Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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• Quote for the Week •

"Obstacles cannot crush me. Every obstacle yields to stern resolve. He who is fixed to a star does not change his mind."

– Leonardo da Vinci

INSIDE THE ISSUE

Industry

Insurance premiums set to go up under GST regime – The Times of India – 21st May, 2017

For the middle class, an immediate impact of GST would be the higher premium outgo due to the increase in rate of tax on insurance following implementation of the Goods and Services Tax. For families that own a car and pay for health and term insurance the increase in annual outgo would be close to Rs 1,000.

"The immediate impact will be an increase in the tax from 15% to 18% which will have to be borne by customers," said Tapan Singhel, MD, Bajaj Allianz General Insurance. He added that going forward companies will work out if there is any positive impact of tax credit. If there is a positive impact this will result in the premium coming down while the tax rate will remain.

However, for non-life companies the issue is getting advantage of input tax credit. Under the service tax regime insurance has been among the list of businesses for which input tax credit is not available. As it stands, the GST regime continues to exempt insurance from benefits of input tax credit.

"The government has continued with the existing exemptions under the GST regime. When there are exemptions the entire value chain of credit gets lost," Gopal Balachandran, chief financial officer, ICICI Lombard. As a result the incidence of higher tax will fall on the customer.

Life insurers say that input tax credit advantage will vary according to the level of maturity of a company and the benefits can be calculated only after a period of time.

Also, while taxes can be passed on any revision in charges will require approval from the regulator.

Given the increase in the cost of health cover, premium on mediclaim policies have soared with families spending Rs 20 to Rs 25,000 on health insurance alone. The outgo will now rise by 3%. There will be a similar increase in the premium on auto insurance.

Banking too will see a marginal increase in charges.

However, since most of the earnings are through interest spreads the impact will be limited to loan processing fees, card fees, penalties and remittance charges. Life insurance is slightly different. While term insurance is categorised as risk premium and taxed in line with motor and health insurance, life policies with a health component are taxed differently.

"Savings products like Endowment and ULIP have a large component of consumer savings other than risk premium. Service Tax (without cess) was 14.5% on pure risk products, 3.5% of first year and subsequent 1.75% on Endowment, 14% on ULIP insurer charges which are composite of risk and fund management fees," said Joydeep K Roy, Partner and Leader-Insurance, PwC India.

According to Roy, GST had to be implemented sensitively on these different categories of products. "Micro Insurance or certain instances below a threshold need to be exempt from GST," he said.

Source

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Input credits will offset higher GST payout for banks, insurers – The Hindu – 19th May, 2017

Consumers of financial services such as banking and insurance are unlikely to be affected despite the Goods and Services Tax (GST) Council fixing the GST rate higher at 18 per cent.

Some tax experts believe thaat the input credits that service providers will get under GST will be passed on to consumers, thereby offsetting the higher GST rate. Currently, financial services are taxed at 15 per cent.

S Ravi, Practising Chartered Accountant, said, "Though the GST is pegged at 18 per cent, financial service providers will get the benefit of input credits. In service tax. the input credits are limited. So, under the GST regime, there will be an element of balancing that will happen and the end consumer will not be impacted."

Input (tax) credit allows a service provider to lower the tax its owes the government by allowing it to claim a credit on what it has paid on inputs.

The impact of GST will be neutral in the short-run, Ravi said, adding that in the medium to long run, it will be beneficial to entities in the financial services sector as well as their customers.

Bank of Baroda Executive Director Mayank Mehta said, "We floated an RFP (request for proposal) to engage a consultant to help us (with GST implementation). I don't think it (GST) will have any impact on the customer..."

More for forex conversion

Sachin Menon, National Head, Indirect Tax, KPMG in India said NRIs may end up paying more on foreign exchange conversion.

"The maximum GST charges on conversion of foreign currency has gone up from Rs. 7,000 to Rs. 60,000. This can hurt NRIs, especially those working in Gulf countries, who earns low wages and make remittances to their families," he said.

Banks are also up against challenges such as multiple registrations and multiple transactions across States, dealing with transaction-wise invoice, and issues relating to valuation on services from certain centralised services like IT and call centres.

But a majority of the financial services players said the negative impact would only be in the short term.

Mohit Sahney, Founder at Finova Capital, said, "Since financial services form the backbone of growth in the economy, the government should have kept it at the previous rate of 15 per cent. However, given the fact that GST is going to boost the entire economy, the slightly increased cost will nullify in the medium to long run."

Source

Rishi Gupta, MD & CEO, Fino Paytech, a payments company and a future payments bank, said there will be increase in compliance requirements at bank branches. "This is a challenge that banks need to gear up to, including the impact on cost of services to the customers," he added.

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Wrong timing, lack of drive turn PSU banks' insurance dream into a nightmare – The Economic Times – 23rd may, 2017

Distressed state-run banks are looking to sell assets, especially non-core businesses, to shore up capital. And for many, the starting point is their holdings in various joint ventures in the insurance sector.

The idea sounds good. But it has one big problem: Very few PSU banks are as lucky as State Bank of India, or ICICI Bank, for that matter, when it comes to monetising investments in life insurance ventures, because most banks have remained marginal players in the insurance industry with negligible market share.

There are nine bank-promoted companies in the life insurance sector, of which six are from the public-sector stable — SBI Life, PNB Metlife, Canara HSBC OBC, IndiaFirst Life Insurance, Star Union Dai-ichi and IDBI Federal Life Insurance. But none of them, except SBI Life, which is valued at Rs.46,000 crore, can claim to be an influential player in the industry because their individual market share is less than 1%.

THE UNDERACHIEVERS

The state-run banks have underperformed in the sector despite the fact that insurance companies world over are willing to give an arm and a leg to associate themselves with Indian banks because of that latter's customer base and distribution strength. One key reason PSU banks lagged behind is that they neglected their joint ventures that could have been a jewel in their crown. Besides, they did not train their staff, ignored the value of fee income from the distribution of financial products, and allowed the top management to be pre-occupied principally with the bad loan problem.

“Valuations of public sector bank-promoted insurance companies have not grown because their distribution networks have not delivered value,” said SB Mathur former chairman Life Insurance Corporation. “PSBs have not learnt the art of selling third-party products.”

WRONG TIMING

For some banks, bad timing was also a factor behind the failure of their insurance ventures. In other words, they were late entrants. They jumped onto the bandwagon when the Unit-Linked Insurance Plans (ULIPs), which propelled the industry growth, was at its fag end. Once the regulator cracked the whip in 2010, the industry, which was growing at 35% between 2000 and 2008, led by ULIPs, crashed to 6-8% in 2009 and 2013.

“Most PSBs got licences in the second phase when the life insurance industry was in a high-growth phase riding on the ULIP wave,” said G N Bajpai former chairman LIC and the Securities and Exchange Board of India. “PSBs’ financial strength should have been assessed before allowing them to enter the highly capital-intensive life insurance business beyond their core.”

Public sector bank-led insurers, in general, have been laggards. IndiaFirst Life, a joint venture between Bank of Baroda and Andhra Bank, is ranked 11, Star Union Dai-Ichi — a Bank of India-Union Bank of India venture — is at 18, Canara HSBC OBC is ranked 14 and IDBI Federal is ranked 12. SBI Life, on the other hand, is at No. 2 and PNB Metlife, one that is faring better than the rest, is at 6.

In contrast, privatesector insurers, such as ICICI Prudential and HDFC Life, are ranked No. 1 and No. 3, respectively. In fact, Max Life, which is being sold to HDFC Life, is ranked fourth, thanks to Axis Bank’s distribution network, which fetches it 55% of its total premium.

DISTANCE FROM PARENTS

While private sector insurers work closely with banks that controlled them, there in a chasm between state-run banks and their insurance arms, except SBI Life, which gets 60% of its business from the sale by the parent bank. The success of private banks in the insurance industry can also be attributed to the staff ’s eagerness in bank branches to peddle insurance policies or mutual funds when a customer is done with the work for which he stepped in.

But the same kind of drive is absent in the employees of PSU banks. It could be because the banks did not invest enough in training their staff.

“Most of the private banks have been able to leverage their network for sales, through integrated targets and performance management with lesser issues than those faced by PSU banks with a legacy culture,” says R M Vishakha, MD and CEO, IndiaFirst Life Insurance.

VALUATION GAME

The entire value in a bank-promoted insurance company comes from distribution. ICICI commands around 90 times multiple to value of new business.

ICICI Prudential had a valuation of Rs 46,000 crore at the time of listing in September 2016. Its value of new business was Rs 412 crore in 2015-16. Compared to this, state-bank run insurers are commanding a valuation of about 30-40 times the value of new business.

“Valuation is based on multiple factors of new businesses, renewals, product mix, average ticket size, cost efficiency and capital utilisation,” says Vishakha of IndiaFirst. “The customer profile of a private sector bank is different to that of a public sector bank. Many of the PSUs will have more than 30% of their customer base as farmers and Jan Dhan account holders.”

While some banks may be looking to sell their assets, for them the opportunity to realise their strength would be by building their insurance business in the next few years rather than selling at this point where valuations may be poor.

THE ROAD AHEAD

There is no doubt the opportunity in the insurance sector is huge. For example, in India, insurance penetration, measured as premium underwritten to GDP, was only at 2.72 % in 2015. This is significantly lower than its Asian peers, such as Thailand, Malaysia and Japan, which have insurance penetration of more than 4%.

Bank channels are the most sought after by insurers for securing business at a low cost.

Bancassurance has emerged as the primary distribution channel, with 53% share among private insurers. For banks, it generates fee-based income enhancing their earnings unlike lending that exposes them to default.

Apart from that, banks' top executives have to invest more time and effort in training their staff, because sensitising them is part and parcel of their business, which could help them ring in more profits, and, above all, take charge of the venture to drive efficiencies.

Source

"When the bank-promoted model will become bank lead, and not insurance lead, the penetration will be high," said Rajesh Relan former MD and CEO of PNB Metlife.

In short, all is not lost yet for state-run banks' insurance ventures. They just need to build their business and get more bang for the buck.

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Life Insurance

When robots get 'personality' to boost insurance sales – The Times of India – 24th May, 2017

Insurance sales and retention has always been about personality. And insurance companies today are investing more in artificial intelligence (AI) to ensure their robots have it in them to hook customers. Insurance companies are investing big-time in artificial intelligence. From VR humanoids like Kushi — PNB Metlife's insurance personal assistant to HDFC Life's launch of an email bot 'SPOK' — insurers are leveraging the power of AI, chat bots, robotics, natural language processing.

Imbued with 'personality', HDFC Life's SPOK can read, understand, categorise, prioritise and respond to customer emails within milliseconds — something that the insurer hopes will help in reducing costs and improving customer experience. HDFC Life with startup Senseforth aims at getting SPOK to help it identify deeper insight on customer needs and identify trends and patterns based on interactions. Something that usually pays off rich dividends like in the case of insurance aggregator EasyPolicy.com. At EasyPolicy.com. bots its co-founder Neeraj Aggarwala says have helped site traffic and navigation enormously. "Today, the customer gets fazed at times by information overload. And it is not just customers, but our own staff as well. To expect customer service personnel to know every single deal, discounts, add-ons, additional riders, benefits on every single policy would be near impossible and also quite tiresome. With a bot — there is no question of training 200 plus call centre executives. It is a one-time effort with multiple dividend — as the bots can handle hundreds and maybe even thousands of customers — while customer care representatives can deal with only one customer at one time," says Aggarwala.

And it is an improve customer experience that players like HDFC Life are looking at with their email bot. "SPOK will help us increase our operational efficiency and we are excited to see how these interactions with our customers provide us inputs to enrich their future experience with us," says Subrat Mohanty, senior EVP, HDFC Life.

A question with bots is will they offer advice or information in clipped, metallic tones or can the conversation be pleasant and informal. HDFC Life says, "SPOK is designed to mimic human cognitive abilities in reading, comprehending, interpreting, and conversing. One of the key proficiency is gauging customer emotions," added Mohanty.

Source

Another key reason why insurance companies and aggregators have started looking to bots is the high attrition rates faced by the industry. With attrition rates on average between 30-35%, chat bots, VR assistant would prove a key differentiator in terms of cutting costs, reducing manpower and improving efficiency; given the infinite amount of data the bot can process, say experts.

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Will portability in life insurance policy work? – Mint – 23rd May, 2017

Insurance Regulatory and Development Authority of India's (Irdai) plan to permit portability in life insurance will allow customers to move to another insurer without having to let their policies lapse. But will it work?

K.S. Gopalakrishnan, managing director and chief executive officer, Aegon Life Insurance

Portability is possible only when product features are standardized. A term insurance policy should be easy to port as the new insurer will be able to easily administer the policy. A simple pension plan and a Ulip too should be easy. Other products—such as endowment plans and money back plans—could be complicated as the new insurer may not have a product with same features.

Also, life insurance policies are of longer term and cover certain insurance risks. The new insurer would expect to receive an amount from the existing insurer to meet future liabilities. In a mutual fund type product, the amount is relatively straight forward as the fund value will be transferred, with some adjustments for certain costs. In life insurance, the transfer amount is an estimate arrived at on the basis of assumptions about the future. The receiving insurer and the current insurer may not come to same conclusion in estimating this amount. Also, the receiving insurer could have a different view of certain risks and hence could ask for a different premium to be paid.

In terms of reducing the lapse rate through portability, if a customer is not satisfied with the services, then portability will reduce lapses. But, most of the lapses happen at early durations and it is likely that these customers perhaps bought unsuitable products for them. Portability will not solve this problem.

Kshitij Jain, managing director and chief executive officer, Exide Life Insurance

Life insurance portability is a provision to protect customer interests and can promote a fair and competitive market. If implemented, insurers will redouble efforts to retain existing customers with improved service quality and claims settlement. It could even result in the launch of simple and competitive products.

Portability is however possible only in products with a match in timing between receipt of premium and payments of benefits. Due to the short-term nature of the contract, portability works well in general insurance, short-term health insurance and group life insurance (protection products) where the policy may be ported to another insurer every year. Individual members under the group insurance policy can port the coverage to an individual policy as well.

In the case of longer term individual protection policies such as term, there is a mismatch between expenses incurred and premiums earned by the insurer. If portability is allowed, due to unevenness of risk and expense, one insurer could make an undue profit. This could lead to a distortion in market dynamics with distributors encouraging churn of policies without necessarily adding value to the customers. Finally, in case of savings life insurance plans, the savings component and initial high acquisition expenses make the portability feature virtually impossible to implement.

Shashwat Sharma, partner and head of insurance, KPMG India

Irdai has initiated a discussion on portability in life insurance with the objective of improving customer choice. Portability encourages transparency and competition as customers can easily switch from one insurer to another with ease. This also provides an opportunity to customers to test products from a wider set of insurers as they can always port out to a different insurer if required. Further, from a supply side, insurers can also market their products directly to customers and enable them to make a choice to switch, if they wish to.

But given the long-term nature of life insurance, porting shall require more than just fresh underwriting. Since a life insurance policy has constant pricing throughout the policy term, portability would require some standardization of underwriting and policy pricing at an industry level. Also, since the profits generated are different each year, portability might require a compensatory mechanism between the port out and port in insurer.

Also, since portability will be limited to products having similar features and pricing, it may not necessarily have customers shift to different life insurance savings and investment product categories more suited to their needs. However, portability would definitely lead to an improvement in service levels from the insurers and make their focus sharper on servicing and customer retention.

Rajesh Sud, executive vice chairman and managing director, Max Life Insurance

The objective of portability could be to ensure that life insurance—despite its many technical arguments and construct as a long-term product—does not hold a policyholder 'hostage' to a contract. Life Insurance product designs can be classified into four types: protection, Ulips, bundled savings and annuities. With pure protection products, it could be feasible to port from one company to another as these contracts are closer to annual contracts in design. Group term life and funds businesses, Pradhan Mantri Jeevan Jyoti Bima Yojana, and vanilla term plans could consider portability.

With Ulips and bundled saving plans, portability may not offer superior value to customers. When it comes to Ulips, regulations such as ceiling on the net reduction in yield, lock-in period of 5 years with reasonable returns even if discontinued, and minimal specified surrender charges offer flexibility to consumers to maximize returns even if they have to exit a Ulip before the full term. In bundled saving plans, both regulatory interventions and efforts by life insurers have ensured that surrender values have gone up.

Source

The internationally accepted Treating Customer Fairly (TCF) framework has helped provide better surrender values to Indian customers. This has ensured that value is delivered to customers to stay beyond a reasonable period of time.

Back

A new bundled insurance policy that is easy to sell but difficult to buy – Mint – 25th May, 2017

In order to increase distribution footprint in the insurance industry, the Insurance Regulatory and Development Authority of India (Irdai) has allowed the licensing of more feet on the street. Called point of sales persons (PoSP), these distributors can be on-boarded quickly since they have lower qualification, training and certification criteria as compared to regular agents. Irdai has allowed these individuals to sell only basic and easy to understand insurance products. In the life insurance space, the regulator identified pure-term insurance plans with and without return of premium, non-linked (non-participating) endowment and money-back plans that state the investment benefits upfront, and immediate annuity, as products that can be sold by these distributors.
Edelweiss Tokio Life Insurance Co. Ltd is the first insurance company to get its PoSP product approved. Called POS Saral Nivesh, it is a bundled policy that guarantees the investment benefit upfront. Think of it as a kind of fixed deposit with a crust of a life cover to understand it better. According to Subhrajit Mukhopadhyay, chief and appointed actuary, this policy is not only simple to understand but can be bought easily. "This policy has an easy enrolment process. The proposal form is simple with just four medical questions, including height and weight. It asks for basic details like occupation, income and education, nominee details, and a couple of statutory declarations, and if the customer has Aadhaar, we complete the KYC (know-your-customer) process through e-KYC. The whole process, including the decision to issue the policy, can be completed within 20 minutes," he said.
As of now, the insurer has not enrolled PoSPs. "We are looking at various options for PoSP enrolment and are also exploring options with banks to use their PoS network. But this product is not exclusive to PoSPs. It can be sold through any channel and even online. For online sale, there is a premium discount of 3% since there is no commission," said Mukhopadhyay. Let's understand the product in detail.

What is it?

This is a non-participating policy, which means the benefits are guaranteed upfront. The policy term ranges from 10 to 20 years and the premium payment term within the policy term is 5-12 years. The maximum sum assured that one can choose under this plan is Rs10 lakh and depending upon the sum assured you choose, and other factors such as your age, policy term and premium payment term, the policy will calculate the annual premium.

The sum assured in this policy is the guaranteed maturity benefit and the death benefit. However, as per rules, if the policyholder dies during the policy term, the beneficiary is entitled to higher of the three: 10 times the annual premium paid, sum assured or 105% of the premiums paid so far.

In terms of maturity, at the end of the policy term, the policy pays the sum assured. This policy offers premium discounts for choosing a higher sum assured.

How does it work?

As per the illustration mentioned in the product brochure, if a 35-year-old man buys this plan for a 20-year term (premiums payment term being 10 years) and for a sum assured of Rs5 lakh, the annual premium in this case will come to Rs24,917. So after paying Rs24,917 for 10 years, at the end of the policy term, the policyholder will get Rs5 lakh back. This is a net return of 4.5%.

Mint Money Take

From the point of view of simplicity, Suresh Sadagopan, a Mumbai-based financial planner, says there are a few misses. “There are still multiple options, such as premium payment term and policy term, to choose from. Also, the rate of investment is still missing. A basic over-the-counter product is something like a fixed deposit, where you know the rate of return over a given time period,” he said. According to him, while the product may make for easy selling, it still doesn’t make for easy buying as customers will need to be savvy to understand the policy.

Source

The second aspect of this product is the return of 4.5%. Unless you are willing to lock into guaranteed returns at the cost of them being sub-optimal, you should look at other options. “For the risk-averse, the Public Provident Fund (PPF), or even the voluntary provident fund for the salaried, is a better option. The returns are not guaranteed but they offer a much higher rate of interest. So, even if the rates fall in future, the money would have compounded at a much higher rate to absorb the fall in interest rate later on,” added Sadagopan.

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The rules about discontinuing a unit-linked plan – Mint - 21st May, 2017

On 5 May, the Insurance Regulatory and Development Authority of India (Irdai) issued a circular directing insurers to not delay payments on discontinued Unit-linked insurance plans (Ulips). As per the regulator, insurers were interpreting the rules on discontinuance in a manner that would delay the release of fund value under discontinued unit-linked products, even when the policyholder had opted for complete withdrawal of funds or did not revive the policy during the lock-in period.

Here we explain the rules about discontinuance under Ulips in detail.

Early exits

Ulips come with a lock-in period of 5 years, which means you cannot take out your money in the first 5 years. But you can choose to discontinue your policy by not paying more premiums.

The insurer will provide a window of about 75 days, after which it will declare your policy lapsed and move it to the discontinuance fund. Upon discontinuance, the insurers levy a charge—a maximum of Rs6,000 if discontinued in the first year, which gets reduced to Rs2,000 if you discontinued in the fourth year, and nil thereafter. The purpose of discontinuance fund is to hold your money from the lapsed policy till the lock-in period is over, and also pay some interest on it.

The insurers can't levy any other charge except a fund management charge, which cannot exceed 50 basis points on the fund value per annum, until the lock-in period is over. One basis point is one-hundredth of a percentage point.

Rules for reviving a Ulip

During the window of 75 days, you have three options: pay the premium, opt for complete withdrawal or let the policy lapse.

When you opt for complete withdrawal, the proceeds from the discontinued fund come to you right after the lock-in period is over. But if you don’t choose any option and choose to lapse your policy, you get an outer limit of 2 years to revive the Ulip.

Earlier, you could revive within 2 years or till the end of the lock-in period. So, if you lapsed in year 5, you had only 1 year to revive your policy, after which the proceeds from the discontinuance fund would be paid to you at the end of the fifth year. But last year, the rules changed to allow a 2-year window for revival, irrespective of when the lock-in period ends. So, even if you lapse the policy in the beginning of the fifth year, you can revive it in the sixth year, i.e., even after the lock-in period is over.

Delay in payment

The insurance regulator observed that this rule was being interpreted in a manner that caused delays in payment. Insurers were holding payments even after the lock-in period was over, so that the policyholders could contemplate reviving the policy within 2 years. Irdai has clarified that if policyholders choose to discontinue

Source

their Ulip or don't revive their policy within the lock-in period, the money needs to be paid after the lock-in is over. In other words, it's back to the previous rule. If you lapse the policy in the fifth year and don't revive it within a year or expressly state that you want the option of revival within 2 years, the insurer is supposed to return your money once the lock-in period is over.

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General Insurance

Companies use kidnap insurance to guard against ransomware attacks – The Economic Times – 20th May, 2017

Companies without cyber insurance are dusting off policies covering kidnap, ransom and extortion in the world's political hotspots to recoup losses caused by ransomware viruses such as "WannaCry", insurers say.

Cyber insurance can be expensive to buy and is not widely used outside the United States, with one insurer previously describing the cost as $100,000 for $10 million in data breach insurance.

Some companies do not even consider it because they do not think they are targets.

The kidnap policies, known as K&R coverage, are typically used by multinational companies looking to protect their staff in areas where violence related to oil and mining operations is common, such as parts of Africa and Latin America.

Companies could also tap them to cover losses following the WannaCry attack, which used malicious software, known as ransomware, to lock up more than 200,000 computers in more than 150 countries, and demand payments to free them up.

Pay-outs on K&R for ransomware attacks may be lower and the policies less suitable than those offered by traditional cyber insurance, insurers say.

"There will be some creative forensic lawyers who will be looking at policies," said Patrick Gage, chief underwriting officer at CNA Hardy, a specialist commercial insurer, in London.

He added, however, that given that K&R policies are geared towards a threat to lives, "our absolute preference is that people buy specific cover, rather than relying on insurance coverage that is not specific".

American International Group Inc, Hiscox Ltd and the Travelers Companies Inc have been receiving ransomware claims from some customers with K&R policies as ransomware attacks become more common, the companies said.

The insurers declined to comment on total claims, citing confidentiality and client security concerns.

"We are seeing claims (over the past 18 months) but not a huge uptick," a Hiscox spokeswoman said. "These are within expectations and entirely manageable."

She declined to say whether the firm had seen any such claims from the WannaCry attacks though Tom Harvey, an expert in cyber risk management at catastrophe modelling firm RMS, said "insurers with kidnap and ransom books will want to look closely at their policy wordings to see whether they are exposed."

A sharp rise in ransomware attacks in the past 18 months has driven companies to use K&R policies to cover some of their damages if they do not have direct cyber coverage or cannot meet initial cyber policy deductible costs, insurers said.

Symantec Corp,, a cyber security firm based in Mountain View in California, observed over 460,000 ransomware attempts in 2016, up 36 percent from 2015, the company said. The average payment demand ballooned from $294 to $1,077, a 266 percent increase.

But as the threat mounts, K&R insurers are at risk from steeper claims than they had anticipated. They are responding by making changes to their policies, which were not designed around ransomware, insurance brokers said.

More damaging then kidnapping

Most of the computers affected by WannaCry were outside the United States, where companies have been slow to buy cyber insurance. Nearly 90 percent of the world's annual cyber insurance premium of $2.5-3 billion comes from the U.S. market, according to insurance broker Aon Plc.

Global companies typically buy K&R policies without ransomware in mind. But instances of high-tech hacks and online ransom demands can hit a company's business more than an executive being held hostage.

"If your CFO (chief financial officer) gets kidnapped, the company is going to continue to function," said Bob Parisi, cyber product leader for insurance broker Marsh, a subsidiary of Marsh & McLennan Companies Inc.

"If you get a piece of malware in the system, you might have two factories that stop working. The actual damage is probably greater."

The K&R policies, which typically do not have deductibles, cover the ransom payments as well as crisis response services, including getting in touch with criminal and regulatory authorities, said Kevin Kalinich, global head of Aon's cyber risk practice.

Still, K&R policies may provide only a quick fix since they were not designed for ransomware. Companies can add coverage for business interruption, but the upper limits for pay-outs are usually lower than for a cyber policy, insurers say.

K&R insurers have been adapting to ransomware-related claims - some are modernizing coverage by setting up Bitcoin accounts for clients to speed up ransom payments, brokers said.

But insurers are mindful of their own risks.

Some have added deductibles, said Anthony Dagostino, head of global cyber risk at Willis Towers Watson PLC advisory and brokerage.

AIG has reduced business interruption coverage for K&R policies to a $1 million maximum for cyber extortion events.

Source

"Insurers didn't anticipate there would be this much ransomware activity," said Tracie Grella, global head of cyber risk insurance at AIG.

Back

MV bill again tries to cap insurer liability for claims payout – The Times of India – 22nd May, 2017

Over the last few years, the Motor Vehicle Bill has met with widespread criticism and opposition from major political parties. The main reason was because the bill sought to cap the liability of insurers, when it came to claims' payouts. For example, if the court declared that the victim's family should get Rs 60 lakh for death, then the insurer ended up paying only Rs 10 lakh (the tariff/cut-off) and the driver/owner of the accident-causing vehicle the remaining Rs 50 lakh.

This put undue burden on vehicle users, felt many political parties. Now the same measure to limit the insurer's liability and place the burden on the consumer/policyholder is being brought in a new avatar. Under the provisions of the new bill, which has been passed by the Lok Sabha, the central government will have the power to prescribe 'a base premium' and the insurer's proportional/relative liability to that premium. What it means is the basic-third party cover offered will cover accidents only to a certain extent; for unlimited liability against any accident, policyholders will have to shell out more in premiums. "For years together the bill met with strong opposition only because of this clause. If this is reintroduced, the government is leaning in favour of business houses and acting against consumer interests," said R Sankariah, industry veteran and insurance activist. When a person dies from a road accident, the court usually decides a compensation amount based on the person's monthly income and what his loss would mean for the family's resources. With salaried professionals earnings on the higher side these days, courts have pronounced compensation awards as high as Rs 1-2 crore. "While this is in the best interests of the bereaved family, it does cut into the profits of insurance companies; something that they would like to avoid if they can," said Sankariah. Activists point to the futility of trying to recover accident compensation from individuals. "If the government makes the insurer's liability proportional to the base premium — then the bereaved family would suffer. Imagine the court decrees Rs 40 lakh as compensation, and for example only Rs 10 lakh is to be paid by the insurer; how will the person driving the vehicle pay the remainder (Rs 30 lakh to the bereaved family? Most normal middle-class individuals will sink into debt before

Source

they can afford to pay such an amount. Or the other scenario would be that they will not pay — and the bereaved family will suffer," said Sankariah.

Back

NSE asks brokers to have in place insurance cover for FY18 – The Financial Express – 24th May, 2017

Top stock exchange NSE has asked its brokers to ensure that their respective insurance cover is in order for current fiscal and submit the details of their policies in electronic format by July 31. As per market regulator Sebi norms, it is mandatory for every stock broker to have an insurance cover. “Trading Members are requested to ensure that their ‘Stock Brokers Indemnity Policy’ is in order for the period 2017-18 with effect from June 1, 2017,” the National Stock Exchange (NSE) said in a notice today. “Trading Members are required to submit the details for the same through Electronic NSE Interface for Trading Members (ENIT) on or before 31st July, 2017,” it added.

Source

Failure to submit the details on ENIT within the timeline would attract a levy of late submission charges of Rs 100 per day till the date of submission of required details. ENIT is a fully electronic, Internet enabled application.

Back

Farmers’ bodies want banks not to adjust agri insurance amount with pending loans – The Times of India – 25th May, 2017

While farmers' bodies have the welcomed the release of Rs 308.62 crore, under the National Agriculture Insurance Scheme (NAIS), to ryots in delta districts who have been in great distress owing to the drought, association leaders have stressed that the amount should benefit farmers, not the bankers. They expressed concern that if the amount would be compensated against their existing unpaid loan amount, the very purpose of disbursing the money would be defeated.

According to the announcement by the Tamil Nadu government, the farmers from Nagapattinam district would receive Rs 205.5 crore, farmers in Tiruvarur district would receive Rs 101.7 crore while Thanjavur farmers would get Rs 1.42 crore. Insurance companies released a total of Rs 403 crore, including the state's share of Rs 168.66 crore, towards compensation for the samba crop for the year 2015-16 under NAIS on May 23.

In Nagapattinam district, 1,13,800 farmers who had taken up samba cultivation over 3,10,592.5 acres would benefit as the amount will be credited directly to their respective savings account within the next few days, officials from agriculture department said.

In Tiruvarur, 93,964 farmers would benefit as the total land covered under the insurance scheme in the district was 2,84,220 acres, officials said.

While welcoming the announcement by the state government, farmers' bodies urged the government to instruct the bankers not to debit the amount against their debt. "Farmers are already in distress owing to the drought in the state. So, the amount would be somewhat helpful. We appeal the bankers not to adjust this against their existing unpaid loan amounts. The state level bankers committee should strictly direct the bankers in this regard," said Swamimalai R Vimalnathan, secretary of Thanjavur District Cauvery Farmers Protection Association.

Source

Despite RBI's direction and state level bankers committee's instructions, many farmers have been issued notice over their jewellery which will be auctioned for unpaid loan amounts in Thanjavur district, he alleged.

Back

India: Panel formed to revise fire and allied policy covers – AIR – eDaily – 25th May, 2017

The insurance regulator IRDAI has proposed changes to fire and allied policy covers in a bid to increase insurance penetration in dwellings, offices, hotels and shops that are susceptible to big economic losses from natural calamities. Micro, small and medium enterprises are also the target of this initiative.

IRDAI has set up a working group to examine the current insurance product structure, reported Press Trust of India. The seven-member panel, headed by Anurag Rastogi of HDFC Ergo General Insurance, has been asked to submit its report within 12 weeks.

It will examine the current product structure under Standard Fire and Special Perils Policy (SFSP) and study the need and scope for changes in the current product structure.

The group has been asked to suggest standard and simple policy wordings, add-on covers, clauses, endorsements to be adopted by the general insurers that adds value to policyholders.

Source

Another task of the panel is to make recommendations for a more relevant regulatory framework, including assessment of risk, pricing, reserving, accounting, etc, for both long-term and short-term policies.

IRDAI Member (Non-Life) P J Joseph said that recent catastrophic events such as floods in north India and Chennai in the south, as well as Cyclone Hudhud in 2014, led to economic losses that were much higher than insured losses.

Back

Govt to use CSCs, post offices to sell crop insurance policy – Deccan Chronicle – 25th May, 2017

The government has decided to use 1.75 lakh Common Service Centres (CSC) and post offices in a big way to encourage more non-loanee farmers to take up crop insurance schemes such as PMFBY in 2017-18 crop year beginning July. At present, it is mandatory for loanee farmers to take the crop insurance policy.

The government wants both loanee and non-loanee to take advantage of Pradhan Mantri Fasal Bima Yojana (PMFBY) as well as weather-based crop insurance scheme.

CSCs, set up under the Ministry of Electronics and Information Technology, till now were being utilised for booking railway tickets, providing Aadhaar numbers and passport applications.

"Non-loanee farmers who have taken the crop insurance policy at present are only 22 per cent. We want to achieve 40 -50 per cent. We have decided to use multiple platforms to reach out to them," a senior government official told PTI.

The existing platforms -- banks, insurance companies and cooperatives -- are not sufficient for the last mile connectivity to non-loanee farmers, he said. Moreover, banks are not that keen to sell crop insurance policies to non-loanee farmers, while insurance companies and cooperatives have limited reach in villages.

"So, we have decided to use CSC infrastructure and post offices. There are 1.75 lakh CSCs which can be used for collection and uploading of crop insurance documents at a nominal rate," the official said.

Insurance regulator IRDA has already given permission to agents and intermediaries to access the CSC portal for crop insurance. This is being tested at present, he said.

Source

The government has empanelled 13 insurance companies for 2017-18 crop year (July-June) to sell crop insurance policies -- PMFBY and WBCIS. More insurance companies are enrolled to provide competition in the market.

Back

India: InsurTech startup gets initial licencing approval – AIR – eDaily – 24th May, 2017

Acko General Insurance has received in-principle regulatory clearance to launch a general insurance business in India. The company has received the initial R1 licence and has filed for the second-stage R2 licence with the IRDAI.

Acko, set up by Coverfox co-founder Varun Dua, has also raised US$30 million in seed finance, in one of the largest seed rounds for a startup in India. Coverfox is an online insurance brokerage.

Acko will operate as an independent general insurance company with its entire operations offered through the digital platform. It will create products and deliver opportunities in areas where there are gaps such as personalised insurance products based on user consumption behaviour.

The company is backed by names like Narayan Murthy’s Catamaran Ventures; Venk Krishnan and Subba Rao of NuVentures; Kris Gopalakrishnan, the cofounder of Infosys; Hemendra Kothari of DSP Blackrock; Atul Nishar, the founder and Chairman of Hexaware Technologies; Rajeev Gupta, the founder of Arpwood Capital; Accel and SAIF Partners.

Mr Dua said: "With Acko, we want to make insurance so straightforward that consumers don't need to talk to multiple people to get advice or fill up forms. Consumers should be able to access low prices in one click based on their risk profile, and be confident that at a press of a button -- their claim will get paid in the fastest possible time. In today's connected world, we believe it can reach a point that the customer should get his claim without him even lodging it. Connectivity can make it possible and the ecosystem today exists to make it happen."

Source

Only 3% of insurance is bought online currently in India in an overall $80-billion market but is likely to grow rapidly keeping in mind the young demographic accessing services online.

Back

Health Insurance

Buy a maternity-linked plan to cover unknown risks – Business Standard – 20th May, 2017

Having a baby entails considerable expense, and having a good maternity insurance cover might help meet these. Unfortunately, there aren't many standalone maternity covers. They usually come as in-built features within health insurance plans and are designed to provide financial assistance during both normal and caesarean deliveries.

Depending on where you live, the type of hospital and the room category you choose, a normal delivery can cost between Rs 25,000 and Rs 1.5 lakh in a metro city. For a caesarean or cases in which complications arise, costs can go higher.

What is covered: Most maternity plans cover only the maternity event, the child's delivery, including both normal and caesarean. All plans specify a certain limit up to which the expenses related to maternity are covered. Typically, that ranges from Rs 15,000 to Rs 50,000. Should further complications arise requiring additional hospitalisation or treatment, the overall policy features and coverage come into play.

Hospitalisation charges: Expenditure related to both caesarean and normal delivery are covered. Even if there are complications after the delivery, they get covered.

New-born baby cover: Some insurers provide coverage to the newborn baby as well. Any cost incurred on the baby's treatment from day one to day 90 is covered. The duration of coverage may vary from one insurer to another.

Vaccination cover: Consider a scenario where a person has bought a health insurance plan that does not include a maternity cover. During the delivery, complications arise and that lead to a far higher degree of risk. In such an eventuality, the mother might have to undergo life-endangering procedures. A normal health insurance plan will not cover those procedures because the initial child-delivery procedure that led to these complications was not covered. Here lies the significance of a maternity-linked cover.

What is not covered?

Like all other health plans, maternity covers also come with a set of exclusions. Pre-and post-hospitalisation expenses and in-vitro fertilisation (IVF) treatment are mostly not covered by these plans. Most maternity covers also don't start instantly. They typically have a waiting period of nine months to four years. The amount of cover in an in-built maternity plan is also limited, ranging fromRs 20,000-50,000 in most. Given the way health-care expenses are galloping, this might not suffice to take care of all the expenses associated with the delivery.

If you reside in a metro city, you might have to bear Rs 30,000-70,000 for a normal delivery, and Rs 70,000-1.5 lakh for a caesarean one. Prices vary depending on the type of hospital you choose. People buy insurance so, that it covers the expenditure. But if you compare how much is spent as premium versus the benefit one gets in the form of coverage, the picture is not a bright one.

Most insurance companies offer two types of plans — maternity cover as an in-built feature, and those don't cover the maternity event at all. Premiums for the first type of policy are higher than for the second. The features are not completely similar, making a direct comparison difficult. Broadly, premiums for the two policies differ by 30 per cent or more. If you pay Rs 7,500 for a plan without the maternity benefit, you would pay about Rs 10,000 for one that offers this.

The downside of the plans with the maternity benefit is that you continue to pay a higher premium typically till the age of 40-45, irrespective of whether you utilise it. A rough calculation would suggest that if you hold such a policy till the age of 67 (the average life expectancy in India), you would end up spending Rs 40,000-1 lakh more on a plan with the maternity benefit.

Does that mean you should not buy such a plan? Complications do crop up during the delivery and, hence, it is better to protect yourself against unforeseen events, even if it means paying a few thousand rupees extra in premium each year. However, remember that maternity covers come with a waiting period. If your event is nearby, it makes little sense to buy a health cover with the benefit.

Standalone maternity covers don't exist. However, Religare Health recently launched two maternity-specific health plans that focus on providing better covers, Joy Today and Joy Tomorrow. These come with shorter waiting periods compared to normal health plans. They are only available till the age of 45. Their major shortcoming, however, is that they offer cover only up to Rs 50,000, while the premium is more than two times a normal health plan offering the maternity benefit. They also take three years' premium at one shot.

Source

Back

Co Calls on Insurers for Healthy Preventive Care Services – The Economic Times – 25th May, 2017

CallHealth, an integrated healthcare services startup, is in talks with insurers to help them value-add preventive care services to customers.

The move aims to improve wellness, helping insurers significantly bring down claims ratio and eventually the cost of health insurance.

CallHealth was founded by Sandhya Raju, daughter-in-law of Ramalinga Raju, the founder of scam-hit Satyam Computers.

The startup has mobilised Rs.200 crore from key industry captains.It has also finalised investment bankers to raise Rs.200 crore of private equity investments.

"CallHealth is targeting to soon handle a million customers and is now in talks with some of India's large insurance players to help them offer value added services like preventive healthcare and wellness to their customers," Hari Thalapalli, CEO of CallHealth, told ET.

"Couple of large private sector insurers were enthused by our proposed model of the value added services, apart from the entire gamut of healthcare services, which not only helps their customers improve their health but also potentially helps insurers to significantly bring down the cla ims ratio," he said.

Thalapalli did not disclose the identity of the insurers, saying CallHealth has entered into confidentiality agreements with them and a joint announcement could be expected once a formal pact is signed.

CallHealth offers doctor consultations, diagnostic services, homecare, physiotherapy and delivery of medicines. Its services also include medical appointments and surgeries on a priority basis. Users can access the services by phone, website and mobile app.

The startup, which has touched nearly one-lakh households with 1.5 lakh customers in Hyderabad over the last year or so, is testing its platform across Delhi.

"We are also looking at evolving from a B2C to B2B player and are in conversations with players in insurance and telecom space, among others, to come up with a B2B to B2C play, wherein in we work through them to be a layer of contact for their customers," said Thalapalli.

G Srinivasan, chairman of New India Assurance Company, said the trend in health insurance is going to be building wellness into the health insurance space.

"It will definitely help the insurers to bring down the claims ratio and ultimately it can bring down the cost of health insurance," he told ET.

"It is still in early stages and you will see more and more such products coming from the insurance companies."
In a bid to expand its portfolio of services, partners and customer base, CallHealth has hired Sreekanth Nadella, a chartered accountant-turned-technology specialist, as chief operating officer and Madhu Gottumukkala, a former HTC, Samsung and Polycom executive, as CTO.

Source

How many stent referrals to pvt hospitals, CIC asks ESI – The Pioneer – 22nd May, 2017

Taking a serious view of private hospitals "fleecing" patients for cardiac stents, the CIC has directed the Employees State Insurance Corporation to disclose the number of patients referred by it to private hospitals for the implants and the prices paid to those hospitals. It is alleged that private hospitals empanelled with the ESIC are overcharging patients by almost 2.5 times for stent implants and other cardiac procedures.

RTI applicant Pawan Saraswat approached the Central Information Commission (CIC) after he failed to get a response for his queries on the number of patients referred by the ESIC to the private hospitals, and the prices paid by the ESIC to those hospitals for the same.

Saraswat claimed that while deciding the costs of treatment at private hospitals, the ESIC goes by the CGHS rates, and when those are not available AIIMS rates are followed and if both are unavailable ESIC rates are followed. In the rarest cases which are not listed either in CGHS or AIIMS or in ESI rate list, the outsourced empanelled "hospital rate minus a discount" is paid, he alleged.

Information Commissioner Sridhar Acharyulu said the question is why the ESIC refers thousands or lakhs of patients to private hospitals knowing fully that they have to shell out 2.5 times the actual price under the CGHS. "The Government/ESIC reimburses the inflated costs of the implants/devices as and when the empanelled private hospitals are referred by the ESIC," he said.

Acharyulu said "a big business" is being transacted through these references. "The ESIC should have complained to the health ministry or Union government about inflation of prices. Instead, it facilitated it for years continuously leading to unjust enrichment by the private hospitals and stent makers probably with kickbacks to other key players.

Hence there is a huge public interest," he noted. He said if the allegation of complainant of inflated rates of the stent is prima facie proved, a criminal cheating case in each implantation of stent has to be booked and probed. "This is a serious and widespread crime happening with the knowledge of entire state machinery," he said.

Acharyulu said it is a serious regulatory lapse and there is nobody to check the stents coming in the boxes.

"Private hospitals are exploiting this ambiguity, which is sustained by vested commercial interests of corporate medical industry, unethical doctors and deliberate silence by the regulators. This could be mass violation of consumer rights making the ESIC a conduit," Acharyulu said.

Source

Directing the ESIC to disclose information sought by Saraswat, Acharyulu recommended Department of Consumer Affairs to incorporate speedy remedial measures to stop exorbitant pricing and unjust draining of public resources.

Back

Regulations

Irdai to modify insurance policy covers for shops, hotels – The Economic Times – 23rd may, 2017

NEW DELHI: Regulator Irdai has proposed changes in fire and allied policy covers to increase insurance penetration for dwellings, offices, hotels and shops that suffer big economic losses due to natural calamities.

Recent catastrophic events such as floods in northern parts of India and in Chennai as also Hud Hud Cyclone have revealed that economic losses are much higher than insured losses, said Insurance Regulator and Development Authority of India (Irdai).

"There is a need to increase the penetration of fire and allied perils insurance, in particular for dwellings, offices, hotels, shops as well as for micro, small and medium enterprises," it said while setting up a working group to examine the current insurance product structure.

The product structure for cover against fire and allied perils that is currently being followed is that of the erstwhile fire tariff.

The seven-member panel headed by Anurag Rastogi of HDFC Ergo General Insurance Company has been asked to submit its report within 12 weeks.

It will examine the current product structure under Standard Fire and Special Perils Policy (SFSP) and study the need and scope for changes in the current product structure.

Source

The group has been asked to suggest standard and simple policy wordings, add-on covers, clauses, endorsements to be adopted by the general insurers that adds value to policyholders.
Another task of the panel is to make recommendations with regard to relevant regulatory framework, including assessment of risk, pricing, reserving, accounting etc for both long-term and short-term policies.

Back

Irda says Combi Insurance will Benefit Consumers – The Economic Times – 24th May, 2017

Indian consumers could soon benefit from Rs.combi insurance products' covering health, life, motor and property insurance, among others, said Indian insurance regulator chairman TS Vijayan, as various insurers are currently working on the introduction of such combination products.

The Insurance Regulatory and Development Authority (Irda) had earlier allowed some kind of partial combination of insurance products wherein life insurers offering life cover and general insurers offering health cover were permitted to offer combination products covering health and life.

Source

Vijayan, however, refused to speculate on any time-frame for issuing regulations and launching of comprehensive combi insurance platforms that could offer customers multiple types of insurance cover under a single product.Vijayan was speaking on the sidelines of a conference organised by the trade body Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (Ftapcci) in Hyderabad.

Back

Pension

PFRDA creates separate asset class for investment – The Asia Age – 21st May, 2017

Pension fund managers will now have more investment options, with InvITs finally becoming a reality after two years and REITs in the offing. Pension regulator PFRDA has created a separate asset class for investment under which the funds can be invested into newly created trusts InvITs and REITs.

PFRDA has issued a revised investment guidelines for National Pension System (NPS) schemes (for private sector), which came into effect from May 8. The revised guidelines comes in the backdrop of two Infrastructure Investment Trusts (InvITs) hitting capital market to raise funds.

Real Estate Investment Trusts (REITs) are yet to make their debut despite push from the government and market regulator SEBI as property market is facing a multi-year slowdown.

Global investment firm Blackstone, along with its joint venture partner Embassy group, is making preparation to launch REITs. The other developers are also consolidating their rental assets so that they could consider listing their assets under REITs.

As per the investment guidelines for NPS for the private sector, a separate scheme or asset class - 'Alternative Asset Class' or 'A'. Besides this, the other assets class for investments are government Securities (G), Corporate Bonds (C) and Equity (E).

The guidelines said NPS funds can be invested in units issued by REITS, InvITs, Alternative Investment Funds (AIF) and Basel III tier - 1 bonds. The investment under the new category can only be in listed instruments or fresh issues that are proposed to be listed.

The Securities and Exchange Board of India (Sebi) had InvIT and REIT regulations in 2014, allowing setting up of and listing of such trusts, which are very popular in some advanced markets.

Source

However, the response to these instruments has been relatively sluggish and two InvITs hit the capital markets last week, while a REIT is yet to happen. IRB InvIT Fund made its debut on bourses on May 18. The IPO of India Grid Trust to raise Rs 2,250 crore was oversubscribed 1.35 times on the last day of offer yesterday.

Back

INTUC flays move to lower employer contribution to EPF – The Hindu – 24th May, 2017

Congress-backed INTUC has opposed the Centre's move to reduce employers' contribution to provident fund from 12 per cent of basis wages per month. The proposal is part of the agenda of the meeting of the tripartite Central Board of Trustees (CBT) of retirement fund EPFO, slated to be held in Pune on May 27. Employers have sought to trim their PF contribution to 10 per cent.

"We from the Indian National Trade Union Congress (INTUC) have no hesitation to say that the proposal in Item No10 of the said meeting agenda appears to be the most retrograde policy proposal brought before the CBT," Ramen Pandey, CBT member and President, INTUC West Bengal, said in a letter to Labour Minister Bandaru Dattatreya.

Pandey said the rate of contribution of employers was raised to l2 per cent/month by virtue of special order No.S.O.320(E) dated April 9, 1997. Exception was made only in respect of the jute, bidi, brick, coir industry other than the spinning sector and gaurgam factories, and various sick industries.

"For 20 years, employers are contributing 12 per cent of the basic wage as PF contribution for their employees. We cannot comprehend what might have weighed with the Central government to propose to consider lowering down the employer's contribution to PF by superseding the earlier notification," said Pandey.

The main ground on which the Ministry has requested the Employees Provident Fund Organisation (EPFO) to place the proposal in the agenda is that there were "demands from various quarters on many occasions to review the present rate of EPF contribution and placing it at par with other social security schemes, such as the National Pension System (NPS)."

However, INTUC said this reflects "confused" thinking on the part of the Labour Ministry, which has already circulated a Draft Code of Social Security, which proposes that employers should contribute I7.5 per cent plus 2 per cent for gratuity, in all, 19 per cent of basic wages of an employee, for social security. For the employees, the draft proposes maximum contribution of 12.5 per cent per month.

"Should the Ministry not have uniform thinking and common approach in matters concerning provisioning social security for the workers? In other words, the draft code circulated by the Ministry as a part of its grand labour laws reform, is ridiculed by the existence of the letter dated April 29, 2017 (calling for lowering employer contribution)," INTUC said, calling for immediate withdrawal of the item from the agenda.

Source

Pandey said the Ministry's move reflects "inadequate understanding" of EPF as a social security scheme and the NPS, which was for retirement benefit and the only contributor for the scheme was the individual. Also, being a self-funded scheme, NPS can hardly be called a social security scheme, he said, reminding Dattareya of his assurance at a tripartite meeting in February that the "existing rights and privileges of workers will not be diminished."

Back

Narendra Modi government gears up to bring 23 lakh Anganwadi workers under EPFO umbrella, states may have to pay 40% - The Financial Express – 24th May, 2017

The Centre is gearing up to bring around 23 lakh anganwadi volunteers and their helpers under the ambit of Employees' Provident Fund (EPF), keeping the employers' contribution fixed at 10%. States may have to contribute 40% of the proposed employers' contribution, while the Centre would bear the remaining 60%. The contribution of such scheme workers towards EPFO will also be kept at 10% of the honorarium.

Anganwadi volunteers and their helpers, who are responsible for running welfare schemes for children such as the Integrated Child Development Scheme (ICDS) and others meant for women, currently get Rs3,000 and Rs1,500 honorarium, respectively, per month in which the Centre contributes 60% and the states pay 40%.

However, their honorarium differs from state to state since states also pay them additionally out of their own resources for any additional work assigned to them.

"We will bring all scheme workers under the social security net to start with anganwadi workers and helpers—approximately 23 lakh under the EPFO. We are preparing a scheme in which both such workers and the government would contribute 10% of the honorarium they get now," labour minister Bandaru Dattatreya told FE.

The highest decision-making body of the retirement fund, Central Board of Trustees (CBT), has already unanimously approved the proposal and recommended the Centre to bring in all scheme workers under the EPFO net.

Labour ministry sources said the proposal to include anganwadi volunteers and their helpers has already approved by the Group of Ministers (GoM), headed by finance minister Arun Jaitley. A committee comprising senior officials from the ministries of women and child welfare, human resource development, health and labour, under the chairmanship of labour secretary M Sathiyavathy, has been asked to prepare the guideline of the scheme. “Once the draft scheme is prepared, we will take it to the Cabinet immediately,” Dattatreya said.

Source

Ministry sources said this is part of the overall programme of the Centre to bring all scheme workers totalling around 62 lakh, who have been working without any social security cover for over 40 years, to bring under the social security net.

The move will also help EPFO to enhance its subscriber base which currently stands at over 4 crore. EPFO gave 8.65% interest on subscribers’ deposits last fiscal.

Back

EPFO to hike exposure to equity markets? Decision likely on Saturday – The Financial Express – 26th May, 2017

The Central Board of Trustees (CBT), the highest decision-making body of the Employees Provident Fund Organisation (EPFO), will take a call at its meeting on May 27 on increasing the retirement fund’s exposure to the equity market to 15% of incremental deposits from 10% at present.

Breaking away from its past practice of investing subscribers’ deposits mainly in the government securities and corporate bonds, the EPFO has since 2015-16 started investing in exchange traded funds (ETFs) to diversify its portfolio and optimise returns. As per the investment pattern notified in 2015, the EPFO can invest up to 15% of its incremental deposits, estimated at Rs1.4 lakh crore per annum, in the stock market.

In the first year, it invested 5% and in the second year 10% of incremental deposits were invested. In the first two years, it has invested around Rs19,000 crore, which has yielded a little over 12% returns. The EPFO is keen on increasing its investments in the equity market since returns from such investments are better than the traditional investments in government securities.

However, continuous opposition from trade unions to “risky investments” has forced it to tread slowly.

“We will discuss the matter (of raising exposure in ETF) in the coming CBT. After discussion with stakeholders, the ministry will take a final decision,” a senior official at the labour ministry told FE.

The EPFO is under tremendous pressure to maximise returns from its investments. Depending on its return on investments,

the EPFO pays its subscribers interest on their deposits. Sensing that it would be left with only a meagre surplus amount, the retirement fund body pruned the interest rate on provident fund deposits for its subscribers to 8.65% for 2016-17, the lowest in four years. However, it still continues to be the most preferred fixed income instrument over all other debt instruments including the PPF, senior citizen savings scheme and bank deposits.

Source

The finance ministry had initially objected to the EPFO paying even 8.65% interest for 2016-17. The finance ministry’s apprehensions were not unfounded since EPFO’s income, projected to be Rs39,084 crore, has been shrinking in sync with the falling interest rate regime.

Back

Circulars

Source

Insurance Regulatory and Development Authority of India (Insurance Surveyors and Loss Assessors) (First Amendment) Regulations, 2017 – Circular Ref: F. No. IRDAI/Reg/7/144/2017 dated 22nd May, 2017

Back

Source

Working Group on visiting Product Structure for Dwellings, Offices, Hotels, Shops etc and Micro, Small and Medium Enterprises for cover against Fire and Allied perils – Circular Ref: IRDA/NL/ORD/MISC/119/05/2017 dated 22nd May, 2017

Back

Global

Latest cyber attacks show importance of industry and global communication: RIMAS – AIR – ARM – 24th May, 2017

The recent WannaCry cyber attacks have shown the importance of user awareness and large-scale communication, from industry to country to the global level, said the Risk and Insurance Management Association of Singapore (RIMAS).

“Part of the reason why the ransomware attacks were not as profitable for the perpetrators as expected is because people shared information that paying ransom did not release the files in many instances,” said RIMAS President Sean Chan.

This probably saved a lot of unnecessary costs and helps to serve as less of an encouragement for such criminal activity. Overall, reasonably good global collaboration was observed in terms of how the latest threat information was disseminated among governments, security vendors, companies and users, he added.

“The attacks also tell us how critical it is for IT departments to be up-to-date on Windows patches, antivirus updates, and educating employees on spotting suspicious email attachments and performing regular data backups,” Mr Chan said.

Many companies which had installed major Windows updates in March this year managed to escape the effects of the cyber attacks. Following the attacks, Microsoft had also issued urgent updates for users on selected Windows systems.

Mr Chan noted that according to the RIMAS’ Singapore Risk Survey Report 2017 that the association issued recently, cyber attacks were ranked no. 1 by Singapore-based risk practitioners as the risk they would focus on in 2017. This was largely attributed to the fact that they had witnessed some high-profile cyber attacks globally and in Singapore in 2016, such as the massive Distributed Denial of Service (DDoS) attack on a Domain Name Server (DNS) in October 2016.

The report said that it is highly improbable cyber attacks will abate in an environment where nearly everything is connected - a world of the Internet of Things (IoT) where “even a new Barbie has the ability to spy on you."

Singapore is particularly vulnerable to the effects of cyber attacks, as it has become heavily reliant on technology, shared data bases, e-services & etransactions and social media – hence increasing the risk of such attacks, said Dr Roy Rimington, 2nd Vice-President, RIMAS in the report.

Thus, adequate cyber security measures and defence plans are recommended to be up and running in 2017, if not already done.

“Cyber attacks should be first on the risk radar, especially for industries dependent upon critical or prominent infrastructures such as power plants, large shopping centers, airports, buildings in the Central Business District, so that resources are adequately allocated to address the risk,” said Mr Chan.

The RIMAS’ Singapore Risk Survey Report 2017 highlights views from its Governing Council & Advisory Panel members, made up of senior risk professionals from diverse industries ranging from banking to hospitality. They were asked to prioritise and rank 15 different risks that would be of their focus in 2017.

The top 5 risks they ranked are:

1. Cyber attacks
2. Failure to Innovate
3. Failure of Mission-Critical Systems
4. Terrorist Attack
5. Supply Chain Disruption

Source The full risk survey report can be found on RIMAS' website.

Back

China: New cyber security rules may be delayed – AIR – ARM – 24th May, 2017

China may delay full implementation of controversial new cyber security rules that were due to come into effect on 1 June, giving companies more time to prepare, reported Reuters.

The news agency had spoken with two sources with knowledge of the matter, who attended a closed-door meeting last week between the country's Internet regulator, business community and diplomats. The regulator, the Cyberspace Administration of China (CAC) called the meeting - with around 100 participants, including representatives from global technology firms - to present last-minute changes to implementation rules for the country's new Cyber Security Law which was due to take effect in June.

One of those changes was a new 18-month phase-in period from June, said the sources, suggesting the law would not be fully implemented until the end of 2018.

The new law aims to meet growing threats such as terrorism and hacking, and is described by the authorities as applying to both domestic and foreign firms. Chinese officials say the law applies equally to both domestic and foreign companies.

Industry pushback

So far, the industry has lobbied for the regulators to delay or water down the proposed law, which governs data surveillance and storage for firms operating in China, as it could be onerous for compliance.

Reuters also reported that it had seen a letter to the CAC from over 50 industry bodies from 11 countries which highlighted their concerns over how the new rules could negatively impact billions of dollars in trade.

Sources which attended last week's meeting said that officials had made some concessions, though they provided no further details.

Stricter rules

The new cyber law codifies data protection principles which are much stricter than its Western counterparts. In addition to internationally common standards, such as requiring user consent before moving data beyond country borders, China's new cyber law also mandates companies store all data within China and pass security reviews.

The US business community has been concerned that there is lttle political pressure from Washington on Beijing to make changes to the cyber law. Earlier this month, a group of U.S. senators sent a letter to the Trump administration urging it to press China on restrictions on U.S. cloud service providers.

The European Union Chamber of Commerce in China wrote to the CAC last week saying the new rules were "fraught with weaknesses", reported Reuters.

Source

These fit in with China's idea of "cyber sovereignty" and the control of data flows. President Xi Jinping has in recent months made this a top priority to bolster security. Some measures he has taken include clamping down on fake news organisations and online pornography and extending restrictions on what news can be produced and distributed on online platforms, requiring all services to be managed by party-sanctioned editorial staff.

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Asia: Three Lloyd's insurers launch political risk consortium – AIR – ARM – 24th May, 2017

Three insurers in the Lloyd's market have joined forces to form a Political Risk Consortium in Asia offering increased capacity for a wide range of political and contract frustration risks.

Beazley, Chaucer and Talbot will work collectively to provide large scale capacity of up to $130 million for individual risks, with a policy period of up to seven years, through the new Lloyd's consortium based in its Singapore hub.

Mr Michael Lum, political risks and trade credit underwriter at Beazley in Singapore, said: "The new Political Risks Consortium at Lloyd's Asia allows local companies to protect themselves against risks related to larger investments in potentially unstable geographies, backed by the collective expertise of three leading Lloyd's syndicates. Beazley's Singapore office has been steadily growing along with Lloyd's overall business in the region and the increased capacity of the consortium will increase the ability of Asia Pacific companies to cover these risks locally."

Ms Margaret To, CEO of Chaucer Singapore, said: "Our brokers and clients told us they needed help solving the problems associated with transacting business in emerging markets. We took this on board, and have responded to the challenge by establishing the new Political Risk Consortium. With greater dedicated capacity, more access to expertise and local representation for the Asia-Pacific region, the new Consortium and Chaucer Singapore provides brokers and clients with direct access to market-leading political risks solutions."

Mr Jaime Taylor, political risks and trade credit underwriter at Talbot Risk Services Pte Ltd. in Singapore, said: "Talbot is delighted to work with Beazley and Chaucer to bring this new Political Risk Consortium to Lloyd's Asia. We expanded our global footprint into Singapore in 2007 and have since worked diligently to meet the needs of our clients here. Together, we will offer the Asia market the ability to assemble and deliver large scale capacity quickly and efficiently, delivering quotes for cover locally that meet our clients' deadlines."

Source

Lloyd's is a major insurer of political risks – the risk that political acts or upheavals will result in a loss when investing in a specific country. Key risks covered by these policies include government intervention, confiscation and physical damage due to war, currency inconvertibility and contract frustration related to defaults, and non-payment by sovereign entities.

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Philippines: Insurers urged to develop cyber cover – AIR – eDaily – 23rd May, 2017

The Insurance Commission (IC) is urging the insurance industry to develop products protecting Filipinos from cyber risks, following the WannaCry ransomware attack earlier this month.

In a statement issued over the weekend, Insurance Commissioner Dennis Funa said that the Philippines is lagging behind other countries in terms of the development of cyber insurance products despite the growing need for these products and their potential for growth. He encourages insurance companies to develop products that would protect individuals and entities against Internet-based risks.

"At present, it is only AIG Philippines Insurance that has an approved cyber insurance policy which is currently available in the market, while one leading non-life insurance company has submitted a proposed cyber insurance and data asset and network security products for approval of the IC," Mr Funa said.

The Commissioner said the available cyber insurance product in the Philippine market offers protection against losses due to improper denial or approval of access to data; breach of computer software, system or security; or theft of a computer hardware, among others.

"By optional extension, cyber extortion liability may be covered which provides for payment in case of extortion loss as a result of a security threat, as well as payment for the cost of investigation to determine the source thereof. This coverage can directly address cyberattacks such as ransomware," he added.

Source

Other than the development of cyber insurance products, Mr Funa said there is also a need for the government, private institutions and the media to create public awareness of the benefits of having insurance protection against cyber risk.

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