भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

Insurance Institute of India

C – 46, G Block, Bandra-Kurla Complex, Mumbai – 400051

INSUNEWS

- Weekly e-Newsletter

21st – 27th April 2018

● Quote for the Week ●

"You cannot discover new oceans unless you have the courage to lose sight of the shore."

Andre Gide

INSIDE THE ISSUE

Insurance Industry

Embedded value: How safe are assets managed by insurers? - Financial Express – 24th April 2018

Recent stories regarding the vulnerability of our banking system to organised fraud has completely shaken the confidence of the depositors. The investigating agencies are busy finding the loop holes but the fact is that lakhs of crores of deposits in banks have been squandered by the unscrupulous borrowers. The total NPA in our banking system is more than Rs 11 lakh crore because the rate of recovery is below 11%. With these developments, I think it is high time that the boards of insurance companies stay alert and assess their fund and risk management systems so that they avoid experiencing the disgrace and trauma that the banks have been experiencing today. In terms of wealth under management, the fund size of insurers is almost equal to that of the banks.

Investment of funds

The IRDAI exercises fair amount of control on fund management by life and non-life insurers through various regulations and inspections. They have prescribed system-based control on investment of funds. But what is critical to the whole issue is understanding of the whole process of the movement of funds from the customer's account to the investees account and the perception, attitude and interest of the people involved both inside and outside of the organisation. During a decade of my association with the boards, I found the oversight of the finances and the investments of companies is merely ritualistic. In most of the cases the chairman would not have enough time to enforce in-depth evaluation of the reports presented by the management. The sub-committees of the board entrusted with the task of scrutinising reports and accounts of investments also avoid being tough on serious issues and end up with accepting what the management team wants the board to accept and approve.

If any director would like to make serious observations and suggest remedial steps he would normally be assured by the management team in the presence of the chairman that due care would be taken. But while preparing minutes, the concerned remarks may not be recorded. The time given to the auditors to present report to the board is always very brief. Hence no serious discussion is permitted.

Risks and vulnerability

In such a scenario, the responsibility regarding proper management of the finances and investments of the insurers rests with the CEOs only. The amount invested by insurance companies in equities or in the form of loan to various industries is as high as the amount invested by the banks. Hence overlooking the potential risk and vulnerability of the insurers may one day prove costly to the stakeholders.

Most of the CEOs in Indian insurance companies do not possess natural talent or insight for understanding financial issues. They generally focus on driving growth in respect of number of policies and total premium. When the CEOs hiring process starts the committee mandates the search agencies to find a person who can drive growth by building a good team and providing clear vision to the team. Today the boards have given unbridled power to the CEOs of the insurance companies and have abdicated their role of supervision and control. There is none to track the income, wealth and the lifestyle of the top executives.

The insurance regulator has very clearly issued guidelines for framing standard operating procedure by the insurers, mandating segregation of role and responsibility of employees in front, mid and back office for executing investments.

All operations today are system controlled and there is a provision of concurrent audit so that slippages are detected and reported on real time basis. In the front office there is total segregation of fund managers and dealers through authority matrix.

There are limits on investment in a particular company or in subscribing to the IPO. There are guidelines for classifying assets into standard and sub-standard so that no investment remains out of sight of the investment committee.

But frauds and NPAs are today plaguing the banking sectors on a massive scale in spite of as powerful a regulator as the RBI. I think insurance industry needs to wake up and learn lessons from the banking sector before the hopes and trust of the policyholders too suffers a rude shock.

Source

Back

Insurance premium growth rate falls 50% in 2017-18: Irdai data - Business Standard – 21st April 2018

Insurance premium growth saw a decline in 2017-18. According to the data released by the Insurance Regulatory and Development Authority of India (Irdai), the 34-odd general insurers have grown 16.9 per cent in FY18 in terms of gross direct premium collected, while life insurers' premiums rose 10.8 per cent. In 2017-18, general insurers collected Rs 1,333.5 billion in premium revenue, compared to Rs 1,140.2 billion collected in 2016-17. Life insurers collected Rs 1,938.6 billion in premium revenue in 2017-18, against Rs 1,750.2 billion in 2016-17.

General insurers had posted a growth rate of 32 per cent in 2016-17, while for life insurers, the figure stood at 26.3 per cent. The data showed that premium growth in 2017-18 is nearly half of what was registered at the end of March 31, 2017. Gross direct premium revenue for standalone private health insurers rose to Rs 82.9 billion in 2017-18, from Rs 58.6 billion in 2016-17. The premium collection grew 41.6 per cent on a year-on-year basis for 2017-18.

Public general insurance companies, including New India Assurance, United India Insurance, National Insurance Company and Oriental Insurance, have grown slower this financial year than in the previous one. During 2017-18, these companies experienced a premium growth of 12.8 per cent compared to a growth of 24.46 per cent during 2016-17.

New India Assurance's premiums grew 25.85 per cent in 2016-17, and slowed down to 18.74 per cent in 2017-18. United India's premium growth slowed to 7.7 per cent in 2017-18 from 26.53 per cent in 2016-17, while Oriental Insurance's premium growth in 2016-17 was 29.79 per cent compared to 6.6 per cent in 2017-18. National Insurance saw its premium growth slowing down from 2016-17 by 120 basis points in 2017-18 to 15.7 per cent.

In life insurance, private insurers collected around Rs 593.14 billion in premium revenue during 2017-8 across both individual and group products, against Rs 506.3 billion in 2016-17. The annual premium growth for private life insurers stood at 17.16 per cent for 2017-18.

During 2017-18, the Life Insurance Corporation of India collected Rs 1,345.5 billion in premium revenue, against Rs 1,244 billion in 2016-17, registering an annual growth rate of 8.16 per cent. The premium revenue for individual non-single life insurance covers grew by 38.5 per cent to Rs 52.2 billion for the year ended March 31. Group non-single life insurance premium revenue fell for both LIC and private life insurers. For private players, premium growth fell 85.4 per cent from Rs 47.4 billion in 2016-17 to Rs 6.92 billion in 2017-18, whereas premiums in this category for LIC fell from Rs 40.41 billion in 2016-17 to Rs 20.8 billion in 2017-18.

Overall group non-single premium revenue have fallen by 68.4 per cent across all life insurance companies between 2016-17 and 2017-18.

Winners and losers

The fastest growing general insurer in 2017-18 is Aditya Birla Health Insurance Company, which registered an annual premium growth rate of 346.78 per cent, followed by Kotak Mahindra General Insurance with a premium growth rate of 126 per cent for 2017-18.

Source

The Export Credit Guarantee Corporation's premium growth slowed down by 2.15 per cent, followed by Shriram General Insurance Company, which saw a slowdown of 0.08 per cent for 2017-18.

Back

Life Insurance

India: 24 life insurers offer 776 products at 31 March – Asia Insurance Review

There were 776 products offered by life insurers in India, at 31 March 2018, with 587 individual products and 189 group products made available, according to data from the IRDAI.

Of the individual products, 557 individual products were marketed by the 23 privately held life insurers while 30 were from the sole state-owned giant, Life Insurance Corporation of India (LIC).

Merely adding new products to the portfolio to stack up the numbers may not result in actual sales, however. Industry sources told *Moneycontrol* that even though insurers have 20 products each on average for individual customers, only three or four of them bring in the lion's share of sales.

The data also show that insurance companies tend to have multiple products in one category.

While the regulator has discouraged insurers from filing too many products and limited the number to five a year, existing products in themselves provide an array of options to the customer. The pertinent question that each insurance company could reflect on could be about what differentiation they could offer in their products that would attract customers to buy.

Source

Considering India's huge population and limited insurance penetration, a small set of simple products with easy-to-understand features is the need of the hour. These needs should also be addressed by insurers.

Back

Preferred: Strong bancassurance channels - Financial Chronicle – 27th April 2018

Industry APE (annualised premium equivalent) growth moderated in March this year – it was flat on year-on-year (YoY) basis partly due to high base effect of last year (23 per cent YoY growth in March 2017). For March 2018, private insurers' achieved APE growth of 8 per cent YoY led by ICICI Pru (+16 per cent), Max Life (+16 per cent) and Birla Sun Life (+19 per cent). For FY18, the industry recorded APE growth of 17 per cent YoY, led by private insurers' at 23 per cent, while LIC lagged with 11 per cent. Private insurers gained 250bps YoY in FY18 with SBI Life (+91 bps YoY) and HDFC Life (+71 bps) being major beneficiaries.

Private insurers' total share in the industry stood at 51 per cent (vs 48.5 per cent in FY17). Going forward, industry APE CAGR is expected to be a healthy 16 per cent over FY18-20E, with private players' CAGR coming in at 18 per cent on: (a) strong long-term growth drivers such as robust GDP growth and rising incomes; (b) increasing penetration to 2.8 per cent in FY20E; (c) strong equity markets that favour ULIPs and (d) increasing financialisation of savings – and within that – an expanding share for life insurance.

Moreover, insurers with strong bancassurance channels are preferable as they would generate significantly superior operating RoEVs of 20 per cent over FY18-20E versus 10 per cent for agency-dependent insurers.

Industry APE growth flat YoY for March 2018; among major insurers ICICI Pru (+16 per cent), Max Life (+16 per cent) and Birla Sun Life (+19 per cent) posted healthy APE growth in March 2018: Private APE growth for March 2018 was muted at 8 per cent YoY due to high base effect of last year (31 per cent growth in March 2017). Among major private insurers, ICICI Pru (+16 per cent YoY), Max Life (+16 per cent YoY) and Birla Sunlife (+19 per cent YoY) posted healthy growth in March 2018. HDFC Life witnessed de-growth of 3 per cent YoY owing to high base impact (43 per cent YoY growth in March 2017). LIC's APE declined by 7 per cent YoY in March 2018 leading to flat APE on YoY basis for the industry.

During 4QFY18, industry witnessed muted APE growth of 6 per cent YoY (vs 20 per cent YoY in 4QFY17) contributed entirely by the private sector: The industry recorded 6 per cent YoY growth during 4QFY18 coming entirely from the private sector which recorded 12 per cent YoY in 4QFY18 while LIC remained flat YoY. Among major private insurers, Max Life (+27 per cent YoY) and Bajaj Allianz (+22 per cent YoY) outperformed the industry while ICICI Pru recorded negative growth of 4 per cent YoY in 4QFY18.

For FY18, private insurers posted healthy growth of 23 per cent YoY vs 11 per cent for LIC, led by BALIC (+36 per cent), HDFC Life (+30 per cent), SBI Life (+28 per cent): Total industry growth for FY18 came in at 17 per cent YoY, led by private insurers' growth at 23 per cent.

On an unweighted basis, the industry declined 16 per cent YoY in March 18, driven by LIC (-26 per cent YoY) while private insurer' grew 12 per cent: New business premiums for the industry declined 16 per cent YoY in March 2018 driven by LIC (-26 per cent). Private players posted 12 per cent YoY growth led by BALIC (+21 per cent), Birla Sun Life (+19 per cent) and ICICI Prudential (+18 per cent). While for Birla Sun Life and BALIC, growth is coming from their group businesses, for ICICI Pru, it is led by ULIPs. For FY18, the industry recorded 11 per cent YoY growth with private players growing at 18 per cent and LIC at 8 per cent.

Private players gained 380bps YoY in market share in March 2018 and 250bps in FY18: The top 6 private insurers accounted for 263bps of market share gain in March 2018 with ICICI Pru (+93bps YoY) and Max Life (+85 bps) as the major beneficiaries. For FY18, SBI Life (+91 bps YoY) and HDFC Life (+71 bps) made major market share gains. Private insurers' total share in the industry stands at 51 per cent (vs 48.5 per cent in FY17).

Industry group premiums sharply declined 31 per cent YoY in March 2018, led by LIC (-38 per cent): For the industry, group premium contribution fell 11 per cent YoY in March 2018 to 51 per cent (vs 62 per cent last year) while individual single premiums grew 22 per cent YoY in Mar'18 driven by private insurers' 76 per cent YoY growth.

Private players' ticket sizes saw healthy growth of 10 per cent YoY in March 2018 after the 24 per cent YoY growth seen last year: The industry's average premium per policy grew 10 per cent YoY led by private, while LIC lagged at 8 per cent YoY growth in ticket sizes.

Source

Back

Key structural drivers favour life insurance growth - Financial Chronicle – 27th April 2018

The life insurance sector's new business premiums have registered double-digit growth since 2015-16 and are expected to grow by around 20 per cent for the next five years. Lower penetration, focus on protection plans, push from bancassurance and digital channels and increased savings in financial assets post demonetisation are some of the key factors that will propel growth for the sector in the coming years.

In terms of insurance penetration, India is still at 2.72 per cent against global average of 3.47 per cent and when it comes to insurance density, India stands at $46.5 against global average of $353. Compared to some of its Asian counterparts, the penetration and density of life insurance in India is quite low. Insurance penetration in Hong Kong in 2017 was 16.20 per cent, 7.15 per cent in Japan, 7.37 in South Korea and 16.65 per cent in Taiwan. India's under-penetrated market offers scope for higher growth in the coming years.

"With the key structural drivers, namely an under-penetrated market, favourable demographics, improving savings rate coupled with expected recovery in the economy amidst steady push by the government and the insurance companies to improve the penetrations will aid the industry," said Karthik Srinivasan, senior VP and group head-financial sector ratings, ICRA.

The first year premium, one of the key indices of growth, had been either stagnant or declining between 2010-11 and 2014-15. However, for the past three years, the sector has been posting double-digit growth.

Savings in financial assets

In India, life insurance is largely a savings market. Increase in savings in financial assets is one of the drivers for life insurance. Demonetisation increased the pace of financialisation of savings in recent times, finds HDFC Securities. Savings in physical assets like gold and real estate have come under the government scanner post demonetisation. Further, the real estate sector has not yet fully recovered from the shock of demonetisation and subsequent restrictions on cash payment.

Exemptions and deductions in income and corporate tax is one of the key motivating factors that make tax-payers invest in life insurance. Insurance premium qualifies for deduction under section 80C up to Rs 1.5 lakh. Further, insurance receipts are exempted from taxation under Section 10 of the Income Tax Act. Both these measures make insurance attractive, and the returns comparable to other saving instruments in the market like fixed deposits, debt funds and PPF.

Perception about insurance as a tax-saving tool has been clear from the pattern of investment flows. Almost 45 per cent to 50 per cent of individual insurance flows happen in the last four months of the financial year, when taxpayers file returns, finds HDFC Securities.

“There has been a significant shift in financial planning amongst retail investors who are keen to look at value packed options to build their financial assets. Recent numbers indicate a healthy growth in the life insurance industry, and I believe insurance, especially ULIPs, will in their consideration set given the strong returns the product category has displayed in the past years combined with the growth prospects of the Indian economy, especially the equities market,” Tarun Chugh, MD and CEO, Bajaj Allianz Life.

“Given this scenario, FY2019 will be a strong year for the industry. We will also see more transparent ULIPs being introduced to help retail investors reach their life goals. Further, distribution channels such as online options, payment banks and small finance banks will help expand the reach of life insurance products amongst in India,” he added.

Protection plans

Despite strong growth in insurance penetration over the last decade, the protection gap remains very high, as India’s life insurance market is skewed towards savings. A study by reinsurance company Swiss Re suggests that there is 92.2 per cent mortality protection gap in India. The gap is the difference between the resources needed and the resources already available for dependents to maintain their living standards following the death of a working family member.

An increasing population and a large working class will offer opportunities as it will need both savings and protection products. In order to fill the huge gap in mortality protection, private life insurance companies have started pushing term plans aggressively.

Max Life is targeting an increase in its protection share to 10 per cent by FY20 from 6 per cent in FY17. Higher share of protection plans has been improving margins of ICICI Prudential. HDFC Life has the best margins among private life insurers with a superior product mix profile and highest contribution of the protection. Tata AIA is another insurer that is focused on protection business. It has seen 70 per cent growth in premium coming from protection plans in the first half of this fiscal.

‘We have redefined ourselves to become a pre-eminent protection provider. The market needs more protection products to fill the gap. The awareness among people about the need for protection also has to be increased,” said Rishi Srivastava, chief of proprietary channels, Tata AIA Life Insurance.

Private players and bancassurance

India’s life insurance sector has historically been dominated by public sector behemoth LIC. The Indian Life Insurance industry was opened for the private sector in 2000. Prior to this, LIC was the only player, selling largely traditional Life Insurance policies. Currently, there are 24 private sector Life Insurance companies.

Private companies have been increasing their market share in new business premiums over the years. In FY18, it moved up from 28.92 per cent to 30.59 per cent as LIC’s share came down from 71.08 per cent to 69.40 per cent.

LIC has largely lost its market share in the individual life insurance segment over the last decade to private insurers. In 2007, LIC had 64 per cent market share in retail NBP and it has come down to 46 per cent by 2017. As a result, private players have upped their share in the segment from 36 per cent to 54 per cent in a decade.

However, the private sector is dominated by top seven players, who command more than 65 per cent market share of New Business Premium. Most of these players, including SBI Life, ICICI Prudential and HDFC Standard Life are backed by a strong bancassurance parent or partner with a pan-India presence.

After IRDA's clampdown on charges and commissions in 2011, these insurance companies have leveraged the bancassurance channel, and reduced dependence on the agency channel. This has also helped them lower their cost structure. In 2016-17, bancassurance channel grew its business by 30 per cent.

Technology
Most of the insurance companies, especially the private players are utilising technology across a wide spectrum of operations. Similar to any other sector, technology is enabling delivery of faster and better customer service and driving better productivity and lower operating costs. Digital purchase of life products, especially term plans, is fast catching up with internet-savvy customers.

Recently, a consortium of around 14 life insurers joined hands with IT services provider Cognizant to develop a blockchain solution to facilitate cross-company data-sharing. This will enable the insurers to reduce the risk of data breaches, fraud and money-laundering, while delivering superior experience to customers through improved process efficiency, better record-keeping, and accelerated turnaround time.

Source

Back

Health Insurance

Tackling mediclaim: Combat medical inflation with a super top-up policy - Business Standard – 24th April 2018

Shiv Kumar, 31, a Noida-based techie, had a medical insurance cover worth Rs 200,000 from his employer. A few months ago, he met with an accident and had to be hospitalised. The treatment cost him around Rs 200,000. Despite having a corporate mediclaim cover, Kumar had to pay Rs 100,000 from his own pocket.

Due to high medical inflation, corporate medical insurance often does not cover the entire expense in case of a major disease or accident. Hence, employees should buy additional cover on their own, apart from the one provided by their employer. Depending on your requirement, you may opt for either a basic health plan, a top-up plan or a super top-up plan. Top-ups and super top-ups are available for both individual and family floater options.

The typical corporate mediclaim cover comes with a number of limitations. "The extent of coverage can vary from year to year in a corporate mediclaim cover. Some of these policies also impose conditions such as co-payments and other restrictions, especially in the years when their employee benefit costs rise. Top-ups and super top-ups too serve the purpose of supplementing or complementing an employer's group health policy very well," says Shreeraj Deshpande, head-health insurance, Future Generali India Insurance.

WHY THESE PLANS MAKE MORE SENSE

Insurer	Basic health plan	Super top-up
ICICI Lombard	Complete Health Insurance ₹6,208	Health Booster ₹3,053 (sum insured: ₹1,000,000)
Apollo Munich	Easy Health Individual ₹6,758	Optima Super ₹2,985 (sum insured: ₹1,000,000)
HDFC ERGO	Health Suraksha Silver ₹4,885	my:health Medisure ₹1,817 (sum insured: ₹1,100,000)
Religare	Religare Care ₹4,323	Enhance ₹3,320 (sum insured: ₹1,200,000)

Premiums are for a 35-year-old male living in metro; Super top-up deductibility and sum insured (SI) of basic health plan are ₹4,00,000.
Source: ComparePolicy.com

Financial planners suggest that you should have your own basic health insurance policy and not rely completely on the employer's policy. If you lose your job or decide to turn into an entrepreneur in your forties, you will be better off if you have your personal mediclaim policy. Getting one at an advanced stage can prove difficult. Once you have a basic policy and want to enhance coverage, then instead of increasing the sum insured of your basic policy you can opt for a top-up or super top-up cover.

A top-up cover becomes effective after you have exhausted the sum insured on your basic mediclaim policy. You need to choose a deductible for your top-up policy - the amount that you will have to pay out of your own pocket, or which your basic policy will pay for. The top-up policy will only pay for an amount above the deductible limit.

Super top-up plans offer a better deal than top-up plans. A top-up plan gets activated only when a single claim amount exceeds the deductible amount. Suppose that you have a top-up cover with a deductible of Rs 200,000.

You fall ill twice during the year, and each time your hospitalisation bill comes to Rs 150,000. In such a scenario, your top-up plan will not get activated. If the hospital were to present you with a single bill of Rs 225,000, then your top-up plan would get activated and you would be reimbursed for Rs 25,000.

You can take care of this gap in a top-up policy by opting for a super top-up plan. With this plan, even if you were to get two separate bills of Rs 150,000 (so that the total during a year comes to Rs 300,000), the super top-up policy would reimburse you for Rs 100,000.

A top-up plan has limited cover for pre and post-hospitalisation expenses. But super top-up plans provide coverage of pre- and post-hospitalisation expenses, day care procedures, and pre-existing diseases after a waiting period of three years, just like basic insurance plans. To opt for a super top-up plan, you do not need to have a basic health insurance policy. You can pay the deductible amount out of your own pocket.

Instead of buying a top-up or super top-up plan, you can also enhance the cover of your basic policy. But this is an expensive approach. "Premiums of top-up and super top-up plans are much lower than those of basic health covers since they come with a higher deductibility, and hence insurance companies consider them to be less risky," says Anand Roy, executive director and CMO, Star Health a d Allied Insurance.

For a 40-year-old, HDFC's Health Suraksha, a basic insurance plan, with a sum insured of Rs 750,000 charges a yearly premium of Rs 9,172. On the other hand, HDFC's super top-up plan with a sum insured of Rs 700,000, and having a deductible of Rs 300,000 charges a yearly premium of Rs 2,207. "Buying a basic health cover and supplementing it with a top plan is the prudent way to combat rising health care costs in a cost-effective way and avoid out-of-pocket expenses," says Harjot Singh Narula, founder & CEO, ComparePolicy.

When buying a super top-up plan, you need to undergo a medical check-up only if you are above 55. "People who are about to enter the senior citizen category and have a limited sum insured in their basic mediclaim policy should opt for super top-up plans to get higher protection," says Rakesh Jain, executive director and CEO, Reliance General Insurance. Premiums paid for super top-up plans are eligible for income tax deduction under Section 80D.

Source

Back

Should you buy OPD insurance cover? - The Economic Times – 23rd April 2018

Out-of-pocket medical expenses account for 62% of all healthcare costs in India. So there is a need for plans that take care of outpatient department (OPD) expenses. However, OPD products have so far failed to become popular due to various reasons. They are seen as tax-maximising tools, where the additional bills served to exhaust the Section 80D limit on health premiums paid. Moreover, determining the authenticity of bills was a concern, making the claim settlement process tedious.

Newer is better

Now, companies like Apollo Munich and Max Bupa have rolled out products with features like cashless OPD claim settlement, setting off OPD benefit against future premium payments and so on. ICICI Lombard has tied up with health-tech portal Practo to settle cashless OPD claims under group policies.

SUM INSURED ₹5 LAKH

OPD plan premium (₹)				Regular health plan premium (₹)		
ICICI Lombard Complete Health Insurance (Option A)	Apollo Munich Health Wallet Individual	Max Bupa GoActive	AGE	ICICI Lombard Complete Health Insurance (Option C)	Apollo Munich Optima Restore	Max Bupa Health Companion
₹11,964	₹14,224	₹9,942	35	₹6,506	₹8,431	₹8,752
₹16,352	₹15,214	₹13,037	40	₹8,298	₹9,540	₹9,800
₹16,352	₹15,214	₹16,688	45	₹8,298	₹9,540	₹11,566
₹24,907	₹19,254	₹20,644	50	₹12,428	₹13,955	₹14,784

Premium inclusive of all taxes. ICICI Lombard Complete health insurance (Option A) Reimburses expenses incurred as outpatient as per plan chosen. Apollo Munich Health Wallet has separate sum insured—reserve benefit—that can be used for opd expenses. Max Bupa GoActive has capped per opd consultation fees at Rs 600 (Zone 1) & Rs 500 (Zone 2) Source: Coverfox

"The new versions are powered by tech-enabled infrastructure and service provider networks built by healthcare startups," says Mahavir Chopra, Director, health, life and travel insurance, Coverfox.com. The entry of startups facilitating booking of appointments with clinics and diagnostics centres, and payments, has made it easier for insurers to administer claims.

While some challenges persist—mainly with healthcare providers who still use traditional billing methods—the overall environment has turned conducive for OPD plans. "Every new concept faces challenges. Weaving doctors, diagnostic centres, pharmacies and other providers through technology into working together on a payer-funded cashless arrangement is a new concept," says Sanjay Datta, Chief, underwriting, claims and reinsurance, ICICI Lombard.

What you stand to gain

The OPD benefits come in several shapes and sizes. Apollo Munich's Health Wallet pays for OPD expenses in the form of reserve benefit. It can be used to pay for pharmacy bills, dental treatment, diagnostic tests, consultations and so on. "After five continuous renewals, it can be utilised for paying 50% of the premium. The unutilised benefit gets carried forward to the next year and gets a cumulative bonus of 6%," says Antony Jacob, MD and CEO of Apollo Munich. The amount spent is reimbursed.

Max Bupa's GoActive policy pays for annual check-up to the extent of Rs 2,500 per adult, diagnostics and 10 cashless/reimbursable OPD consultations (capped at Rs 500-600 per consultation) a year through Practo's network. Universal Sompo's OPD benefit covers spectacles, contact lenses and hearing aid, and is built into its flagship health policy. "It comes with a waiting period of three years with no extra premium. The sub-limit ranges from 1% of the sum insured, with a maximum limit of up to Rs 7,500 as per the plan opted," explains O.N. Singh, Chairman, Universal Sompo. Policyholders can avail this service by submitting original prescriptions and bills.

Then there are existing products from ICICI Lombard—an OPD add-on—and Star Health, where the OPD component depends on the premium slab and sum assured.

For instance, if you choose a sum assured of Rs 5 lakh and a premium slab of Rs 15,000 under Star Health Gain policy, your OPD element will be Rs 8,635. It also comes with a carry forward benefit. "Carry forward facility for unutilised balance to the next year of insurance encourages customer towards a need-based usage," says Anand Roy, ED and CMO, Star Health & Allied Insurance.

Are benefits worth the costs?

While OPD coverage is a valuable benefit, it comes at a significantly higher price. Analyse whether the utility value justifies the cost, keeping your health requirements and age in mind. "One should calculate his own or family's likely usage of primary healthcare and carry out a cost-benefit analysis," says Chopra.

For example, a 35-year-old choosing to buy Apollo Munich's Health Wallet policy with a sum insured of Rs 5 lakh will have to pay Rs 14,224 against Rs 8,431 under its Optima Restore plan.

The value of OPD reserve benefit in the former is Rs 5,000, which means you would be paying Rs 6,000 to get a benefit of Rs 5,000. However, you are allowed to carry the unused benefit forward. Also, plans that pay for hearing aids and spectacles are useful for older people, given that such tools are not covered under regular health plans.

Be wary of sub-limits and restrictions on availing the services only in network hospitals. Instead, you can simply park funds in a fixed deposit or a liquid fund to take care of inflation and recurring medical expenses.

Source

Back

3 healthy covers for the elderly - The Hindu Business Line – 23rd April 2018

Those of you in your silver years would have spent the best part of your youth slogging it out to enjoy a 'peaceful' retired life. To savor your hard-earned money, you must avoid dipping into your corpus for your ailments and take medical insurance.

Dedicated senior citizen covers sold by private companies, policies offered by public sector banks in association with insurance players and the option to be added as a beneficiary in your working children's existing group scheme, can be considered.

Bank insurance
Andhra Bank, Bank of Baroda, Indian Bank, Syndicate Bank and Oriental Bank of Commerce, among others, offer health insurance policies for their account holders. These banks have tie-ups mostly with United India Insurance, Oriental Insurance, National Insurance and New India Assurance for providing cover. A few have partnered with private insurers.

The policies work mostly like any group medical cover. Low premiums and high entry age are the key features. While Andhra Bank, OBC and Indian Bank offer coverage of up to Rs. 10 lakh, the sum insured generally ranges from Rs. 1-5 lakh in the case of most other banks.

There are several advantages of bank-driven medical insurance policies. For one, they have a very high entry age. The policies from Indian Bank and OBC, for example, can be taken by those up to the age of 79 or 80. But the general entry age is restricted to around 65 years for most of the other banks and renewal is allowed till the insured turns 80 and, in some cases, for life.

For a sum assured of Rs. 5 lakh, the premium ranges from Rs. 10,000-20,000 per annum for those less than 65. These insurance policies offer cashless treatment at network hospitals and coverage of pre-existing illnesses after a waiting period, usually of one to three years.

For certain ailments, there is a limit on claims, irrespective of the actual costs. Next, premiums can rise, and the insurance company could also insist on co-payment at a later date. If you haven't taken any health insurance during your working life, post-retirement, you can opt for these policies.

Regular cover providers
When you take a health insurance policy after your retirement, you may have to pay higher premiums than a regular customer would in his (say) 40s. For example, a Rs. 5-lakh medical policy from private or government-owned insurers taken for a senior citizen, would cost Rs. 18,000-38,000.

HDFC Ergo, Star Health, Apollo Munich, Religare and Oriental Insurance Company offer dedicated senior citizen policies. Star Health has the lowest waiting period for pre-existing illness of just one year. Others typically have a two to three-year waiting timeframe. Medical tests are insisted upon by almost all insurance firms before accepting senior citizens' proposals. A major drawback in these policies is the upper/sub-limit or cap that is placed for various treatments. So room rents can be only up to 1 per cent of the sum assured. There is a limit on how much can be spent on ailments such as hernia and cataract.

Insurance firms may insist on anywhere between 10 per cent and 20 per cent of the treatment cost as co-payment from your side. Only the balance would be settled.

Add-on to working children
If your daughter or son has a group cover in her/his office, you can ask her/him to add you in the policy, as many corporates these days allow you to add parents/in-laws in their health policies. All pre-existing diseases are covered and there is no waiting period. So, coverage starts from the day premiums are paid. Costs are pretty reasonable.

Your children can take medical policies from insurance companies separately and use the office-given group cover for you. But if your son or daughter quits his/her company, the medical cover would stop. If you do not want to be dependent on someone else for insurance cover, take one of the first two options.

Source

Back

Modi readies Rs 2 lakh crore social security plan for 50 crore Indians, rollout likely in 3 phases - The Economic Times – 23rd April 2018

The Prime Minister's Office (PMO) has given its approval to the labour ministry proposal on universal social security cover for 500 million workers, including those in the farm sector, seeking to start the process of putting in place a more secure welfare net a year before the general election.

The finance and labour ministries will work out the details of the scheme that will require nearly Rs 2 lakh crore when fully rolled out for the lower 40% of the country's total workforce.

The remaining 60% of the workforce is expected to make contributions out of their own pocket, either fully or partially.

"PMO has asked labour ministry to go ahead with the social security cover at the recent high-level meeting with them where labour ministry officials made a presentation on the universal social security code," a senior government official told ET, requesting anonymity. "Even the finance ministry is on board with the idea."

According to the official, the labour ministry has suggested to the finance ministry that the government roll out the scheme gradually, with poorest being the first beneficiaries.

"This would require a significantly less amount to start with and the fund allocation to the scheme can be enhanced later over the next 5-10 years to make it universal," the official added.

The labour ministry has proposed a comprehensive social security system to provide retirement, health, old-age, disability, unemployment and maternity benefits to the 500 million workers.

This will be the second mass-benefit social scheme after the National Health Protection Scheme announced earlier that will provide Rs 5 lakh health cover to 100 million poor families.

The plan is to implement the scheme in three phases over a 10-year period after which the government hopes to make it universal.

The first phase will see all workers getting the bare minimum coverage, which includes health security and retirement benefits. The second phase will see unemployment benefits being added while other welfare measures could be launched in the third phase.

The 500 million beneficiaries will be classified into four tiers. The first will comprise the destitute and those below the poverty line who cannot contribute to security payments with the cost being entirely borne by the government through tax-based schemes.

Workers in the unorganised sector who have some contributory power but cannot be self-sufficient may be covered under subsidised schemes in the second tier.

The third tier will include those who either by themselves or jointly with their employers can make adequate contributions so as to be self-sufficient.

Source

The fourth tier will comprise the relatively affluent who can make their own provisions for meeting contingencies or risks as they arise.

Back

General Insurance

Manage risk with cyber insurance - Financial Chronicle – 25th April 2018

The recent spike in occurrence of cybercrime across the globe has made it obvious that it is no more a question of "whether" but a question of "when". The average cost to the organisation of these breaches is estimated to be close to $5 million. Multiple analyst reports place the average cost per breached record between $78 and $277. This cost is attributed to investigation and remediation activities, notifications to be sent to customers and other stakeholders, change in credit worthiness, reputation management, legal fees and settlements and any regulatory fines arising from the breach. Add to this the intangible loss to the brand value and the change in customer behavior in response to the breaches.

Organisations no more have the luxury of imagining that they will not be targeted by malicious hackers. Remember that the hacks need not just target the data an organisation holds – the compromised systems can also be used to launch an attack on third parties it interacts with. In such a scenario, the organisation may be held liable for the damage caused to the third parties. While a commitment to security is must, it is impossible to make any system 100 per cent foolproof. As such, it has become inevitable for organisations across industries and sizes to develop a good cyber risk management approach.

A sound cyber risk management plan will include increased cyber resilience through response and recovery, contingency planning, and as a last resort mitigation and transfer of financial risk through cyber insurance. The cyber insurance market is still nascent, and even in the markets where take-up for commercial property and liability insurance approaches 100 per cent, cyber insurance is purchased by anywhere between 20 per cent to 35 per cent of businesses based on the industry and size of the organisation. The variation based on size and line of business indicates that the low adoption rate is because of a lack of awareness in the market.

An analysis of cyber-attacks over the last three years makes it clear that an organisation's defense is only as strong as the weakest vendor they interact with. Hackers have launched attacks on Fortune 500 companies using credentials they got off vendors like air conditioning and food delivery companies. The substantial difference in procedures and protocols followed at large and small organisations forces the larger player to fall back on cyber insurance as a way to transfer the risk arising from the weak links they have little control over. It is no surprise that while the take-up rates have increased in both small and large organisations, the gap between the two segments has actually increased over the last three years.

The very act of applying for a cyber-insurance incentives behavioral change in an organisation. Simple desire to get the coverage at as low a premium as possible drives the organization to conduct gap analysis. The very first ask from underwriters is that all significant activities are logged against individual users and therefore login to the system are secure. Additionally, they require organisations to have disciplined procedures for patching software and put in place an incident response plan.

They would also want to know if vendor networks are monitored regularly. Organisations would want to measure upto industry benchmarks like NIST framework and ISO 27001 as that would result in lower cost of insurance.

Further, once a policy is purchased, the insurer is invested in keeping the damage from any cyber-attacks at the minimum. This results in an additional layer of security through monitoring and rapid response services provided by the insurer to their policyholders.

While correlated risks arising from software vulnerabilities (like the "Heart bleed" discovered in 2014) and scalability of sophisticated attacks used by hackers makes risk assessment especially difficult, insurers have developed complex statistical models to facilitate evaluation of potential consequences arising from different damage scenarios. This allows the insured to work out the best contingency plans and ensure that the critical services are up & running at the earliest possible in case of a breach, keeping the consumer backlash at minimum possible.

While cyber insurance cannot protect an organisation against reputation risk or replace strong security controls and information security programs, it does act as a last line of defense and mitigates most of the financial risks arising from a breach. Further, it also incentivizes cyber security discipline across the organisation.

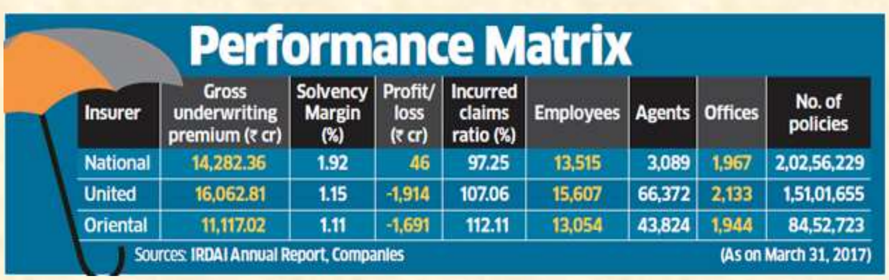
Source

Back

ll the merger of 3 general insurers make the new entity more competitive? - The Economic Times – 24th April 2018

A quarter of a century after Independence, India began the experiment of consolidating its general insurance companies to underpin the growth of a largely government-owned, capital intensive industry. Another quarter of a century later, the process of liberalisation began as New Delhi began unshackling its state-controlled economy, integrating into the global economic order.

And nearly another quarter century later, the government has now decided to merge three of its unlisted general insurance companies to create a behemoth that it hopes would fetch it a better valuation and create a financially sound enterprise. For these companies, the oldest of which began operating in the then nerve centre of the British Empire, Calcutta, in 1906, the merger over the next two years is intended to create a sizeable government presence in the Rs 1.5-lakh-crore a year automobile, health and industrial insurance.



Performance Matrix

Insurer	Gross underwriting premium (₹ cr)	Solvency Margin (%)	Profit/ loss (₹ cr)	Incurred claims ratio (%)	Employees	Agents	Offices	No. of policies
National	14,282.36	1.92	46	97.25	13,515	3,089	1,967	2,02,56,229
United	16,062.81	1.15	-1,914	107.06	15,607	66,372	2,133	1,51,01,655
Oriental	11,117.02	1.11	-1,691	112.11	13,054	43,824	1,944	84,52,723

Sources: IRDAI Annual Report, Companies (As on March 31, 2017)

The proposed consolidation of National Insurance, United India and Oriental Insurance will decide the fate of 41,000 employees, 100,000 agents, 4.5 crore policyholders and 6,000 branches. Among the first casualties of a horizontal merger would be the elaborate layers of coordinating managements that have expanded over the preceding decades of independent existence for these companies.

"Three companies today have eight-nine regional offices and 200 other offices in Mumbai, which will not be required," says Yogesh Lohiya, former chairman of GICRe. "Around a third of the offices will have to be rationalised."

To shore up operating performance, the three public sector insurance companies will have to reduce expenses and improve efficiency – the government will have to close down 2,000 to 3,000 branches and offices.

"The biggest challenge will be streamlining branches and manpower," said Lohiya. "The government will have to come out with a voluntary retirement scheme to let people move out."

But sales force and underwriting positions and claims departments may not be reduced drastically. There will be synergies in operational and maintenance departments. The technology department would shrink to have just one system.

"One-third of the branches will have to be closed down and once these branches are shut down, operational staff may see some reduction," says Rajesh Dalmia, partner, EY.

The biggest challenge will be moving people out in the senior and mid-level management. They will have to map out the gradation system for promotions. While doing so, anomalies will surface which will lead to further delays. What does it do with 20 general managers and 45 deputy general managers in the three companies?

"This merger will take two years to happen," said a chairman of a large public sector insurance company. "Solvency margins will not improve immediately."

A solvency margin is the buffer that an insurance company has in assets over its liabilities. Real estate could hold key to government revenues at a valuation of nearly Rs 10,000 crore.

SOLVENCY STATUS

Solvency margins of these companies had fallen below the prescribed 1.5 times. It is the minimum prescribed surplus of assets over liabilities. National and United have raised debt to shore up their solvency requirements blurring the financial strength.

"Solvency is not going to improve on day one of the merger," said Alpesh Shah, senior partner, The Boston Consulting Group. "There are positive synergies as the merged entity will be the number one player and will have clout with partners, e.g. OEMs and banks as well as with employees, hospitals, and all other stakeholders. But there will be a real challenge in realising the synergies, with the technology challenge involving three different systems."

As a result of lower solvency, these companies have been writing more retail health and motor policies, which have low capital requirements and are losing out on the bigger industrial covers.

Also, these companies have substantial real estate, which are not used in calculating solvency requirement. These state-run firms are financially stronger than banks that have been hobbled by bad loans. Unlike state-run banks, the government does not need to capitalise general insurance companies every year.

UNDERWRITING PERFORMANCE

General insurance companies are struggling to report profit from core underwriting business. The only exception is Bajaj Allianz General Insurance. The merger of the three leading public-sector insurance companies will create the largest general insurance company that will drive economies of scale. They will jointly command 31% market share. New India Assurance will become the second largest with 15.05% market share with private sector as a whole having a 54% market share.

The public sector insurance companies reported a combined underwriting loss of Rs 15,591 crore in 2016-17. Whether the merger will help in lowering losses from core operation will depend on how the merged entity goes about cutting costs. These three companies are bleeding and have low reserves. To boost reserves, the government has to invest capital.

The three companies will have to focus on lowering commission and operating expenses, which are a major part of the total expenses. so that policyholders do not suffer."

MONETISING ASSETS

If consolidation is to improve efficiencies, the ultimate aim of a shareholder is to monetise assets. The government, which has been struggling to make ends meet, aims to list the combined entity.

But a lot has to be done given the lack of investors' response to the IPOs of two companies — New India Assurance and the national reinsurer GIC Re — which had to be bailed out by Life Insurance Corporation. While New India is trading 20% below the IPO price, GIC Re is down 28%.

This does not mean that there would be no takers, but the pricing and the market conditions would make a difference. It may also be all about packaging like the way newage companies in the digital and startup world do.

"It is like large internet companies that do not make money on day one but they still are getting good valuations. Future demands are more valuable than the present book," says Dalmia of EY. "Postmerger, this entity will be the largest in the industry, commanding a premium. As the largest entity, it will have the wherewithal to manoeuver the market."

A 15% divestment can fetch the government at least Rs 9,000 crore, an equity analyst estimates. The company may be valued at Rs 60,000 crore based on its investment book, net worth and real estate.

Source

The merged entity will be an undisputed market leader with 1.6 times the size of New India, but to remain a meaningful and significant business entity, it has to deliver on many fronts – costs, growth and profitability.

Back

Insurance Cases

Insurance company told to compensate Panchkula resident – The Times of India – 26th April 2018

A district consumer disputes redressal forum here has directed an insurance company to pay compensation and litigation expenses to a senior citizen for rejecting his claim. The company was directed to pay Rs 88,800 at 9% per annum interest. A resident of Panchkula, Devki Nandan Vaid, said that he and his wife, Minakshi, had a medical insurance issued by a divisional office of Oriental Insurance Company Limited.

The policy was valid from June 12, 2014 to June 11, 2015 and the sum assured by it was Rs 5 lakh. According to the complainant, his wife underwent a surgery on February 16, 2015 after she was diagnosed with cataract in her right eye. The complainant said that he failed to avail the cashless facility against the total bill of Rs 1.15 lakh. The complainant then decided to ask the insurance company for the claim, which reimbursed only Rs 26,267.

"As permissions were not sought before the surgery, the total amount of the reimbursement claim was not allowed and a reasonable amount of Rs 26,267 was reimbursed," the company stated in its reply. The forum held that the claim was genuine and the surgery was performed at the hospital empaneled by the company. Directing the company to compensate, the forum added that there were deficiencies in the services offered by the company.

Source

Back

Opinion

How open distribution in insurance can help – Mint – 26th April 2018

The Indian life insurance industry is back in the growth phase after nearly half a decade. What lends confidence to the sustainability of this growth are favourable macroeconomic environment, social factors and participation of almost all the companies in this growth.

In addition, both the regulator and the life insurers utilised the difficult period to improve product offering, to ramp up customer service and enhance efficiencies of the distribution network. While product design and customer service improvements witnessed an immediate customer impact, it is the introduction of open architecture in distribution that is expected to start delivering customer benefits over the next 12-15 months.

Open architecture in bancassurance with up to three life insurers, general insurers and health insurers each and new models like insurance marketing firms, which allow established agent advisers to sell products of two life insurers, could change the way consumers can interact with these distributors.

As we enter a new financial year and industry participants get into executing the strategy for the financial year, it is time to reflect on how these changes can be utilized to bring greater benefit for consumers and enhance their engagement with life insurance product category.

One key assumption here is that an evolved and mature seller will place customer interest above all else. This trust and business by transparent offering will give clear information and choice to the customer.

Greater product choice
While Indian life insurers have not yet started specialising in product categories, some difference does exist in product features in the offerings of various companies.

Under open architecture, customers will have the choice to pick plans that best fit their requirements since life insurance solutions of more than one company will be available through a single bank distributor.

The customer will also have the option to mix and match the products of two life insurance providers to come up with a unique and powerful solution that best suits her life stage need. The concept is similar to a multi-brand showroom that allows a customer to choose the best out of the collection of brands available under one roof.

Similarly, insurance marketing firms help established life insurance distributors move towards becoming independent financial advisers, who have the ability to offer a bouquet of financial solutions based on the needs of consumers.

Increased efficiency
It is an established fact that competition brings in efficiency, which reflects in superior product designs and pricing and better customer service. When life insurers will be competing for same shelf space in an open market scenario, the winner most often is the one who has better overall customer value proposition.

Being a long-term product, life insurance efficiencies will not be limited to one-time product offering and purchase journey. Life insurers will be competing to provide superior service across the customer life cycle. This will help life insurers retain the customer and cross-sell when new needs arise, creating a win-win for the customer, the bank and the life insurer.

With greater access to customer data, not only through the bank but also through their online behaviour, in the competitive environment, life insurers will design more customised products and services for bank customers.

Superior customer service
It is a proven fact globally that consumers buy life insurance 6-7 times in their lifetime to meet their life stage needs. The probability of reaching out to the same life insurer is significantly higher if the service provided on earlier policies is good.

However, if the policyholder is not happy with the service of her current life insurer, she may decide to shift to a new one and that will be easier in open architecture.

The consumer will have the option of moving to another life insurer without even moving away from the existing distributor with whom she is tied up due to multiple relationships such as savings, investment, loans and others.

Given this reality, life insurance companies will try to differentiate with each other on customer service parameters, in terms of quality and speed, to retain existing policyholders and create a positive disposition towards the brand when considering new life insurance purchase.

Cross-pollination of ideas
For an industry that is competing with other investment products for a share of customers' wallet, it is important to have a cross-pollination of ideas within the industry to further enhance product and service offering.

Open architecture offers this opportunity in real life working environment where life insurers can learn from the competing brand to improve their service standards and product solutions.

This will not only be beneficial for bank customers but life insurance customers at large. This creates another win-win where customers benefit through better offerings and life insurance industry is able to establish superior connect with its customers.

The impact of open architecture on Indian life insurance industry will be visible soon and 2018 could well prove to be that year of change.

Source

Views given by Mr Rajesh Sud, executive vice-chairman and managing director, Max Life Insurance

Back

Pension

National Pension System corpus increases 38% to Rs 2.47 lakh crore – The Indian Express – 23rd April 2018

The total assets under management (AUM) of the pension fund players — operating under the National Pension System (NPS) and regulated by the Pension Fund Regulatory and Development Authority (PFRDA) — have increased 38 per cent to Rs 2.40 lakh crore in 2017-18.

PFRDA chairman Hemant Contractor said that the subscriber base of the industry has grown 37 per cent to 21.8 million and the new players who want to join the industry have to wait further as the government is yet to decide how to structure the 49 per cent foreign direct investment (FDI) that is allowed in the pension fund industry.

However, seven pension fund players which had been giving an annual return of around 10 per cent in recent years, have given a slightly less return of 9.9 per cent during 2017-18. "The industry has 95 per cent of its mobilisation from the organised sector including government employees and rest are from the retail segments," Contractor said.

PFRDA chief said that the regulator is planning bring out a guaranteed annuity product for the pension fund customers. "We are still discussing about a guaranteed annuity product as there is a provision for the same in the Act. We will definitely come out with a product under this category. A guaranteed product would have lower returns than the normal product,'' he said.

Source

PFRDA has also solicited views on increasing the maximum current equity exposure allowed for the pension fund players from the existing 50 per cent to 75 per cent.

Back

Labour Ministry to assess long term viability of Employees Pension Scheme – The Times of India – 22nd April 2018

The Labour Ministry looks to appoint an actuary to assess if the Employees' Pension Scheme (EPS) is sustainable over a long term.

The EPS, 1995 is one of the three schemes meant for old-age social security of employees run by the Employees' Provident Fund Organization (EPFO). The other two schemes are Employees' Provident Fund Scheme, 1952 and Employees' Deposit Linked Insurance Scheme, 1976. Earlier, the labour ministry had conducted actuarial valuation of EPS for fiscal ended March 2014.

"It is now required to assess the long-term financial viability of EPS'95 by conducting the annual valuation of Employees' Pension Fund as at March 31, 2016 and March 31, 2017 for which expression of interest is called for," Labour Ministry said in its request for proposal for the appointment of valuer for actuarial valuation of EPS, 1995 of EPFO.

The actuary will have to submit a report on the longtime financial sustainability of EPS'95, it said.

"It may be ascertained if the contribution rate of 9.49 per cent under the given asset return assumptions is sufficient for EPS and the scheme is sound in a fundamental sense," the labour ministry said listing the task for the valuer.

Apart from the valuation, the scope of work for the actuarial firm will involve making projection on impact of various amendments/changes in the EPS during the valuation period and future.

It has to analyse and advise on EPS investment and portfolios, mortality rate, growing trend in demographic profile, attrition behavior, and possible impact of HIV/AIDS epidemic and bilateral social security agreements.

The actuarial will also be tasked to quantify the impact of amendments in EPS such as increase in wage ceiling from existing Rs 6,500 per month to Rs 15,000 per month and calculate the pensionary benefits on higher wage ceiling.

It will also have to assess the long term impact and government liability on increase in minimum pension to Rs 1,000 per month under EPS as well as impact of allowing pension on higher salary. The last date for receipt of the request for proposal is May 23, 2018.

The pension corpus under EPFO is managed by fund managers who are required to make investments only in accordance with the pattern prescribed by the labour ministry.

As per the data available with the labour ministry, the EPS had received contribution of Rs 32,037.08 crore in 2015-16 and it made benefit payments of Rs 13,545.17 crore during the year.

Source

In 2014-15, the contribution was of Rs 24,251.50 crore while payouts were Rs 12,600.94 crore.As on March 31, 2016, EPS scheme had a membership of 15,84,70,437 and number of pensioners were 51,04,397.

Back

PFRDA makes bank a/c, mobile number a must for NPS users - The Hindu Business Line – 21st April 2018

The Pension Fund Regulatory and Development Authority (PFRDA) has made it mandatory for subscribers of the National Pension System (NPS) to furnish their bank account details and mobile number.

This has been mandated to provide ease of operation for the benefit of subscribers and to make the process of exit from NPS hassle-free, an official release said.

PFRDA has also made the Foreign Account Tax Compliance Act (FATCA) and the Central Registry of Securitisation Asset Reconstruction and Security Interest (CERSAI) mandatory for new and existing subscribers.

Source

These have been made mandatory in the new common subscriber registration form that is required to be filled in by new subscribers.

Back

Global News

Asia: Region powers 76% of growth in global insurance markets – Asia Insurance Review

Asia ex-Japan accounted for 76% of the increase in global insurance business last year, with China accounting for more than two thirds of this, according to Allianz Research. Last year's global premium growth totaled just under EUR130 billion (US$157 billion).

In life, Asia ex-Japan had another strong year, with premiums surging by almost 14% in 2017. One country in particular stood out: China. Of the approximately EUR60 billion (US$73 billion) in additional premiums in life worldwide, around 80% were attributable to the Chinese market.

"Asia is setting the pace for insurance markets, in particular in life," commented Professor Michael Heise, Chief Economist of Allianz. "The development is nothing less than amazing. This is part of a broader trend - the region succeeded in transforming high growth rates into mass wealth.

The new Asian middle class is now not only driving insurance markets, but many consumer markets. Asian savers and shoppers are the growth engine for the world economy."

According to projections by Allianz Research, the global insurance premium volume last year rose to a new record sum of EUR3.66 trillion (excluding health insurance). Compared to 2016, the nominal increase adjusted for exchange rate effects is 3.7%. Property-casualty insurance set the tone last year: with a growth rate of

5.0% in 2017, it not only grew almost twice as fast as life insurance (+2.8%), but also recorded the largest increase since 2012. Nevertheless, the growth discrepancy between the regions remains striking: while premiums in Western Europe, for example, rose by a meagre 2%, Asia ex-Japan soared by 10.2%. The top performer in the region and worldwide last year was India, with bumper growth of above 30%.

Allianz Research expects insurance markets to continue to recover, with premium growth forecast to reach around 6% in the next decade. This upturn primarily reflects the return of the global economy to normal growth and inflation rates. Growth expectations for Asia (ex Japan) are notably higher – the region should achieve growth of almost 11% p.a. over the next decade.

Source

At the end of the 2020s, around 40% of global premium income should be written in the region; 10 years ago, this figure was around 10%. And at the top there will be a historic change of guard: China will overtake the USA as the largest insurance market.

Back

Singapore: Mortality protection gap remains the same despite 17% uptake in life insurance – Asia Insurance Review

The Protection Gap Study (PGS) 2017, commissioned by the Life Insurance Association of Singapore, has revealed that the mortality protection gap has remained at 20% since 2012, despite a 17% uptake in life insurance products and a 48% increase in total savings.

This is attributed to the increased cost of protection needs, which went up 25% since 2012, faster than the pace at which life insurers can provide adequate protection for their clients. Protection needs include funeral costs, loans and the lifestyle needs of elderly and child dependents.

“While we are seeing positive increase in the uptake and awareness of life insurance, we recognise that the needs of consumers have gone up more than their allocated resources due to increased lifestyle needs and requirements, despite corresponding increase in income levels,” said Mr Patrick Teow, President of LIA Singapore. He advised for consumers to conduct an annual review of their policies to ensure that their insurance coverage is sufficient for their needs.

A huge gap in CI protection

The study, which looks at the protection coverage and requirements of economically active adults with at least 1 dependent in Singapore, is the second one that LIA has commissioned since the inaugural study in 2012. The 2017 study also added the analysis of the critical illness (CI) protection.

“We are including the CI component in view of Singapore’s improved life expectancy, a growing incidence of chronic diseases, and escalating healthcare costs. Individuals in Singapore are living with an average of 8 out eighty-two years spent in ill health, and this is coupled with a relatively low take-up of CI protection policies that help cushion the financial impact of living with a CI, which includes a sudden loss of income,” said Mr James Tan, Deputy President of LIA Singapore and PGS 2017 project advisor.

The CI protection gap sits at 80%, assuming the coverage for the financial needs of a family over a 5-year period. The study revealed that a working adult required an average CI protection coverage of approximately SG $316,603, which translates to about 3.9 times the annual income of the average Singaporean. However, Singaporeans have only addressed 20% of that coverage, with a gap of $256,826 currently existing.

Key factors contributing to the CI gap include:

- Lack of understanding of what CI protection is, and the difference between CI and health insurance coverage
- Optimism bias and belief from individuals who do not foresee themselves being afflicted with a CI
- CI coverage being less of a priority, further compounded by the perceived costliness of getting such protection

LIA Singapore will be conducting a qualitative study, premised on the findings of PGS 2017, in order to determine key contributing factors of these gaps and identify initiatives to help consumers bridge them.

Source

Further efforts include continuing the PGS on a regular basis, potentially every 5 years or so, enhancing education efforts through direct online engagements and the introduction of a standard industry-wide digital calculator to help Singaporeans take charge of their protection and health needs.

Hong Kong: Non-life business potential yet to be extensively tapped – Asia Insurance Review

Hong Kong can do more to expand non-life insurance business, such as offering services across borders and help companies mitigate risks in Belt and Road countries, says Asia Insurance chief executive Winnie Wong Chi-shun.

"It's not healthy that non-life insurance premium accounts for only around 10% of the total insurance premium in Hong Kong. An international financial centre should be able to offer a wide range of life and non-life insurance products," said Ms Wong, who is also a member of the Financial Services Development Council.

General insurance, or non-life insurance, has recorded low single digit growth every year and even booked a loss of HK$792 million (US$101 million) in 2017 compared with a profit of HK$1.6 billion a year ago, according to a report in *The Standard.*

Having been in the industry for more than two decades, Ms Wong says it is the first time in her career that she has seen an underwriting loss in the local general insurance market.

Ms Wong says there are many Hongkongers living and working across the border in China, where insurers could offer products, although technical issues are yet to be overcome, including aligning the different legal systems.

She says insurers can also facilitate the business of firms in other markets. "I have heard at many 'One Belt, One Road' forums that people worry about various risks when investing in those countries, but they rarely talk about solutions."

Meanwhile, she urges the government to offer tax incentives and the right regulatory environment to attract insurers. A Bill on tax concessions for the insurance industry is to be passed in the Legislative Council.

In addition, she hopes to see multinational corporations setting up captive insurance firms that provide risk mitigation to the parent or related companies.

She says Hong Kong has only three captive companies set up by mainland major energy groups, while Singapore has 65.

Her comments were made in the wake of the insurance hub ambition stated by Financial Secretary Paul Chan Mo-po in his Budget address in February. Mr Chan said that he would ask the Insurance Authority to intensify efforts to develop Hong Kong as a competitive insurance hub in the region through tax and other regulatory arrangements.

Source

Back

Global: Insurers' outlook on investments turns bleak - Asia Insurance Review

Insurers have become more pessimistic about the current investment environment, with 50% of those polled in a survey saying they felt opportunities are getting worse, up from 36% last year.

This was a main finding in Goldman Sachs Asset Management (GSAM)'s seventh annual global insurance survey, “Foggier as We Climb”.

The survey found that in response to this increasing concern, more respondents (17%, up from 10% last year), are looking to de-risk their portfolios rather than increase risk (16%, down from 26% last year). This is the first time since the survey’s inception in 2011 that more respondents say they are looking to de-risk rather than increase risk.

“2018 marked the return of market volatility for the first time in nearly a decade, rattling markets and leading insurers to question the current investment landscape,” said Mr Michael Siegel, GSAM’s Global Head of Insurance Asset Management. “While low returns have been the main concern in the insurance industry for the last several years, the changing economic environment is leading to more focus on protecting portfolios in the event of a downturn.”

To conduct the survey, GSAM interviewed 300 CIOs and CFOs at global insurance companies, representing more than US$10 trillion in balance sheet assets and more than one-third of the industry’s global assets. By region, the global survey received 168 responses from the Americas, 77 from EMEA and 55 from Asia Pacific.

Notable highlights from the survey include:

- Concern for the first time in several years over rising inflation and interest rates; 85% of insurers agree inflation is a concern over the next five years and 65% predicted the 10-Year US Treasury yield will exceed 3% by the end of 2018
- Respondents maintaining a positive equity market outlook despite economic uncertainty, with 77% believing S&P 500 Index returns will be positive this year
- Growing insurer interest in higher returning, less liquid asset classes such as private equity, infrastructure debt, commercial mortgage loans and middle market corporate loans and a movement towards floating rate assets
- ESG continuing to gain interest among insurers, with 40% taking it into account when making investments, up from 32% last year
- Big data and artificial intelligence on the rise; 15% of global insurers currently use it in their portfolios, while an additional 40% are considering implementing it in the future
- Cryptocurrencies currently do not play a role in the investment portfolio, yet a third of companies feel it is too early to determine if there is a role for cryptocurrencies
- Insurers are less worried about political events and a China slowdown impacting the investment landscape; instead, a top concern this year is the likelihood of a slowdown or recession in the US followed by equity and credit market volatility.

Source

The global respondent base included life, property & casualty, multi-line, reinsurance and health insurers.

Back

Taiwan: Regulator to impose more controls on insurers with large FX losses - Asia Insurance Review

Taiwan's financial watchdog has said that it will impose tighter controls over insurers with large foreign exchange losses, reports Reuters.

Financial Supervisory Commission (FSC) Chairman Wellington Koo told a parliamentary meeting last week that overseas investments of Taiwan's insurance companies account for 65% of total investment.

In addition, Mr Koo said that stress tests have been conducted on insurance companies which have a relatively high proportion of overseas investments.

As for whether the FSC would raise the limit on investments by insurance companies in Taipei Exchange-listed bonds that are denominated in foreign currencies and issued by foreign entities, he said, "Currently, there is no discussion on this."

At present, the FSC intends to use stress tests to supervise insurers' investments in such bonds. The tests were conducted by a selected number of insurers at the beginning of this year and the outcomes were favourable.

Source

According to official data, at the end of January 2018, the amount of investments by life insurers in foreign-currency denominated bonds listed in Taiwan stood at NT$3.42 trillion (US$115 billion). The five life insurers with the largest investments in these bonds were Nanshan, Fubon, Shin Kong, China Life and Taiwan Life.

Back

China: Insurance is key to growth of sharing economy - Asia Insurance Review

The introduction of business insurance protection will allow sharing economy platforms in China to flourish, according to industry specialists.

Since assets in the sharing economy are fragmented—as they are owned and shared among various parties—many sharing economy platforms in China are considering whether or not to provide business insurance solutions for their services so that consumers can feel more confident in adopting sharing services, reports *China Daily*. One example is the bicycle-sharing industry.

A survey by global business insurance specialist Lloyd's revealed that 81% of Chinese consumers would be more comfortable using sharing economy services if insurance was offered, and 78% would be more likely to consider sharing or offering a service if insurance was offered. Around 82% of Chinese providers believe they would get more customers if insurance was provided.

The survey polled 2,000 consumers from the United States, 1,000 people from the United Kingdom and 2,000 respondents from China. It also surveyed representatives from 30 sharing economy companies.

Chinese consumers appeared somewhat more optimistic, with 68% of those surveyed believing that sharing economy platforms bestow greater benefits than risks. Generally speaking, 52% of respondents cited concerns over personal safety, followed by quality of service and damage to assets (both with 42%), theft (40%) and lack of sufficient safeguards if something goes wrong (38%), the Lloyd's report added.

"Many consumers and service providers say they will make much more use of sharing economy platforms if the services are insured regardless of who provides the insurance," Lloyd's Chief Commercial Officer Vincent Vandendael told China Daily in an interview.

"Insurance removes uncertainty and creates a more certain environment for consumers and providers, which will help grow the sharing economy significantly," Mr Vandendael added.

The market value of China's sharing economy sector grew 30% to reach CNY4.5 trillion ($680 billion) last year and is expected to maintain annual growth of about 40% over the next few years, according to the State Information Centre, a think tank affiliated with the National Development and Reform Commission.

Source

Back

Philippine: Insurance watchdog warns against cryptocurrency investments - Asia Insurance Review

The Philippines insurance regulator has warned insurers and other related companies under its supervision and the general public about the risks involved in cryptocurrency trading. The Insurance Commission (IC) warned insurers, pre-need companies, health maintenance organisations (HMOs), mutual benefit associations, brokerages and agencies, as well as the public about the risks of engaging in digital currency transactions, particularly when used as an investment vehicle.

In an advisory notice posted on the IC's website, Insurance Commissioner Dennis Funa said his office “does not, directly or indirectly, recognise cryptocurrencies as a viable investment or a medium of exchange involving any and all insurance, pre-need or HMO-related transactions.” He added that while the agency recognises the value of technology in promoting the ease of doing business, the nascent cryptocurrency technology can also be used by criminals in illegal activities such as money laundering, fraud, scams, and terrorism financing.

“Further, cryptocurrencies are neither issued nor guaranteed by any government. Consequently, its value is purely dependent on market demand and supply, which makes it highly speculative and not suitable for investment.” He advised potential crypto traders to educate themselves on the matter and keep abreast of the various rules and regulations issued by the supervisory bodies involved in cryptocurrencies, including the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC).

Mr Funa added, “At any rate, the Insurance Commission judiciously considers the disruptive innovation brought by cryptocurrencies and will issue appropriate regulations, as far as the insurance, pre-need and HMO industries are concerned, if and when warranted.”

Source