled cash into equities and insurance, a Reserve Bank of India report had said.

Source

Many macro factors like the revival of the economy, better GDP growth and a push from the government will help the insurance business to grow, Prabhudas Lilladher says. Moreover, life insurance penetration in India stood at 2.7% in 2015, providing room for growth.

Back

India: Life insurers to see buoyant half-year to March 2018 – Asia Insurance Review

India's life insurance industry is poised for higher growth in the second half of the current financial year to next March, due to low penetration and the rising share of financial assets in household savings, Deutsche Bank says.

Private insurers are expected to lead the table, riding on tie-ups with banks to sell plans. Private sector life insurers have outperformed the state-owned Life Insurance Corporation of India, the nation's largest life insurer.

The market share of private players increased to 54% in November 2017 from 52.7% in the same month a year ago.

Deutsche Bank says high growth next month should imply that the savings habits of Indian households are evolving structurally towards financial savings, with insurance a key beneficiary.

Source

Bancassurance heavy companies like SBI Life, ICICI Prudential Life Insurance as well as HDFC Life will continue to grow faster than industry average, even as agency-dependent insurers also gain, it says.

Health Insurance

Why you should get a standalone cancer insurance plan - The Economic Times – 14th December 2017

You have finally bought a term insurance plan to secure your family's future in case something happens to you. You have also covered the entire family with a comprehensive health plan to take care of their medical expenses. But have you prepared yourself for the worst?

Imagine a life where you are completely dependent on others and are no longer capable of providing financial or emotional support to your family. This is what Ashok Garg and his family went through. Garg was diagnosed with mouth cancer two months after his daughter's wedding. The already debt-ridden family was not prepared for the expensive cancer treatment. The mediclaim policy did not cover the pre-hospitalisation treatment including the chemotherapy sessions which ran into lakhs. His family was forced to sell their house to cover the hefty costs.

A mediclaim policy is limited to hospitalisation expenses while a disease-specific health insurance plan, such as a cancer insurance plan, provides a cover beyond in-patient hospitalisation. But even then, the average health insurance cover of Rs 5 lakh may not always help. Cost of cancer treatment in India can go up to Rs 20 lakh in some cases. Though, it would depend on the type of cancer and the concerned hospital. Unlike other diseases, cancer treatment can take few months to many years. The treatment can be extremely expensive if the illness is diagnosed late or not detected properly in the initial stages.

Critical illness, like cancer, is not only a threat to one's earning capacity but it can also throw you into a debt trap. A healthy lifestyle and preventive health checkups may help you to some extent but it cannot make you completely immune. With our changing lifestyles, increasing use of preservatives, rising air pollution levels are collectively taking us closer to the evil called cancer. But there is a way to make at least our finances immune to the disease. Looking at the exponential rate of cancer, many insurance companies have come up with cancer insurance policies.

If you think cancer insurance is only for those who are prone to such ailments, you may be wrong. India is likely to have over 17.3 lakh new cases of cancer and over 8.8 lakh deaths by 2020, as per projections by the Indian Council of Medical Research (ICMR). Among females, breast cancer is the most common, while mouth cancer is found more among males, according to a 2016 study by the medical research body.

The cancer survival rate in India is among the lowest in the world and this is mainly due to the fact that early diagnosis and optimal treatment is still a distant reality for majority of us. Cancer diagnosed at an early stage may not always kill but advanced medical facilities will surely burn a hole in your pocket. More so because of the rarity of targeted cancer drugs.

This makes it more than necessary to buy dedicated insurance plans for life-threatening diseases like cancer. Term insurance plans launched recently offer riders which would mean the premium would be waived off in case the insured is diagnosed with a critical illness disease but the cover will continue till death.

Why choose critical illness plans

Most people don't think it is important to have cancer insurance because they are under the assumption that their existing health insurance will be sufficient. But a comprehensive health insurance policy may not be able to cover the high cost burden of cancer treatment. A cancer insurance policy is a step ahead and provides high cover for a relatively low premium.

As opposed to a mediclaim or any reimbursement plan, cancer plans provide the insurance amount on diagnosis of illness irrespective of the actual amount spent on treatment to help you recover without worrying too much about the bills.

Cancer-dedicated plans can be a substitute for the loss of income if you need to take a break from your work because of the illness. Some of the cancer policies are:

- ICICI Pru Heart/Cancer Protect
- SBI Life Sampoorn Cancer Suraksha
- LIC Cancer Cover
- Aegon Religare iCancer Insurance Plan
- HDFC Life Cancer Care

Benefits of a cancer-only plan

Cancer insurance is cheaper than you may think. ICICI Pru Heart/Cancer Protect offers Rs 20 lakh cancer insurance cover for a 30-year-old male at a monthly premium of Rs 309 for 40 years. The same coverage for a 30-year-old female costs about Rs 390 per month. Which means an extensive coverage of Rs 20 lakh for a disease like cancer at below Rs 3,500 annually. If you take an additional cover of Rs 10 lakh for heart under the same plan, the premium will just go up to Rs 688 on a monthly basis.

Unlike health insurance plans, cancer-only plans come without sub-limits which means the entire cover is paid out on detection. Also, there is no need for hospitalisation for getting the claim. This eliminates the headache of applying for cashless claim or running after the insurer for reimbursement if you have paid from your pocket.

Deepak Yohannan, CEO, MyInsuranceClub says, "Once your basic health insurance policy is in place, you should look at buying critical illness plans. In fact, such plans come in handy due to its lump sum payout feature on diagnosis of severe illnesses like cancer."

In case of a cancer-only plan, you get the lump sum benefit equal to the sum insured, which can pay for the medication, post-treatment and helps you recover while you are away from work. You can also decide which hospital you want to get treated in. Since such treatments take time, you can get a long term cover of up to 40 years.

"Since cancer treatments take longer than less severe illnesses, it can result in loss of income. Cancer-only plans can also work as income replacement policies. Since the entire insurance amount may not be exhausted on treatment, you can also pay off your debt, if any while you recuperate," adds Yohannan.

Things to consider while buying a cancer plan

- Pre-existing diseases will not be covered
- Increase in cover (if a claim is not made) also called no claim bonus
- Payout on both minor and major stages of cancer
- Discounts if any (family/spouse discount, online discount, existing customer discount)

All cancer insurance plans are specialised health insurance and have tax benefit of up to Rs 25,000 for individuals below the age of 60 years and up to Rs 30,000 for senior citizens under Section 80D. Most of the plans are available online. Online cancer plans not only offer discounts but is a great way to save time. These plans can be brought directly from the insurer's website in just 10 minutes.

Source

A cancer plan will not replace your existing health insurance but will compliment it perfectly to ensure that both your hospitalisation and out of hospital expenses, which are high in case of cancer, are taken care of.

Back

Disease-specific insurance becomes popular in Hyderabad – The Times of India – 14th December 2017

With the count of cancer and dengue cases on the rise across the state, an increasing number of health insurance firms have started floating disease-specific plans for their customers. And apart from the high rate of occurrence, the rapidly peaking popularity of these policies, agents say, is also rooted in the cost of treatment that's spiralled in recent times.

According to rough estimates, the hospitalisation expenses for dengue can easily touch ?1 lakh and more depending on the severity and complications associated with the patient, while treatment for cancer and other critical illness cost no less than ?2 lakh. While this trend of disease oriented policies first made an inroad in to the industry roughly three years ago, it has now picked up pace in Hyderabad, say insiders. "Apart from cancer, in Hyderabad, diabetes and cardiac policies are being purchased in sizeable numbers (about 15-20 per cent) of health policies," said Govinda Kiran, senior sales manager with a prominent health insurance company.

The premium for most of these polices range between Rs 20,000 and Rs 60,000 annually, depending on the age and health condition of the patient. In fact most policies allow patients who have already undergone a bypass surgery or cancer treatment to avail of the facility for reoccurrence of disease (after having recovered). Firms are also seen rolling out special policies for HIV/AIDS, kidney disease, neurology, etc.

But while health insurance companies are going all out to woo corporates and even general public to buy these, experts have aword of caution for the buyers.

"The insurance companies usually target those places (corporates etc) where can sell a large number of policies even though the actual percentage of buyers likely to get the disease, is very low. So, people need to choose wisely as many of the critical illness are already covered under a general health policy for a higher premium," said CV Ramana Rao, MD, Helios insurance broking.

Source

Back

Your insurance premium will now depend on how fit you are - The Hindu Business Line – 8th December 2017

It may soon pay to keep yourself healthy. Healthcare device and ecosystem provider GOQii is partnering with Max Bupa Health Insurance to offer special insurance packages to those who consistently maintain a healthy lifestyle.

While both the companies declined to talk about the specific details of the packages, according to company executives, the new plans will offer special premiums to those GOQii users who maintain a healthy lifestyle. The two companies have been working on this since April.

The GOQii tracker and GOQii app monitor the physical activity of a person and maintain a log of what kind of food he/she is eating, allowing the company to estimate their fitness levels.

This data will be shared with insurance companies, once the GOQii user agrees to do so, and in turn the user will be able to get health insurance packages with lower premiums based on their fitness levels.

“We will be announcing the plans in the next four weeks as we are yet to get regulatory approval,” Ashish Mehrotra, MD and CEO at Max Bupa Health Insurance, told BusinessLine.

Insurance companies are increasingly promoting healthy living, which eventually leads to lesser health insurance claims and would be beneficial to both the insurer and the insured.

Earlier this year, Aditya Birla Health Insurance launched a plan wherein customers get 30 per cent discount on their health insurance premium if they maintain a healthy lifestyle.

Aditya Birla tracks the consumer’s physical activity through a mobile app on which one needs to record atleast 10,000 steps in a day, or burn 300 calories in one exercise session per day or complete a workout session for a minimum of 30 minutes at a gym.

According to Vishal Gondal, Founder and CEO at GOQii, “Currently, the healthcare industry thrives on illness instead of wellness. By helping people change their lifestyles, we are trying to shift this from illness to wellness.”

Family health plan

GOQii, which aims to become a holistic wellness platform, also launched a family health plan, which offers personalised fitness coaching along with doctor’s consultation for multiple family members.

GOQii family health plans start from Rs. 1,999 onwards and a portion of this will also be eligible for tax savings under Section 80D, under the preventive health check-up option of the Income Tax Act, the company said.

The Mumbai-based firm will go beyond a traditional fitness app and offer food deliveries in partnership with health food providers such as Healthie, Herbivore and Fig.

In addition, GOQii has partnered with a host of companies associated with healthcare and wellness in areas such as health snacks, health supplements, online pharmacy, genetic testing, diagnostics and gym.

Starting next month, GOQii will launch the new version of its fitness tracker, the GOQii 3.0. The new tracker will be sleeker and slimmer with a multi-touch colour display with themes. The V3 tracker will also come with a new sensor with heart rate variability (HRV) and Presence Plus.

Source

India: 20% of urban households borrow to fund hospital costs – Asia Insurance Review

About a quarter of all rural households and one in five urban families in India are forced into debt or sale of assets to meet hospitalisation costs. This is true across income levels, revealed the National Health Profile 2017 published recently by the Central Bureau of Health Intelligence.

In rural India, about two-thirds—ranging from 65.6% in the poorest to 68% for the richest—depend on household income or savings, while 27% of the poorest household and 23% of the richest households depend on borrowings for hospitalisation costs. In urban India, 68% of the poorest and about 80% of the most well-off households depend on their own income and savings, reported *Times of India*.

As households become richer, the reliance on borrowings goes down from 22% among the poorest to 14% among the richest. In rural India, about 1% whether rich or poor meet hospitalisation costs by selling assets. This is negligible among urban households. Roughly 5% of rural and urban households are helped by friends and relatives to meet the cost.

Source

The data on hospitalisation was from the health expenditure survey conducted by the National Sample Survey Organisation from January 2013 to June 2014.

Back

General Insurance

Title insurance covers on the cards - Financial Chronicle – 12th December 2017

With the Central Real Estate Regulation and Development Act (RERA) mandating builders/developers to buy title insurance covers for their projects, a host of insurance companies are sensing a big business opportunity in this untouched segment. Several top non-life insurance companies including New India Assurance, ICICI Lombard general insurance, SBI General Insurance told FC that they would be filing title insurance covers with the insurance regulator soon. Sources said that several foreign reinsurance companies, including Hannover Re are also interested in giving support to the domestic insurance companies.

So far title insurance products are unavailable in India. Title insurance is an insurance policy that protects insured from losses arising from certain risks that could adversely affect their title or interest in real property. If a title is defective then a title insurance policy will cover the legislation costs.

A source at New India Assurance told FC, "We have been getting inquiries on title covers from banks and financial institutions, and even from a state property registration authority. We see it as a new business area and are about to file our title insurance product with the regulator."

“Any mandatory insurance policy sells well, for example the mandatory third party motor insurance policy. The RERA Act wants to protect the house owners and therefore, mandates builders to protect the title deed," said a private insurance company official.

The insurance regulator has recently released a paper on title insurance to help insurers in developing the products. The housing sector alone contributes 5-6 per cent to the country's Gross Domestic Product (GDP). The Indian real estate market is expected to touch $180 billion by 2020.

"In UK, US title insurance is commonly available with flat owners buying it. Here, the developers will have to buy it but the policy will have to be transferred/assigned to flat owners or society once the construction is over. Insurers are looking at products offering a tenure of seven years and 12 years with one time premium payment,” said an insurance broker.

"However, unlike in UK and US where the land records are digitised since past several decades, in India there is lack of transparency which has given rise to litigation due to property disputes. Land records in India are not easily accessible due to a lack of digital infrastructure. The risk of faulty land records has grown quite high as cost of land across the country has risen exponentially in the last few decades,” said a real estate expert.

The RERA Act came into effect nationwide from May 1, 2017. According to Section 16 of the Act, promoter shall obtain all insurances including Title of land and construction of real estate project and obligations in case of a transfer. Premium has to be paid by promoter prior before transferring the Title. This is for projects larger than 500 square meter in area and exceeding eight flats.

What can trigger the cover?

Someone else owns an interest in your title, someone else has rights affecting your title contracts, someone else claims to have rights due to forgery or impersonation, someone else has an easement on land, someone else has a right to limit your use of the land. Claimants could be previous owners, unsuspected heirs, old liens and various other unsuspected sources.

There could be three type of products – Developers Policy, Lenders Policy and, Retail Policy. Policy period could be seven years to 12 years (statute of limitation of 12 years in India, Lloyds issues policy of seven years and in US the tenure is infinite).

Unique Factor of the product: Due Diligence is carried out for preceding many years with respect to legal capacity of seller, nature of rights over property, rights of current owner, legality of construction, encumbrances etc. This is done by expert local lawyers and given that land is a state subject in India, we would have to avail services of real estate counsel in the respective state said an insurance official.

The US is the largest market for title insurance.

Source

Back

India Post takes PM's 1 month insurance scheme to fishermen – The Times of India – 11th December 2017

In the aftermath of the recent Cyclone Ockhi, India Post has decided to launch a drive to take the Prime Minister's 1 a month insurance scheme to fishermen.

Called 'Sagar' after the sea, chief postmaster at Chennai General Post Office, Alok Ojha, launched the drive over the weekend when he met 250 fishermen and their families in Royapuram.

"After that meeting, more than 300 people signed up for the scheme. They were surprised that they could get 1 lakh accident cover for 1," says Ojha.

The department is now taking the drive to the other coastal districts of Tamil Nadu, with the aim of insuring 2 lakh fishermen.

"At the Royapuram meeting, 50 fishermen signed up as volunteers to help us spread the word," says Ojha.

"While the PM's scheme was launched in 2015, we realised it was mostly the literate in the urban areas who were availing the insurance cover. I wanted to make the fishermen aware of it because they venture out into the sea every day, risking their lives, and if anything happened to them, their families are left with nothing," he adds.

Nanjil P Ravi, spokesman for the National Union of Fishermen Association, says he was the first fisherman to sign up for the insurance scheme.

"I never knew that such a scheme existed. I signed up my entire family," says Ravi. "In the Chennai-Kancheepuram-Tiruvallur region there are one lakh fishermen, and we want to take this to all of them. Cyclone Ockhi has been like a wake-up call for the need for insurance," he adds.

The Centre's insurance schemes -- Pradhan Mantri Suraksha Bima Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana - are aimed at providing affordable social security protection.

The first offers a renewable one year accidental death-cum-disability cover of 2 lakh for partial disability to all savings bank account holders in the age group of 18 to 70 years for a premium of 12 per annum, while the latter offers a renewable one year life cover of 2 lakh to all savings bank account holders between 18 and 50 years for a premium of 330 per annum.

Source

Back

Insurance firms see rich pickings in crop cover - The Hindu Business Line – 9th December 2017

Crop insurance has emerged as the third-largest line of business for the insurance industry, after motor and health, contributing 16 per cent of its total general insurance premium of Rs. 1,28,000 crore in FY17. The Centre's flagship crop insurance scheme, the Pradhan Mantri Fasal Bima Yojana (PMFBY), has played a significant role in this shift.

Indeed, the share of crop insurance may increase further, and very rapidly, as the Centre has increased the insurable crop coverage from 30 per cent to 40 per cent this year and is scheduled to increase it to 50 per cent in the next Budget. The increase in coverage limit has a proportional impact on premium. “From Rs. 21,000 crore in FY17, crop insurance premium is expected to increase to Rs. 25,000-26,000 crore this year,” K Sanath Kumar, CMD of State-owned National Insurance Company, told BusinessLine.

However, while an increase in crop coverage and a subsequent rise in premium is music to the industry’s ears, assessing and settling claims is a highly complex and risky exercise.

Retail in nature

While the risks are fairly well defined and insurers have a relatively easy job in assessing the claims ratio for health and motor insurance, the rules of game are different in crop insurance, which is retail in nature, with the fate of the farmer’s crop linked to climatic and other regional risks. In the days of climate change, scattered rainfall and pest attacks, such risks are wider than in, say, motor insurance.

Again, unlike other products, insurers are allowed entry into the PMFBY through competitive bidding. In other words, they cannot charge fancy prices for their products. One immediate fallout is that insurers are now taking high re-insurance cover, for approximately 60-70 per cent of the sum assured under the PMFBY. But re-insurance comes at a cost and to make it efficient, risk factors have to be assessed.

Tech to the rescue

The bottomline is that companies have to devise their own risk management practices; the better the risk management, the higher the chance of survival. Earlier, for instance, insurers depended on the archaic practice of sample harvesting to determine the yield of a region. Today, they are leaning more and more on modern technology. This has, for instance, led insurers to tie up with private weather agencies for region-or district-specific weather data.

On its part, HDFC ERGO has developed a mobile-based app, where geo-tagged images from the field are uploaded for an updated view of the crop situation. The company is also planning to deploy drones for assessment.

Drones to the fore

“We did a pilot to assess crop-loss from floods in Beed district of Maharashtra. The results are satisfactory,” Mukesh Kumar, Executive Director, HDFC ERGO, said. ICICI Lombard is also experimenting with drones, said Sanjay Datta, Chief–Underwriting & Claims.

Drones with image-recognition software may prove efficient, said Joydeep K Roy, Partner & Leader, Insurance and Allied Businesses, PwC India. To keep pace with the demand for improved crop-analysis technology from insurance companies, Karnataka has developed an app to provide updated information on the crop position, said ON Singh, Chairman, Universal Sompo General Insurance.

Singh expects other States to follow the Karnataka example and provide real-time data on crop position. Universal Sompo is tying up with technology providers for agri-data.

Source

Back

Survey & Reports

FRDI contemplating increase in deposit insurance cover: Report – The Times of India – 14th December 2017

Amid concerns being raised on bank deposits under the draft FRDI Bill, an SBI research report today said the proposed law is contemplating an increase in deposit insurance coverage from the current Rs 1 lakh. The proposed 'bail-in' clause in the draft Financial Resolution and Deposit Insurance (FRDI) Bill, 2017 has raised a lot of concern among depositors who are worried that they may lose their deposits with banks, the SBI Ecowrap report said.

"However, the truth is that the risk is much less in the proposed bill," it said. Currently, DICGC provides deposit insurance of up to Rs 1 lakh and rest of amount is forfeited in the rare event of a bank failure.

The report said that data on Cross Country Deposit insurance Coverage limit shows that Deposit insurance coverage in India is one of the lowest at Rs 1 lakh/USD 1508 /0.9 times India's per capita income.

"Even if we apply the average of how many times it is of per capita income across countries, the deposit insurance coverage rises to Rs 3.5 lakh. The FRDI is contemplating an increase," the Ecowrap said. It further said that while, the FRDI Bill has not specified the insured amount yet, but "definitely it would be higher" than the current limit of Rs 1 lakh.

Prime Minister Narendra Modi had yesterday said that the government was working to protect the interest of bank customers and their deposits, seeking to dispel the rumours regarding the proposed FRDI Bill. The draft law, which was introduced in the Lok Sabha in August, is undergoing scrutiny by a joint parliamentary committee.

The report further said that as per the latest data available (March 2016) the average balance per term deposits account is Rs 2.54 lakh, while the overall average balance (including Savings Bank, Current Account and Term Deposit) is only Rs 58,316.

Out of the term deposits accounts, 67 per cent of the total accounts are of less than Rs 1 lakh, which holds only 8.6 per cent of the term deposts in value. "Thus, any banks hypothetically fail, then it would not affect the small depositors at all, which are mostly covered through insurance.

"On the other hand, the term depositors of above Rs 15 lakh is only 1.3 per cent, who holds 55 per cent in terms of amount of the total term deposits of the banking system," the report said. The report went on to say that in India bank failure is almost non-existent. Till now the claims from DICGC is very few and mostly, such claims have raised only due to failure of a few cooperative banks.

"One reason often cited for this is that banks in India largely fund themselves through retail deposits rather than wholesale funding, which has often been identified elsewhere as a source of vulnerability to external contagion in other countries," Ecowrap added.

The Bill proposes to create a framework for overseeing financial institutions such as banks, insurance companies, non-banking financial services (NBFC) companies and stock exchanges in case of insolvency.

The 'Resolution Corporation', proposed in the draft bill, would look after the process and prevent the banks from going bankrupt. It would do this by "writing down of the liabilities", a phrase some have interpreted as a "bail in". NKD MR

Source

Back

Only 27 per cent Indians have health insurance: report - The Indian Express – 12th December 2017

The NDA government is "committed to UHC", Health Minister J P Nadda asserted at an event on Monday, the eve of Universal Health Coverage (UHC) Day. However, only 27 per cent Indians or approximately 35 crore people have health cover, according to data from the National Health Profile (NHP) released in April.

Thus, of India's 135 crore people, 100 crore have no cover against catastrophic health expenses.

"We are committed to advancing the agenda of Universal Health Coverage in the country," Nadda said. He was speaking at an event where he launched a mobile application to help health workers in peripheral areas through complicated deliveries, a scheme for quality certification of labour rooms and guidelines for critical obstetric care.

NHP data, which is compiled by the Central Bureau of Health Intelligence (CBHI) that reports to the Union Health Ministry and, therefore, uses government figures to compile all its reports, also says that between 2009-10 and 2014-15, public expenditure on health as a percentage of GDP has remained constant at 0.98 per cent. Interestingly, a scheme that would provide some health cover to 10 crore families requiring an annual government commitment of Rs 6,000 crore, which was to be the precursor to a full-blown nationwide health protection scheme, has been with the Union cabinet for more than a year now.

The 2017 NHP report on the CBHI website says: "Around 35 crore individuals were covered under any insurance in 2015-16. This amounts to 27% of the total population of India. 77% of them were covered by public insurance companies. Overall 80% of all persons covered with insurance fall under government sponsored schemes… Compared to other countries that have either Universal Health Coverage or moving towards it, India's per capita public spending on health is low."

Source

In 2014-15, average per capita public health expenditure ranged from Rs 940-2,532, the spending being the highest in the northeastern states and lowest in what are known as the Empowered Action Group states of Bihar, Jharkhand, MP, Chhattisgarh, Odisha, Rajasthan, UP and Uttarakhand.

Back

Only 31% Indians have separate health policies – The Hindu – 9th December 2017

Indians are more likely to have a vehicle or life insurance than health insurance, according to a survey by private research firm, Chrome Data Analytics and Media (CDAM). Only 31% of Indians had medical policies independent of those provided by their employers in spite of nearly half the survey respondents admitting to having faced a "financial emergency" due to medical needs.

This was because the bulk of Indians weren't correctly estimating the potential pitfall — of exorbitant bills — from not having insurance and only saw it from the lens of tax benefits. "Even among those who did have health insurance, most had covers below 2 lakh which in many cases doesn't cover a serious ailment like a heart transplant," said Pankaj Krishna, Founder, CDAM. While a vehicle insurance was mandatory, a life cover too was popular because of tax benefits and not due to having a succession plan in place, he added.

The survey polled about 4,000 people — 51% of them women — from Delhi, Mumbai, Kolkata, Chennai, Pune and Bengaluru. While some had multiple policies, it emerged that 41% of those interviewed had a life insurance policy and 37%, one for their vehicle. Only 36% had a health cover. Moreover, 87% of those considering health insurance were only doing so to save tax, the survey reported.

The number of lives covered under health insurance policies during 2015-16 was 36 crore which is approximately 30% of India's total population, according to the Indian Brand Equity Foundation.

Indians are also known to spend a significant fraction of their health expense out of their own pockets. 89% of health expenditure by India, in 2014, was out-of-pocket as compared to a global average of 18%. Also, government contributed no more than 30% of individual health expenditure in India according to a 2014 — the latest — assessment by the World Health Organisation.

The Chrome study also found that of all the government-sponsored schemes on offer, the Pradhan Mantri Suraksha Bima Yojana elicited the most recall. Another scheme, the Rashtriya Swasthya Bima Yojana (RSBY) offers medical insurance up to Rs 30,000 for a family of five living below the poverty line (BPL) — defined as the ability to spend Rs 33 per day in urban India and Rs 27 per day in rural. It is, however, limited to inpatient treatment or hospitalisation. This scheme elicited the 3rd-largest recall among respondents.

Source

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IRDAI Circular

Source

Gross direct premium underwritten for and upto the month of november, 2017 is available on IRDAI website.

Source

Report of the Product Regulations Review Committee for Life Insurance-Comments invited is available on IRDAI website.

Source

List of Products/Add-ons noted during April to November, 2017 is avaiable on IRDAI website.

Source

First Year Premium of Life Insurers for the Period ended 30th November, 2017 is avaiable on IRDAI website.

Source

List of Insurance Marketing Firms as on 30.11.2017 is avaiable on IRDAI website.

Global News

Taiwan: Insurers enjoy robust performance this year - Asia Insurance review

Taiwan's insurance industry has seen robust growth throughout this year to date, Taiwan Insurance Institute Chairman Kuei Hsien-nung has said. In the first 10 months of this year, life insurance companies posted NT$112.1 billion (US$3.73 billion) in pretax profits, 17% higher than in the same period last year, while total premium collections rose by 13.4% to NT$2.78 trillion, reported The Taipei Times citing Mr Kuei.

General insurers saw pretax profits rise 13.4% to NT$13.3 billion from January to October, with total premiums gaining 7.4% to NT$130.3 billion, he said. Mr Kuei is upbeat about further growth for insurers as regulators continue to ease controls on investments in the government's "Five plus two" industrial innovation plan, which could help cut reliance on overseas investments and tackle the challenges of Taiwan's aging population and shrinking workforce.

Source

The "Five plus two" programme refers to the initial five "pillar industries" of the Internet of Things, biomedical, green energy, smart machinery and defence. Added later were high-value agriculture and the recyling economy.

Back

Asia: Bright outlook for region's insurance industry in 2018 – Asia Insurance Review

Steady economic momentum across the economies of Asia Pacific (APAC), led by China, is driving demand for insurance, resulting in a stable outlook for the region's insurance sector for 2018, says Moody's Investors Service. "The solvency positions of insurers across Asia Pacific remain solid despite increasing capital requirements, while product margins and asset liability management have improved," said Qian Zhu, a Moody's Vice President and Senior Credit Officer.

"The insurers have also adapted to low interest rates by shifting to less interest-sensitive products and increasing their allocation to higher-yielding non-traditional assets, although for some—such as Chinese life and property & casualty insurers—the latter has resulted in rising asset risk."

Moody's, in its presentation titled "Insurance -- Asia Pacific: 2018 Outlook", highlights that along with good growth momentum, aging demographics are also spurring demand for insurance in the region, in particular, in view of still low insurance density and penetration rates in most Asian economies. Long-term demand for life insurance will also be driven by the region's sheer population size, rising income and wealth, and the existing significant protection gap.

Interest rates have bottomed out across the region, but will remain low by historical standards. To cope with these low rates, life insurers have taken a more conservative pricing approach by offering lower crediting rates and guarantee rates, while also seeking higher yields through non-traditional or foreign assets—thereby raising investment risk.

In the case of Chinese life and P&C insurers, the increased asset risk is also reflected in their rising allocation to alternative investments, with often complex transaction structures and a lack of transparent disclosure standards. These alternative investments also introduce additional layer of credit risks, thereby weakening asset transparency, return stability and liquidity profiles.

Underwriting performance remains stable across the region. Specifically, for Chinese P&C insurers, loss ratios have increased generally for small to mid-sized players as a result of lower premium rates following the liberalisation in motor pricing, but expense ratios have improved, reflecting the regulator's efforts to reign in excessive acquisition costs.

Meanwhile, Japanese P&C insurers should see their underwriting profitability peak as motor rates retreat after a multiyear uptrend, but this coming adjustment will not reverse the significant improvement in their combined ratio in recent years.

Source

Finally, deeper adoption of technology is changing the industry's business model and operations, as well as the delivery of insurance products. In particular, new technology should ease claims processes and broaden insurers' customer bases and sales channels, says Moody's.

China: Outlook for financial institutions rated as stable for 2018 – Asia Insurance Review

Moody's Investors Service says that its outlook for financial institutions in China through 2018 is stable, because of strengthening government regulations on the industry and stable economic growth.

"The government will remain keen on adopting coordinated policy measures to curb shadow banking and interbank activities and to address key imbalances in the financial system," said Ms Sherry Zhang, a Moody's analyst.

"As for the operating environment, steadying economic growth and recovering commodity prices will support corporate profitability and therefore the asset quality of the financial institutions," added Ms Zhang.

Moody's says that liquidity will stay broadly stable, with a tightening bias. In particular, the central bank's increasing use of liquidity facilities will improve its monetary management. And, the banks' funding structures will improve, because of their lower reliance on short-term wholesale funding. However, competition for deposits has intensified.

Moody's conclusions are contained in its just-released presentation on "Financial Institutions China: 2018 outlook".

Moody's holds the following outlooks for specific sectors of China's financial industry through 2018:

- Life insurance companies — Negative
- P&C insurance companies — Stable
- Banks — Stable
- Securities companies — Stable
- Leasing companies — Stable
- Asset management companies — Stable

Life insurance

Moody's outlook on the life insurance industry is negative because the regulatory clampdown on short-term savings products exposes some insurers to liquidity stress and lowers new business growth. These insurers also face higher asset risk, as evidenced by their rising alternative investments and higher concentration risk. Moreover, their profitability is pressured by the high cost of liability and rising business transition expenses in relation to tighter regulations.

For the P&C insurance sector, Moody's says that stable new car sales and fast-paced growth in the non-motor insurance segment support premium growth. The sector's capitalisation levels remain solid, and increases in alternative investments generate higher yield and higher asset risk. However, the underwriting profitability of smaller insurers is under pressure, against the backdrop of the pricing liberalisation of motor insurance.

For the banks, Moody's says that asset risks will stabilise, on the back of improving corporate profit and despite high corporate leverage. However, the risk of delinquencies remains elevated among some highly-leveraged and loss-making borrowers, as they transit to higher borrowing costs amid tighter shadow banking regulations.

The banks' capitalisation levels will stay stable, underpinned by slowing asset growth and capital raising, and overall profitability remain under pressure from higher funding costs and lower fee income growth.

System liquidity will remain tight, especially among smaller banks, as a result of regulatory efforts to constrain the growth of corporate and interbank leverage and shadow banking.

Nevertheless, government support will remain strong for major banks, because financial and social stability remain key policy priorities.

On securities companies, Moody's says that these companies will demonstrate healthy liquidity and leverage profiles, and while their profitability will come under pressure, the major securities companies' profitability will remain above that of international peers.

With leasing companies, such firms will show stable asset quality, but pressure is evident in certain sectors. These companies' liquidity and refinancing risks will be slightly mitigated by diversifying funding sources, but their profitability will be pressured by higher funding costs.

As for the asset management companies (AMCs), the country's "big four" AMCs still dominate the market. Economic restructuring continues to support these companies' core business growth, while higher asset prices support the profitability of their core distressed asset management business. The AMCs will also see their liquidity profiles improve, because of the increasing use of long-term funding. Capital will remain pressured by strong asset growth.

Last month, China's national committee for overseeing financial stability and development held its first meeting. Called the Financial Stability and Development Committee, under the State Council, or Cabinet, it coordinates supervision and regulation across the different financial sectors such as insurance, banking, securities and wealth management.

Source

Back

Asia: Upbeat conditions seen for life sector – Asia Insurance Review

Favourable economic conditions, combined with refined product strategies and improved distribution channel productivity continue to drive growth in life insurance premiums, margins and the overall business in Asia, says Milliman, a premier global consulting and actuarial firm.

Milliman made the comments in its latest report, "2017 Mid-Year Embedded Value Results: Asia (excluding Japan)," which summarises mid-year 2017 embedded value (EV) results disclosed by Asian insurers in eight key markets. The findings highlight an overall increase in growth of EV, an increase in value of new business (VNB) and improvement in new business margins.

Positive performances by Asian equity markets and improving yields have led to an increase in the EV of life insurers within the region," said Milliman Principal and Consulting Actuary Paul Sinnott.

Other highlights from the report include:
Overall, insurers have reported positive gains in their 2017 mid-year embedded values over their 2016 mid-year values, with many companies showing single-digit EV growth but some posting larger gains in Hong Kong and Mainland China.

Hong Kong and Mainland China insurers continued to report significant increases in VNB in the first half of 2017 compared to that the first half of 2016, with over 50% rises in VNB for several companies, primarily driven by strong new business sales.

Nearly all operating entities reported an increase in their new business margins between the first half of 2016 and the first half of 2017, with single or double-digit increases in new business margins for many.

As IPO activity among insurers continues in India, companies are adopting the market-consistent Indian Embedded Value (IEV) methodology (which is prescribed for IPO disclosures).

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property & casualty insurance, healthcare, and employee benefits.

Source

Back

Australia: Satisfaction with health insurers lowest since 2010 – Asia Insurance Review

Customer satisfaction with private health insurers has declined to 71.0% in October 2017, down by 0.2 percentage point for the month and 3.4 points below the same time last year, new findings by market research firm Roy Morgan show.

This level is down on the peak of 76.4% recorded in June 2015 and is the lowest satisfaction rating since 2010.

These are the latest findings from Roy Morgan’s Single Source survey of over 50,000 consumers per annum, including coverage of over 17,000 private health insurance members.

Mr Norman Morris, Industry Communications Director, Roy Morgan said: “With a great deal of negative publicity being given to the rapidly rising cost of private health insurance, it is not surprising that satisfaction levels of funds have been declining for a number of years.

"It is worth noting that a number of smaller funds have shown that it is possible to improve even in this environment."

Smaller funds lead in satisfaction

The top five performers (among the 15 largest funds) for private health insurance satisfaction over the last year were all smaller funds and had satisfaction levels well above the market average. The top fund was Teachers Health with 83.4% satisfaction, followed by TUH Health Fund (82.8%), Defence Health (82.8%), CBHS (82.1%) and Health Partners (80.9%). The only funds to show improvements in satisfaction over the last 12 months were TUH Health Fund (up by 3.7 points) and Australian Unity (up by 2.1 points).

Satisfaction with the two largest funds remain below the market average (71.0%), with BUPA on 68.3% (down by 5.1 points over the year) and Medibank Private 66.8% (down by 3.0 points).

Members of larger health funds not as likely to recommend them

Less than half the members of the major health funds would be 'highly likely' (with a score of 8 to 10 on a 10-point scale) to recommend their fund to friends or colleagues. Only 36.9% of Medibank Private members consider that they would be 'highly likely' to recommend them and BUPA had the second lowest score with 42.9%.

The best overall performer for advocacy was Defence Health, with nearly three quarters (72.3%) of members being 'highly likely' to recommend them, they were closely followed by Teachers Health with 71.8%. The biggest improvers over the last year for advocacy were Defence Health (up 2.9% points), HCF (up 2.1% points and Australian Unity (up 1.8% points).

Mr Morris said: "Our research shows that by far the major reason that fund members either drop out altogether or change funds, is to do with cost. As a result of these cost pressures, the proportion of the population with private health insurance over the last year has declined from 46.6% to 45.3%. Indications from our survey are that this decline is likely to continue over the next year, as shown by the fact that there is an increase in the proportion of fund members saying they will drop their private health insurance over the next 12 months.

"In this difficult and highly regulated competitive market, where factors impacting on the cost of private health insurance are largely outside the control of the funds, it remains critical that the larger funds learn from the smaller who not only show that they have the highest satisfaction but also some have been able to improve this even further."

Source

Back

Pakistan: Regulator issues new rules for life sales – Asia Insurance review

The Securities and Exchange Commission of Pakistan (SECP) has directed that corporate insurance agents are to be barred from selling life insurance policies unless an insurance need analysis has been carried out for the prospective policyholder.

The Directive for the Corporate Insurance Agents (excluding Banks) and Technology Based Distribution Channels, 2017, issued earlier this month, will apply to individual life, regular premium insurance policies with a saving/investment component. It also sets out several other new measures which insurers are required to adhere to.

Among them, the corporate insurance agent shall also ensure that a product illustration has been given to a prospect as a stand-alone document with appropriate time for review by the prospect. The objective is to ensure that the agent has properly explained the product illustration to a prospective policyholder.

The term of the regular premium individual life plan with a saving/investment component, including endowment products, shall not be shorter than five years where sold through the corporate insurance agent.

Where a regular premium individual life policy is lapsed or surrendered during the first three years, then unless that policy is reinstated (in case of lapsation), the corporate insurance agent will not sell any new individual life policy to the same policyholder through the same insurer or through a different insurer within a year from the effective date of the policy acquiring lapsed or surrendered status.

Where a regular premium individual life policy is lapsed or surrendered after the third policy year, then unless that policy is reinstated or revived or the policyholder has separately consented to that effect, a corporate insurance agent will not sell a similar new individual life policy to the same policyholder through the same insurer or through a different insurer within a year from the effective date of the policy acquiring lapsed or surrendered status.

The insurer shall make a structured telephone call within the free look period to all policyholders to confirm their understanding of the product, appropriateness of the product considering the identified insurance needs and affordability of the product for the entire term.

The insurer will retain a record of such calls, preferably using an interactive voice response system, for at least five years or up to the maturity of the product whichever is earlier.

If a policyholder gives an adverse response, the insurer will return the premium to the policyholder within 30 days of such a call.

The directive will apply to all new insurance business underwritten by insurers on or after 31 March 2018. However, insurers and the corporate insurance agents shall make amendments to existing agency agreements, wherever necessary, to comply with the provisions of the directive not later than 1 April 2018.

Source