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INSUNEWS

- Weekly e-Newsletter

14th – 20th October 2016

● Quote for the Week ●

"Contentment makes poor men rich, Discontent makes rich men poor."

Benjamin Franklin

INSIDE THE ISSUE

Insurance Industry

India, Myanmar sign 3 MoUs for cooperation in insurance, power and banking – The Asian Age – 19th October, 2016

The MoUs were signed in the presence of Prime Minister Narendra Modi and visiting Myanmar State Counsellor Aung San Suu Kyi.

India and Myanmar on Wednesday signed three MoUs for cooperation in insurance, power and banking sectors as part of efforts to improve ties between the two countries.

The MoUs were signed in the presence of Prime Minister Narendra Modi and visiting Myanmar State Counsellor Aung San Suu Kyi after the delegation-level talks.

External Affairs Ministry spokesperson Vikas Swarup tweeted "#IndiaMyanmar: Partners in Progress - The two leaders witness the exchange of agreements in sectors of power, banking and insurance."

The Agreement/ Memorandum of Understanding to be entered between India and Myanmar are as follows:

a) MoU between Financial Regulatory Department of Myanmar and Insurance Institute of India for designing an academic and professional building programme for insurance industry of Myanmar.
b) MoU on Cooperation in the field of Power Sector.
c) MoU on Banking Supervision between RBI and Central Bank of Myanmar.

Source

Back

Insurance marketing firms yet to widen services – Business Standard – 15th October, 2016

Insurance marketing firms, which are licensed as a separate entity under the intermediary category, have stuck to pure soliciting or procuring insurance products. While 44 insurance marketing firms have been registered by the Insurance Regulatory and Development Authority of India (IRDAI), only five are involved in distribution of other financial products.

Insurance marketing firms are registered by the IRDAI to solicit or procure insurance products, to undertake insurance service activities and also to distribute other financial products as specified in the regulations by employing individuals licensed to market, distribute and service such other financial products.

These entities can tie up with up to six insurance companies. While this was mandatory earlier, the IRDAI later decided that insurance marketing firms need not compulsory tie up with two life, two general and two health insurance companies. The regulator also said no insurance company could restrict an insurance marketing firm from having tie-ups with other insurance companies.

Insurance marketing firms employ insurance service providers to solicit or procure insurance products. But an insurance marketing firm is free to solicit or procure insurance business from all over the country. To enable more insurance service providers to join, the regulator has said that every provider employed by an insurance marketing firm has to be paid a fixed monthly salary not lower than Rs 5,000.

While the endeavour was that insurance agents would play an active role by becoming insurance marketing firms, not many have come forward. The chief distribution officer of a mid-size private life insurer said the incentive structures were not attractive enough for agents to move into this channel on a large scale.

The IRDAI has said the remuneration payable to the insurance marketing firm by the insurer for solicitation of policies by insurance service providers shall be treated on the same terms as applicable to brokers for existing products.

Since it is not mandatory to tie up with six insurers, not all insurance marketing firms have entered into multiple tie-ups. Some have restricted themselves to one insurer in life, non-life and health while a few others have only tie-ups in one category. Insurers said while the new channel might help them acquire more business, some constraints were yet to be resolved.

Source

For instance, the CEO of a life insurance company said there were some issues related to the salesperson being a local of a district. He added it might not be feasible to find insurance service providers in some locations.

Back

Battle of the KYCs: Life versus general insurance – The Times of India – 14th October, 2016

While life insurance companies in India are having few problems in implementing uniform know your customer (KYC) norms under iTrex - the general insurance industry is struggling to bring in norms and has made multiple representations to the regulator. The industry asking for extensions on the October 1 deadline for implementation.

All insurers have been told to upload data onto iTrex, the digital platform for insurers and insurance repositories that helps them look up e-insurance account details and exchange e-KYC and policy data. As per Insurance Regulatory and Development Authority of India guidelines, no customer can have more than one e-account across all insurance repositories, therefore there needs to be a central mechanism (iTrex) to ensure there are no duplicates. The iTrex facility, which can be used by insurers and approved persons to check the existence of e-account before accepting the KYC application form.

While life insurers have monoline products and detailed KYC forms, general insurers, who covers motor, health, terrorism, fire, catastrophic events, marine cargo, have more basic KYC forms as they require lesser details about their customers for the annual contracts.

"In commercial vehicle insurance - the policyholder could be different from the driver, owner, operator or aggregator of the vehicle. I could take health covers for my children, wife, parents, employees, domestic help - just about anyone. The name of the policyholder, nominee, vehicle ownership - there are too many variables in the general insurance industry, which is why we never as our customers as many questions as life insurers do when they fill up KYC details," says Sanath Kumar, CMD, National Insurance Co.

"General insurance is mostly an annual contract and we don't require the same set of details as life companies, so we've informed the IRDA, data repositories as to the difficulties in implementing it on the ground," says National's Kumar.

The IRDAI regulations on e-policy and e- insurance accounts is effective from October 01, 2016. "The implementation of e-insurance accounts requires IT integration as well as system and process changes, which we are still working on. Many companies have approached the authority for additional time for its complete implementation," admits Easwara Narayanan, chief operating officer, Future Generali India Insurance.

"However, while e-insurance accounts are not mandatory, Demat accounts are compulsory for investment in securities like mutual funds. The task at hand is to educate customers on the benefits of dematting policies. Moreover in case of motor insurance, insured has to mandatorily carry evidence of a valid motor insurance policy whereas neither the Motor Vehicles Act nor the IRDAI e-insurance regulations exempt such policyholders from carrying a physical copy of insurance," says Future Generali's COO Narayanan.

Source

Back

World looks to cash in on India's Fintech Goldrush – The Economic Times – 19th October, 2016

Accelerators and incubators specialising on financial technology startups are increasingly coming to India, with 2016 witnessing the launch of several of them, from Startupbootcamp's local edition and a Swiss Re programme to Zone Startups and Rainmatter.

They expect to see global products emerging out of the Indian financial services and insurance industry .Such solutions could have the potential to be replicated in markets similar to India, such as Latin America and some south east Asian countries like Indonesia and Malaysia.

Startupbootcamp, which has fintech accelerators in cities like New York and London, entered India after setting up its Singapore chapter. "We saw a lot of Indian applicants when we set up our Singapore accelerator, that's when we finalised on entering the Indian market. We are expecting to see around 300 applicants with many of them offering innovations revolving around alternative lending and payments," said cofounder Nektarios Liolios. The accelerator, which has partnered with banks like ICICI Lombard and RBL Bank in India, takes a 6% equity stake in the short-listed startups that enter its programme. The innovations that the startups come up with will be integrated into use cases for the banking partners.

"We are definitely expecting to see global products emerge out of the Indian market that can be replicated in Latin American and south east Asian markets," said Liolios.

It expects to short-list 10 fintech players for a three-month programme beginning in December.

Companies and banks usually provide an annual fee to the accelerators for managing such programmes, while aiming to either acquire the participating startups at the end of the session or turn them into business partners.

"We work with corporates on mandates to set up an accelerator programme, they focus on sponsoring everything for the selected startups from their accommodation and travel to space to work. While we receive an annual fee by the corporates, they can on-board startups as partners or vendors after a successful proof of concept or acquire them," said Ajay Ramasubramaniam, director of Zone Star tups India. If neither of the two takes place, the startup is likely to raise funds on its own and work solo.Zone Startups India recently partnered with Barclays and Axis Bank to start accelerator programmes, and expects the ideas that come out to have a global market.

"For instance, one of the biggest problems (in the financial services sector) would be financial crimes or fraudulent activities. We are expecting to see solutions from our big data and analytic players through predictive analytics or some newer innovations. These kind of use cases can be global," said Ramasubramaniam. "In the Barclays programme, each of the 10 startups are working with Barclays chief executives in different markets globally to get an idea of the technical applications."

Global reinsurance provider Swiss Re recently launched an insurtech accelerator focusing on internet of things products, expecting to see innovations ranging from sensors detecting issues in large machinery to devices like wearables. The company , which received more than 80 applications, offers no equity grant and aims to either acquire the startups or on-board them as partners.

Rainmatter, a fintech incubator launched by Nithin Kamath, founder of discount brokerage firm Zerodha, is open to receiving applications 365 days a year, unlike traditional incubators. But it has a stringent admit policy. It has admitted just half a dozen startups so far since starting operations in 2015.

Source

Insurance Regulation

Mandatory listing of insurance firms on hold – Business Standard – 17th October, 2016

Insurance companies will not be asked to compulsorily list themselves in the stock market, as the Insurance Regulatory Development Authority of India (Irdai) is having second thoughts about it after a nudge from the finance ministry.

"We had never insisted on it (listing). It is only a discussion paper and should be seen in that perspective," Irdai Chairman T S Vijayan told Business Standard.

He also said he had received comments on the paper from many companies asking for a reconsideration of the proposal. "We are willing to wait", he added.

In August, Irdai surprised the 55 life and non-life insurance companies in India, when it issued a discussion paper on the need for them to get listed. The regulator gave the companies a short timeframe of less than a month to respond. "The hurry created an impression among firms that the final regulations would be in place soon", said the CEO of an insurance company.

Several companies have since approached the finance ministry, too, to discourage Irdai from making the plan operational. A highly placed government official said they have asked Irdai to go slow on the plan. In an unusual move, the government has since appointed former secretary (expenditure) in the finance ministry Sushma Nath as part-time member to Irdai. This is only the second such instance since 2003, when former revenue secretary C S Rao took over as chairman of Irdai, that a top finance ministry officer has moved into it.

The official said the appointment of Nath shows the government is keen to tighten its control over Irdai. Currently, it has a joint secretary level officer from the finance ministry as a part-time member.

Irdai has been asked to place the controversial listing plan for a detailed discussion at the next meeting of the insurance advisory committee. While in the normal course a discussion paper goes to the committee and is then made a regulation by Irdai, in this case, the process of consultation with industry is likely to begin afresh after the committee deliberates on it. In any case, since the advisory committee includes 25 members including life and general councils representing those insurance companies who have objected to the proposal, the chances of it moving further are dim. The committee was reconstituted in July for a wider representation of all shades of opinion in the sector.

The official said the ministry would suggest that instead of Irdai taking a position, insurance companies can decide on whether they will go public. "It should be their decision. Those who want can test the waters". A report in Business Standard shows for FY13, leaders, especially in life segment, have seen a healthy rise in profitability; but most of this has come from underwriting income and because of their exclusive tie-ups with banks.

In Budget 2016-17, Finance Minister Arun Jaitley had announced plans for listing on stock exchanges of non-life insurance companies owned by the government. The move was meant to ensure higher levels of transparency and accountability within these firms once they were subject to the discipline of the market. Irdai expanded the scope of that with its compulsory listing plan. Vijayan said Irdai does not distinguish between private and public sector entities. It implies just that as compulsory listing would impact both, a possible decision to rescind this would impact both, too.

The only insurance company to float a public issue is industry leader ICICI Prudential. Smaller insurance companies have argued that compulsory listing will lead to excessive consolidation within the sector. "This, in turn, will lead to greater control of insurance pricing by a few insurers. While greater rationality in the pricing of risks in the Indian market would be welcomed we do not believe a regulator will be thanked for the facilitation of the consolidation of pricing power," a note by these firms argues.

According to them, to comply with forcible listing, insurance companies with lesser amount of capital will find it difficult to obtain a proper price and struggle to improve their share price. "This will not only impact (their) ability to attract equity investors, but this weakness will also impact investor confidence in the company, leading to more expensive pricing of capital for the company, which will have to be passed on to policyholders", a sector specialist said.

That they have a point comes out clearly in a CII-EY paper on technological changes in the sector. "Insurance bundling on e-commerce platforms has enabled greater customisation in product and pricing, thereby, targeted marketing to customers", it says. This sort of positioning is not possible except for niche companies.

An Assocham report on the health insurance sector, for instance, says "health insurance ecosystem for India should have more private players. Only 60 million people are covered under private insurance schemes, which should go up substantially." The same paper notes that India stands 15th globally with respect to premium income.

Source

Back

Insurance panel to meet Monday to finalise commission structure – The Financial Express – 15th October, 2016

The Insurance Advisory Committee will meet on Monday to finalise the commission structure. The recommendations of the advisory committee will be send to the board of the Insurance Regulatory and Development Authority of India (Irdai) which will take its final decision in its meeting scheduled for October 24. Apart from the commission structure, Irdai is also keen on taking a decision with regard to providing second stage of licence (R2) to global re-insurers in the board meeting.

During the Assocham 9th Global Insurance Summit in Mumbai, Irdai chairman TS Vijayan had said, “There are five-six players that has approached Irdai and I think by January 2017 some of them will start coming in. I think R2 will be given in the next Irdai board meeting and they (foreign reinsurers) have to bring in capital to start working.”

As of now, state-owned GIC Re is the only re-insurer which is fully operational. There are three levels of licences to be issued by Irdai to foreign re-insurers to start their operations. They have received R1 licence and now are waiting for R2 and R3.

Senior officials in the Irdai said coming out with the new commission structures will be a major regulation after passage of the Insurance Law (Amendment) Act 2015. “I think most of the new laws are in place and while finalising the commission structure we have kept in mind concerns of the industry and it will be very balanced structure,” said a member from Irdai.

The insurance industry has been recommending decent structure for the intermediaries or agents.

Consequent upon promulgation of lnsurance Laws (Amendment) Act, 2015, amendments to the provisions of the Insurance Act, 1938 and the Insurance Regulatory and Development Authority Act, 1999 were effected.

Source

The insurance industry has been urging the regulator to allow them to specify the commission ceiling instead of specific commission rates in the ‘file and use’ documents.

Back

Life Insurance

New life premiums see 61% rise in September - Financial Chronicle - 16th October 2016

LIC's new premiums reported 65% jump, rising to Rs 11,117.48 crore from Rs 6,724.88 in the year-ago month Individual single premiums more than doubled even as new premiums jumped 61 per cent for life insurance companies last month.

First year premiums rose to Rs 16,767.41 crore last month from Rs 10,415.35 crore in September last year. The growth was mainly driven by a 65 per cent rise in the new premiums witnessed by Life Insurance Corporation (LIC). LIC’s premiums rose to Rs 11,117.48 crore from Rs 6,724.88 in the year-ago month. Private insurers also grew their new premiums by 53 per cent to Rs 5,649.92 crore in September this year from Rs 3,690.47 crore in September 2015, as per data by the insurance regulatory and development authority of India (Irdai).

Amongst the main private insurance gainers were India First Life Insurance, which grew its premiums by a whopping 327 per cent, Bajaj Allianz (255 per cent), Birla Sun Life (149 per cent), Tata AIA Life (144 per cent), SBI Life (132 per cent) and HDFC Standard Life (70 per cent). New premiums declined in the case of ICICI Prudential Life, Aviva Life and Aegon Life.

Individual single premiums registered a healthy growth of 108 per cent, jumping from Rs 978 crore in September last year to Rs 2,038 crore last month. This rise in individual single premiums also was aided by the

146 per cent growth — from Rs 711 crore to Rs 1,754 crore — witnessed by LIC. Private insurers witnessed a muted growth in their individual single premiums.

Both group single and group non-single premiums of life insurers grew by 77 per cent. Group single policies, with Rs 9,668 crore, accounted for the largest chunk of premiums. Individual non-single premiums grew by 18 per cent.

In the case of LIC, group single premiums grew by 76 per cent while group non-single premiums declined by 19 per cent. However, private insurers registered 141 per cent growth in the group non-single premiums. Group business is a fund business and driven by corporates. Being big-ticket premiums, the business can vary month-on-month, while individual business is largely steady. For the six-month period ending September 30 (2016), new premiums of the life insurers grew by 35 per cent.

Source

Marginal dip of one per cent in the number of new policies issued was witnessed last month. Both LIC and private players saw a marginal decline in policy numbers. But there was a 44 per cent growth in the number of people covered by life policies.

Back

General Insurance

Insurance, aid for Marathwada farmers hit by October downpour – The Times of India – 19th October, 2016

Chief minister Devendra Fadnavis has assured 100% payout to all insured farmers from Marathwada who suffered major crop losses due to heavy unseasonal rain in October. The decision was taken in the cabinet meeting on Tuesday.

Most areas of Marathwada were affected by the heavy rainfall in the beginning of October and the deluge caused major damage to crops that were ready for harvest.

Officials said the survey is almost complete and the figures that were submitted to the cabinet show that 67% of the area under cultivation in Latur circle and 22% of area under cultivation in Aurangabad were affected due to the floods. A total of 17.9 lakh hectares under cultivation were affected across the state; 12.2 lakh hectares is under the Latur circle. Of the total affected area, 11.6 lakh hectares were under the soya bean crop. In fact, over 70% of the state's soya bean crop was damaged in the floods. Soya bean and cotton are the major kharif crops in Marathwada, and they constituted two-thirds of the total area under cultivation.The soya bean crop was to be harves ted in the next two days when the rain struck. On an average, 45 lakh hectares is farmed in Marathwada, of which 25 lakh hectares is the combined area under soya bean and cotton.

“More than 70% of the farmers who have suffered losses were covered under the crop insurance scheme and so they will be given their insured sum. The ones who aren't will be compensated under the National Disaster Relief Fund (NDRF) rules,“ said an official.

Source

Officials from the agriculture department have also been asked to look into the possibility if 25% of the insured amount can be given in advance to the affected farmers before the paperwork and the survey is completed.

Back

Changing Trends: Buying and renewing your two-wheeler’s insurance cover is no longer a hassle – The Indian Express – 14th October, 2016

Come festive season and auto sales across the country soar. Whether it is during Navratri or Diwali, most people buy two-wheelers and four-wheelers owing to attractive schemes and discounts or simply because the period is considered auspicious for new purchases. Though most two-wheeler owners automatically get motor insurance covers through the motor dealers after they buy a bike, many fall out of the insurance net when the policy is up for renewal after a year.

While most buyers are not aware of the coverage that their motor insurance offers, people also make the mistake of missing the renewal date for their policies. Unfortunately, this situation is not rare as the premium to renew these policies is very less. A recent study highlights that only 40 per cent of two-wheeler owners renew their covers every year.

Recent data published by the insurance regulator reveals that almost 75 per cent of the two-wheelers plying on the road are not insured despite being mandated by law. While many actually forget to renew their policies, a large number of two wheeler owners do not renew their policies just to save the small amount in premium and also to avoid going through the hassle of getting the vehicle inspected again to get a policy.

By not having a valid insurance policy, vehicle owners expose themselves to not just a violation of law, but also a huge liability risk. An accident involving a motor vehicle can cause considerable damage and human injury. Hence, unlike other properties where the choice of insuring or not lies with the owner, a motor vehicle is required by law to be insured with respect to the user's liability for death, bodily injury or damage to property of a third party.

Also, as the driver of the vehicle may not be able to take on the entire liability, the Motor Vehicles Act has made third party motor insurance mandatory so that the injured third party receives adequate compensation.

A motor insurance policy is an annual contract, which requires renewal every year. In case one misses out on renewing the policy, it will lapse. This would mean following the applicable procedure while buying a new policy. To apply for a third party motor insurance or a liability only cover, the process is simple and an insurance company will offer the policy even after a break in. However, any claims arising during the period when the policy is not in force will not be covered. Opting for a comprehensive motor insurance policy, which will also cover damages to the vehicle, one has to go through a slightly longer process.

For renewing the lapsed policy for a two-wheeler, one can take the vehicle to the nearest branch of the insurer, or reach out to an insurance agent or the banking partner for the renewal. However, the company will get a physical inspection done for the vehicle before they renew the policy. The inspection is done to document any pre-existing damages to the vehicle during the break in period. The insurer may at their indiscretion not cover these damages though it may decide to insure the vehicle. The insurer may also charge a higher premium for a vehicle whose policy has lapsed or may even decide to reject the insurance proposal if there are any discrepancies in the proposal submitted.

It is therefore advisable to ensure that a two-wheeler is insured at all times without any break-in renewals. As for policies lapsed for over 90 days from the date of expiry, one will also lose out on the no-claim bonus that one may have otherwise accrued, which can add up to a substantial loss.

Insurers have in the recent past launched some convenient options to encourage and ensure that two wheeler owners renew their insurance policies and are covered against risks. Here is a helpful guide on different ways to renew motor insurance policy and to avoid a lapse.

Online Renewal
Majority of insurance providers today have created simple interfaces on their websites through which one can directly renew policies online. All one has to do is log on to the insurer's website and fill in the required details, including vehicle registration number, policy details and information pertaining to any add-on cover that one may have opted for. The policy will be renewed at the completion of this procedure and documents will be sent via email and one need not face the hassle of getting the vehicle inspected and surveyed.

However, the risk cover will commence three days after the day the policy is bought and any claims registered before this period will not be covered. These interfaces today are mobile compatible as well and provide ease of transaction. One can also compare premiums and purchase it through the websites or portals of online insurance aggregators.

Mobile Apps
One can easily renew his two wheeler policy through the mobile app of the insurance company. Almost all major insurers have their own apps which make it very convenient for vehicle owners to renew their covers.

Long-Term Two Wheeler Policy
Recently, some insurers have launched three-year motor insurance policies for two-wheelers, so that they can lock in the same premium rate for three years without the impact of fluctuations in third party premium and there is no hassle of renewing the policy every year.

The high incidence of road accidents in India make it absolutely necessary to ensure that a two-wheeler is adequately insured, not just with the compulsory third party motor insurance cover but also a comprehensive cover to protect any damages to the vehicle. Additionally, with the Motor Vehicles (Amendment) Bill imposing stricter penalties on driving without insurance and the government getting stringent on its implementation, consumers need to ensure that their two wheeler is on the road with a valid cover for worry-free rides.

Source

Back

How this start-up is breaking new ground in earthquake insurance – Business Standard – 14th October, 2016

A fintech start-up from Singapore wants to help insure farmers in India and China against major temblors.

Asia Risk Transfer Solutions (Arts) is currently developing models for these two countries that will provide insights into the risks of each location. This is part of its plans to develop parametric-based, catastrophe insurance products that, it says, are cheaper to administer than conventional ones.

The conventional models on the market compensate victims based on damage assessments by insurers. However, US-based consultants, engaged by Arts, have scaled these figures to calculate the payout for their parametric models.

When an earthquake hits, Arts will overlay its model over previously published earthquake intensity maps to determine how locations around the epicentre have been affected. This model will allocate values to the earthquake intensities in different areas, and payout will be given accordingly.

This makes extensive, on-site damage assessments after a disaster unnecessary, saves expenses, and provides prompt payouts to policyholders. Arts' algorithms will also provide recommendations on premiums payable by consumers in different locations.

"Currently, parametric insurance is mostly used in catastrophe bonds, which is a different level of risk transfer in the market. What we are doing is bringing it to a level between insurers as well as consumers," says Jovian Ang, vice-president of Arts.

Arts is hoping to complete earthquake modelling for both China and India by the end of 2016 and has begun talks with insurance companies in both countries. As part of its efforts to enter the Chinese market, Arts recruited Dr Feng Hongjuan, chairwoman of Qianhai Re, to its board of directors last month.

Source

Back

Health Insurance

More than half of the Indians who have health insurance are underinsured – Mint- 20th October, 2016

Even as the awareness on importance of insurance in general, and health insurance in particular is on the rise, a study by a health insurance provider in India has found that over half of policyholders do not have adequate cover. According to Apollo Munich Health Insurance, 51% of health insurance policyholders in India have purchased low sum insured health insurance policies, which would not suffice in case of medical emergencies.

“Underinsurance is a sombre problem as it not only results in increased stress and sudden out-of-pocket expenditure for policyholders during times of medical exigencies, but also gives them a false sense of assurance of being covered,” said Antony Jacob, chief executive officer, Apollo Munich Health Insurance.

According to Mahavir Chopra, director-health, life and strategic initiatives at Coverfox.com, an online insurance broker, around 20% of the population is covered today with some health insurance. This includes government-backed programmes such as Central Government Health Scheme, employee group programmes and retail health insurance. “Every country has looked at health care and health-care financing differently. For instance, China has 95% penetration of health insurance, although the coverage of the population through government schemes is inadequate,” he added.

Although the number of health insurance policyholders in India is increasing, people most often choose the lowest-sum insured policy. Some of the reasons are: lack of awareness about how to pick the right sum insured, overdependence on corporate health insurance coverage and willingness to pay a premium that is only up to the highest limit of deduction under section 80D of the income tax Act. “People must understand that health insurance is not just a tax-saving tool, and therefore be mindful while choosing a sum insured for themselves and their family,” said Jacob.

Another factor that leads to low penetration of insurance and underinsurance is low confidence among consumers regarding both insurance and insurers. “Honestly, the health insurance products available in the market today are built with the assumption that an adviser or agent will advise on them or sell them. They cannot be understood by an average person on the street on his own,” said Chopra. So when claims get rejected, even with valid reasons, it leads to bad experience; again due to limited understanding of the terms and conditions.

According to the Apollo Munich study, underinsurance is more prevalent in the higher age brackets as 62% of the policyholders above 45 years of age are underinsured. In contrast, only 38% people between 18-35 years are underinsured. The underinsurance percentage of people between 61-65 years is 75%. “One of the main reasons for this alarming underinsurance statistic is that policyholders do not upgrade their sum insured on the basis of their increasing age, changing needs and medical inflation,” the study said. Individuals in their 20s should ideally have a sum insured cover of Rs5 lakh, while those above the age of 60 years should own health insurance coverage of at least Rs10 lakh, it said.

While industry needs to invest more on product and consumer awareness and less on agents and distribution, customers can now make an informed decision, by comparing insurance products online.

Source

“Fintech and online insurance policies have done their bit in making the decision to buy health insurance transparent and objective for the customers,” said Chopra.

Back

Workers can soon choose insurance plans other than ESI – Business Standard – 16th October, 2016

Over 2 crore formal sector workers will soon have an option to choose health insurance products available in the market in lieu of the mandatory scheme run by the Employees State Insurance Corp (ESIC).

At present, formal sector workers with monthly wages of up to Rs 21,000 per month are mandatorily covered under the health insurance scheme run by the ESIC.

"The Labour Ministry will soon send a bill to the Union Cabinet to amend the Employees' State Insurance Act 1948, to facilitate the beneficiaries of ESIC scheme to opt for health insurance products available in the market," a source said.

"The Ministry will push the bill for passage in the forthcoming Winter Session of Parliament beginning November 16," the source added.

The Labour Ministry's move is in line with the announcement made by Finance Minister Arun Jaitley in his Budget speech this year to provide an option to formal sector workers covered under ESI scheme to choose a health insurance product recognised by the Insurance Regulatory and Development Authority (IRDA).

The source said, "The inter-ministerial consultation on the bill to amend ESI Act, 1948 has already been completed. However, the bill is to facilitate the workers, but trade unions had opposed the proposed amendment."

"The unions had asked the Labour Ministry to first ensure the availability of health insurance products in the market, which can match the benefits provided under the ESI scheme," the source added.

Although the proposal appears to be tempting but there are certain questions and doubts raised by trade unions which still remained unanswered.

Unions had asked at different fora that how would ESIC ensure coverage of each and every employee under ESIC or other insurance products after the proposed amendment.

They had also stressed on the need for developing a mechanism to ensure that benefits under other health insurance products and ESI are comparable.

Initially, it was proposed to give a one-time option to ESI subscribers to switch over to other health insurance products but the final draft of the bill provides for no such limitations, the source said.

After the amendment, there will be no limit as such for workers with regards to making a switch over to other insurance products or vice versa.

A similar facility was also proposed by Jaitley for subscribers of the retirement fund body Employees' Provident Fund Organisation (EPFO).

The proposed move is part of the EPF & MP Amendment Bill 2016, which can also be pushed for passage in the forthcoming winter session.

The bill is not approved by the Union Cabinet so far. Unions had also opposed this proposal saying that there are a few such products available in the market which are comparable with EPFO scheme, which provides provident fund, group insurance and pension.

Source

Back

IRDAI Circular

Source

Terms and Conditions of Life Products for F.Y. 2016-17 are available on IRDAI website.

Source

First Year Premium of Life Insurers for the Period ended ended 30th Sept available on IRDAI wesite.

Back

Global News

Singapore: Taskforce plugs moves to curb health insurance claims – Asia Insurance Review e-Daily – 14th October, 2016

The Health Insurance Task Force (HITF) yesterday recommended that insurers consider instituting preferred healthcare provider panels among ways to enhance insurance procedures, to address the issue of escalating medical claims costs that continue to place upward pressures on health insurance premiums.

The HITF, formed in February 2016, made four broad recommendations to better manage the escalation of claims in Integrated Shield Plans (IPs), in its paper titled "Managing the Cost of Health Insurance in Singapore". IPs comprise two components: the basic government-run health insurance plan known as MediShield Life and additional private insurance coverage offered by private insurers. IPs provide cover to two-thirds of Singapore residents.

The average IP claims incidence rate has been growing at approximately 9% per annum, and the overall average bill sizes incurred by IP insurers has increased at approximately 0.6% to 8.7% per annum depending on the medical provider chosen. The statistics taken from "LIA Study on the Cost of Health Insurance in Singapore" also showed that IP insurers paid out claims amounting to S$488 million (US$352 million) in 2014 alone.

The HITF recommendations, which involve all relevant stakeholders, are:

- Introducing medical fee benchmarks or guidelines
- Clarifying existing process to surface inappropriate medical treatment
- Enhancing insurance procedures and product features
- Educating consumers to help them in their healthcare decision-making.

The taskforce notes that insurers play an active role in supporting patients' medical treatment as they have access to extensive health insurance claims data and are well placed to identify potential anomalies in medical treatment through their review of claims. Insurers can refer cases to the Singapore Medical Council (SMC) if there are concerns over over-charging and inappropriate medical intervention amounting to professional misconduct.

The HITF recommends that the Ministry of Health work with the Singapore Medical Council (SMC) and the Life Insurance Association, Singapore (LIA Singapore) to clarify and refine the existing process for insurers to raise cases of inappropriate and excessive medical interventions to the relevant authorities while keeping the impact on affected policyholders to a minimum.

The HITF also notes that pricing practices vary among different medical professionals and that panels of preferred healthcare providers is common practice locally and internationally for insurers providing employee benefits insurance to manage variations in fee charging behaviour. It recommends that insurers consider the use of preferred healthcare provider panels, where appropriate, to manage medical costs. Such arrangements should be made known to the policyholders.

Co-insurance and deductibles

The introduction of as-charged IPs and IP riders that result in zero co-payment coverage may have contributed to the escalation of IP claims, said the HITF. It recommends that all life and general insurers offering medical insurance consider co-insurance and/or deductibles in their product design, to encourage consumers to play a more active role in managing their medical care costs as they are then more acutely aware of the medical charges incurred.

The HITF encourages insurers to adopt a "pre-authorisation" framework which it says would allow insurers to assess the medical necessity of the treatment and ensure that the cost of treatment is covered by the policy's terms and conditions. Secondly, it can give patients or policyholders peace of mind to know that their treatment is covered by their insurance. Thirdly, it gives clarity to healthcare providers on the type of procedures covered by insurance so as to better advise their patients prior to the actual procedure.

The taskforce highlights the pressing need for closer collaboration amongst the multiple stakeholders within Singapore's healthcare eco-system to ensure that healthcare and medical coverage remains affordable for all.

The 11-member HITF is chaired by Ms Mimi Ho of Regulatory Professionals Pte Ltd with representatives of the Consumer Association of Singapore, LIA Singapore, and the Singapore Medical Association. HITF is supported by the Ministry of Health and MAS.

Ms Ho, Chairperson of the HITF, said: "Recommendations put forth by the Health Insurance Task Force are practical first steps to maintain the affordability of health insurance premiums and, more importantly, to sustain the accessibility of quality healthcare for all Singapore residents. While we recognise that it might take some time to fully realise the benefits of the recommendations, these initiatives will set the foundation for a sound and sustainable insurance-based healthcare financing system as we face the challenges of an ageing population."

Dr Khoo Kah Siang, President of LIA Singapore: "This is a step in the right direction, breaking down silos and bringing together different parties along the healthcare value chain to find even better ways to manage increasing claims costs. In the long-term, this will also result in improved efficiencies and cost savings within the healthcare eco-system will allow life insurers to continue providing IPs for Singapore residents in a way that is sustainable for both insurers and the public."

Source

Back

China: CIRC to require insurance sales process to be recorded – Asia Insurance Review e-Daily – 18th October, 2016

The insurance regulator CIRC is working out guidelines for the mandatory recording of the insurance sales process, in a bid to stamp out mis-selling.

CIRC aims to implement the guidelines wef from 1 July 2017, reported the Shanghai Securities News.

Currently, the regulator is carrying out a second round of consultations on the procedures for voice and video recording of the sales process. These would require voice recordings for telephone sales and voice and video recordings for on-site sales. The requirements will vary with the types of customers, intermediaries and products.

For instance, if a sale is by an insurance agent, voice and video recordings would be required of the entire selling process for life insurance products with a term of more than a year. For a sale by a professional intermediary, such recordings would be mandatory where a life insurance policy with a term of over a year is being sold to a customer aged older than 60 as well as where investment-linked policies are being sold.

Source

Asia Pacific: Zurich launches supply chain insurance solution – Asia Insurance Review e-Daily – 19th October, 2016

Zurich has launched a supply insurance product in Singapore and Hong Kong which provides risk assessment services and protect businesses against the risks associated with supply chain management disruptions, delays or failures. The service is available immediately to customers based in the two markets, which Zurich says have shown significant interest in such cover. It has been offered to Zurich's Europe and North American clients for over six years.

Mr Keith Thomas, CEO of Zurich Global Corporate Asia Pacific, said: "Increasing globalisation, improved transport and logistics through to technological advancements have enabled companies to source materials from virtually anywhere in the world. While this provides increased flexibility and cost savings, it can also result in complex supply chains that are highly interconnected, more exposed and difficult to manage."

Zurich Supply Chain Insurance is designed to reduce the number of supply chain failures, and also to provide cover in the event of an incident whereby supplies are not delivered or are otherwise delayed resulting in a financial impact on a company's operations. The policy covers the loss of output of the insured—this "output" is defined according to the specific needs of the insured but typically refers to gross profit or revenue. Thus the policy can cover the loss of profit caused by a covered supply chain disruption, as well as the additional and increased costs of working (such as switching suppliers etc) as well as liquidated damages costs under contract, explained Mr Hassan Karim, Technical Underwriting Manager, Zurich Asia Pacific.

The product has two components—risk assessment and insurance. In the first phase, risk engineers will conduct a comprehensive supply chain risk assessment for clients in order to identify and evaluate their exposure to critical risks throughout their supply chain and recommend prioritised mitigation actions. The results of this risk assessment together with other sources of data are then used to underwrite and price the risk in the second phase. Claims are managed by Zurich and supported by specialist third parties where necessary.

Trigger

The claims trigger is a reduction in the named supply from the named supplier that results in a loss of output of the insured (subject to policy conditions) and is not sub-limited at the lower chain levels. In addition to this, there is also an option to replace traditional post-loss claims settlement with a pre-agreed loss calculation formula (proxy for indemnity) which speeds up claims settlement and provides certainty around claims settlement for those customers that want it.

Mr Karim said that prior to the introduction of supply chain cover, companies would have to take out a variety of policies such as contingent business interruption (BI), product liability and trade credit and political insurance to cover supply chain risks, and could still end up with gaps given the coverage limitations of each of those products, usually only related to physical damage and even then often only covering direct suppliers and being heavily sub-limited. In contrast, supply chain insurance offers a holistic "all risk" multi line BI cover which can extend thorough all tiers of the supply chain.

"At present we can only offer the insurance cover to companies domiciled in the Hong Kong, Singapore, USA, Canada and Europe; though the risk assessment element can also be purchased on a standalone basis and can be offered in a wider scope of countries. Having said that, the suppliers could be located anywhere and therefore the disruption could also occur anywhere, however as the loss will occur on the balance sheet of the Hong Kong or Singapore company, that is where the loss would be paid. It is worth mentioning that the cover also covers non-physical damage disruptions and the cover can extend all the way down through the supply chain to even the raw material level," Mr Karim said.

Source

He indicated that the policy will continued to be rolled out globally and is expected to be launched in other countries in the near future.

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China: Interest rates pose major challenge to life insurers - Asia Insurance Review e-Daily – 19th October, 2016

The current complicated interest rate environment is posing a critical challenge to the life insurance industry in China, Mr Huang Hong, Vice Chairman of CIRC, has said.

Speaking at an insurance summit in Shenzhen last week, he pointed out that China's interest rates will stay at a low level, which would have an all-round impact on the life insurance industry in terms of pricing mechanisms, business models, investment channels and risk management methods, reported the China Daily.

The asset size of the insurance industry in China now is 53 times that in 1999, he added, reminding industry players to handle the low interest rates carefully, otherwise they could face a huge problem.

At the summit, the Insurance Association of China released a report on the development of China's life insurance industry. The report shows China's life insurance companies rely heavily on interest margins.

Mr Cui Wei, a general manager of the global advisory and broking firm Willis Towers Watson, said that the industry has adjusted its asset allocation during the period of decreasing interest margins. The proportion of bank deposits and bond assets dropped by 7% and 11% respectively while equity assets increased from 10% to 15% from 2013 to 2015.

Source

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Retakaful: Call for terminology and operating models to be standardized – Asia Insurance Review Middle East – 16th October, 2016

Retakaful companies need to undertake three major tasks in order to expand their business. They need to standardise retakaful terminology with clear legal terms, unify Shariah-compliant models and assess economic benefits to their investors, said Mr Adam Ahmed Hassan, General Manager of Baraka Insurance - Sudan.

He was speaking at the 9th general conference of the International Federation of Takaful & Islamic Insurance Companies (IFTI) held in Egypt on 12-13 October.

He said that it is necessary to review takaful fatwas, which were issued when retakaful companies started to be established in the 1980s, especially those that allow takaful companies to obtain reinsurance from a traditional reinsurer, reported Amwal Al Ghad. He added that there is a need to support retakaful companies by providing the appropriate legislative and fiscal environment.

Another speaker, Mr Ahmed Arfeen, Managing Director of the Egyptian Takaful Insurance Company (Property), said that the capital and reserves of takaful companies are currently not sufficient to face the risks which they underwrite. Therefore, the takaful operators need to distribute the risk via reinsurance. Retakaful companies can help in this area, he said. He added that retakaful necessitates an international dimension and deals with brokers instead of individuals, so retakaful operators need capital of at least US$250 million.

Four recommendations

Takaful and retakaful operators were urged to adopt four recommendations tabled at the conference so as to promote Islamic insurance in all markets. The recommendations are:

- Takaful companies need to achieve a high solvency level in order to deal with developments and challenges in the industry;
- Takaful companies are to render full support to retakaful operators;
- The takaful sector needs to raise awareness of Islamic insurance products not only among customers but also among insurance professionals in order to boost takaful business and attract new customers;
- Takaful players need to unify all Shariah fatwas related to takaful insurance.

Representatives of more than 70 companies from six Arab countries (Sudan, Qatar, Saudi Arabia, Libya, Bahrain and Lebanon) attended the conference.

Source

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Egypt: Insurance broking sector lobbies for increased support - Asia Insurance Review Middle East – 19th October, 2016

A total of 64 insurance broking firms has been established in the last eight years since the insurance law was amended in 2008. However, in the intervening period, six firms have shut down operations, an indication of the need for greater support for this segment of the insurance market, say industry players.

Industry leaders say that there is an absence of incentives to promote the establishment of brokerage firms. Such firms have to incur general and administrative expenses, such as office rent , employees' salaries and training, reported Al Mal News. Meanwhile, brokerage firms earn the same commission rates as individual brokers who are spared operating overheads.

Mr Mahmoud al-Orabi, the Managing Director of an insurance brokerage, said that incentives must be given to encourage individuals to set up brokerage firms. Establishing brokerages means the entry of new capital into the market, which then becomes more institutional. He said that brokerage firms create jobs. He added that customers who deal with individuals might be left in the lurch when the latter disappear or pass away whereas a brokerage company has continuity.

He pointed to bureaucracy as a challenge saying that the founders of an insurance broking firm have to submit to the authorities a business plan and the full management structure of the firm at the time they apply for a licence. He said: "You may configure it efficiently only after obtaining a licence and have been operating in the market."

Mr Yasser Al-Alam, Managing Director of Egypt Link Insurance Brokerage, said that insurance brokerage firms are struggling to survive in the competitive market.He said that most insurance brokers do not open branches. They maintain a staff strength which can be counted only on the fingers on one hand, so as to minimise costs.

Another senior insurance broking executive called on the Egyptian Financial Supervisory Authority to organise intensive training for the staff of broking firms as well as those who plan to establish brokerage firms. He also called for a map to be developed showing the different work carried out by insurance companies and brokers so that customers can understand the functions and obligations of the two insurance segments.

Meanwhile, participants at an insurance brokerage forum held in Mahalla on Monday called for an increased role for insurance intermediaries.

A speaker, Mr Hamed Mabrouk, Managing Director of Gras Savoye Egypte Insurance Brokerage, said that with insurance penetration still low in Egypt, support is needed for intermediaries for companies to expand business in the governorates outside Greater Cairo and Alexandria.

Source