



भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

INSUNEWS

Weekly e-Newsletter

17th -23rd November 2018

Issue No. 2018/46

QUOTE OF THE WEEK

**“You were born to win, but to be the winner you were born to be,
you must plan to win, prepare to win, and then and only then
can you legitimately expect to win.”**

- Zig Ziglar

INSIDE THE ISSUE

Insurance Regulation	2
Life Insurance	2
General Insurance	3
Health Insurance	4
Crop Insurance	7
Motor Insurance_	9
Survey	10
Opinion	11
Insurance Cases	12
Pension	13
IRDAI Circular	15
Global News	15

INSURANCE REGULATION

IRDAI to review motor insurance norms for own damage cover - The Hindu Business Line - 19th November 2018

The Insurance Regulatory and Development Authority of India (IRDAI) is planning to review norms of the own damage segment of motor insurance. In this regard, it has constituted a working group with experts from the regulator as well as private and public insurers.

While pricing of the motor own damage segment was de-tariffed in 2007, the basic product structure, including the terms and conditions, continue to be governed by the general regulations and various other provisions of the erstwhile India Motor Tariff (IMT).

Though adherence to general norms is mandatory, insurers are, however, allowed to file add-ons to the package policy subject to product filing guidelines. "The number of such add-ons in the market has become humongous, given the evolving nature of the business and demand for various types of covers," the authority said in a circular.

"Today, there is a need to revisit the current product structure keeping in view developments in technology relating to motor vehicles as well as the fast-changing eco-systems," it added.

The working group will revisit the existing framework for motor insurance in the light of various developments over the last few years, including the impact of de-tariffing the pricing component and arriving at a revised framework.

It will also review the classification of products under motor own damage as well as the product structure and design, including aspects such as duration of products, expansion of product suite to include technology-enabled ones, among others, according to a circular.



Source

[TOP](#)

LIFE INSURANCE

How are variable insurance products structured? - Mint - 22nd November 2018

Last month, the Insurance Regulatory and Development Authority of India (Irdai) came out with a draft proposal recommending changes to life insurance products. One of the changes it proposed was simplifying variable insurance products (VIPs). While most of you would know term insurance, traditional and unit-linked insurance plans (Ulips), a VIP maybe unheard of. That's because the insurance industry has largely stayed away from the category.

Structure of VIPs

VIPs take their structure from Ulips whereas their investment pattern mirrors traditional plans. So, just like Ulips, in VIPs the costs are laid out and clearly defined, and are also capped. That means the reduction in yield—or the difference between the gross and net yields—can't be more than 4 percentage points in the fifth year, coming down to a difference of 2.25% in the 15th year and thereafter. However, the draft proposal gives more elbowroom to VIPs.

In terms of product construct, the premiums you pay, net of expenses, get credited into a policy account. The money then gets invested and you earn interest on it depending on the type of VIP you have bought. In case of a participating product, every year the bonus declared by the insurer gets credited to the policy account. In case of a non-participating product, the investment benefit needs to be guaranteed upfront. Typically, under both the products, the policy needs to declare a minimum floor rate of return. In case of non-par products, any additional returns need to be declared every year in advance as well.

VIPs are not popular

VIPs have not been very popular because of a few reasons. First, they were unpopular because like Ulips they have to lay out the costs and conform to a cost cap. Second, a minimum floor rate had to be declared upfront and third insurers were asked to maintain shadow accounts (notional accounts that kept track of income like premium, investment income-and costs). According to actuaries we spoke to, all this was very cumbersome. Insurers, therefore, largely stuck to traditional plans after the last round of product regulations that took place in 2013.

The draft now proposes to make VIPs more flexible. Insurers no longer have to guarantee a minimum floor rate. The need for a shadow account has been done away with, and interest credit in non-par products needn't be declared in advance. The cost caps too are more relaxed—net reduction in yield by the 4th year is up to 4.5% instead of 4% that Ulips have to conform to, this cap gradually narrows down to 2.25% by the 15th year and is comparable to Ulips.

Experts feel if the draft proposals come into effect, the industry may dabble in VIPs once again. From an investment standpoint, VIPs are better than traditional plans as they are more transparent.

[TOP](#)



Source

GENERAL INSURANCE

Cyber security insurance companies run into data smog - The Economic Times - 22nd November 2018

Cyber security insurance, a new buzzword among Indian insurers, has crucial hurdles to overcome before it can live up to the potential promised by the companies. Lack of actuarial data on cyber attacks, murky disclosures by corporate victims and the incredible speed at which a breach may spread globally have companies in a bind.

Actuarial data help insurers evaluate financial implications of risk and uncertainty by applying mathematical and statistical methods, while devising solutions to reduce chances of any future risks and occurrence of any undesirable events. In case of cyber security insurance, actuarial data are scarce as it is a new line of business. And the little data that insurance companies have lose relevance because cyber threat keeps getting deadlier.

Earlier this year, Warren Buffett said cyber security incidents will rise, and with them the potential to significantly harm the insurance industry. He said he doesn't want much underwriting exposure to cyber security threats for Berkshire Hathaway's insurance businesses and expressed scepticism that any insurance company can assess the risk for cyber security events. "While the insurers are confident about how cyber risk affects different businesses, they currently face a challenge of lack of enough actuarial data in this new space.

Hence, insurance companies rely on qualitative underwriting assessments to evaluate the risk exposures of each client and their security posture," said Sushant Sarin, executive vice-president — commercial lines & reinsurance, Tata AIG General Insurance. The cyber security insurance segment is growing anywhere between 50 and 100% annually, according to aggressive growth projected by various insurance companies and brokers.

However, with the growth has come some caution on how to assess a cyber risk. Bajaj Allianz, HDFC Ergo, ICICI Lombard, and Tata AIG are seeking help from either cyber experts or global reinsurance companies.

Cyber attacks not only cause financial losses to companies that are hurt by shutdowns or slowdown in operations, but also expose them to risks of irreparable reputational damage, regulatory fines, and legal liabilities in case of customer data breach. In cyber extortion cases, it is even tougher to quantify the adequacy and requirement of cover.



“In privacy and data breaches, the losses could be financially devastating and with increasingly stringent guidelines and laws imposing stricter than ever penalties, it is not easy to quantify the potential losses,” said Sasikumar Adidamu, chief technical officer, Bajaj Allianz General Insurance.

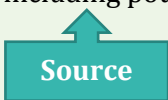
He added that due to the increasing use of cloud computing services and platforms, cyber attacks may lead to breaches on multitudes of

connected devices, which lead to accumulation — a term used for the domino effect in the insurance industry. “There is reason for concern. The risk is new and the effects are global.

Cyber risk can affect different entities of one company across the globe or different companies at one go. Underwriting cyber insurance is a challenge because there aren't too many models for risk assessment,” said Sanjay Datta — chief underwriting, claims and reinsurance, ICICI Lombard.

One of the reasons for the general lack of data, apart from the newness of the segment, is the inadequacy of public disclosures. Although the number of cyber attacks is increasing, a majority go unreported. Unlike in India, in the US, the SEC has mandated the disclosure of cyber security risks and breaches, including potential weaknesses that have not yet been targeted by hackers.

[TOP](#)



HEALTH INSURANCE

How to choose the right health insurance policy - The Economic Times - 16th November 2018

Most financial planners say that having a health insurance plan is the starting point of all financial plans. Even before one starts investing towards one's goals, getting an adequate health insurance cover for self and family helps.

Here, we look at the various important features and factors of a health insurance policy that may help you zero-in on the right policy.

Why you should get health cover

According to few studies done in the past, the medical inflation in India is around 17 per cent annually, much above the general inflation level. The need for adequate health insurance is increasingly becoming important and so is choosing the right health insurance plan.

Now, at the moment you might be in the pink of health, however, health insurance is not only about illnesses and diseases. It's a universal truth that accidents may occur anytime and at any age. A health cover could come handy in such an event.

Further, at times, certain ailments remain unknown to us until their symptoms are visible later on in life. Although, not a mandate, a policy bought at an early age and renewed for quite some years without any claim, may help in better claim experience as and when it arises.

See what kind of health cover is required

Health insurance plans are broadly categorised as 'indemnity plans' and 'defined-benefit plans'. While, indemnity plans reimburse the hospital expense, defined-benefit plans pay a lump sum amount irrespective of the actual hospital expense.

The 'indemnity' plans, which could be an individual health insurance (popularly known as mediclaim or family floater policy), should form the core of one's health insurance portfolio. Top it up with a critical illness plan which is a defined-benefit plan and thereafter one may add Hospital Daily Cash plan to meet incidental costs during hospitalisation.

See which indemnity cover suits you

Once someone gets convinced that a health insurance plan is a must-have even before starting to invest for life goals, the conundrum to either go for an 'individual health plan' or a 'Family Floater' (FF) arises. "One should consider an individual plan over a family floater cover if one wants an extensive coverage.

This also ensures that adverse experience in one policy does not affect others in the family. Balance sum insured for other members may not be adequate at time in case of a family floater policy," says Subrata Mondal, Executive Vice President (Underwriting), and IFFCOTokio General Insurance.

The 'individual health plan' has to be bought in the name of each individual spouse, children, parents etc. This means, the premium will be as per each individual's age and respective sum insured. Insurer's, however, provide a 10 percent discount on the total premium if more than one member of the family is insured simultaneously. In case of a claim by one member, the sum insured of other members remains intact.

In a 'Family floater' health insurance plan, more than one member can be covered under the same plan. For instance, both parents and their children can be covered together and only one single premium is to be paid. Under an FF health plan, the entire sum insured can be availed by any or all members and is not restricted to one individual, as is the case in an individual health plan. An FF plan takes advantage of the fact that the possibility of all members of a family falling ill at the same time or within the same year is low.

Estimate how much of cover is required

Although there is no fixed rule as to how much health insurance you should have; the coverage should ideally depend on one's residential city, history of family illnesses etc. "For people living in Class A cities, the cover amount should at least be Rs 10 lakh given the high cost of living in metro cities. Not only is standard of living, medical treatment also quite expensive in metro cities compared with smaller towns. For people living in Class B and C cities, the sum insured should be at least Rs 4- 5 lakh," says Mondal.

Check sub-limit in the plan

Nowadays, most health insurance plans have sub-limits in them. Sub-limit refers to capping the reimbursement limit under each or some of such cost-heads.

For example, the room-rent may be capped at 1 per cent of the sum insured. So, irrespective of the total sum insured of the policy, one may have to pay out-of-pocket hospital bills unless one sticks to the limit. Some health plans do not have any such sub-limits while few others offer an option to add sub-limits at the time of buying the plan.

See from when pre-existing ailments are covered

All health insurance plans cover pre-existing ailments but after a period of 48 months. Few cover them even after 36 months or lesser. However, at the time of buying, it is equally important to disclose the pre-existing ailment, for a smooth claims settlement process. Further, coverage of certain defined and specific ailments have a 'waiting period' of 12 or 24 months, post which they are covered for claim.

Check for co-payment feature

It's not necessary that there will be a co-payment feature in all plans but in a senior citizen health insurance plan it could be a mandatory feature. In higher age groups as the premium rates are higher, a co-payment may provide some relief in terms of affordability, as it helps to keep the premium low. Some

plans, however, ask for as much as 20 per cent co-payment if the treatment is done at a non-network provider or in a city different from where the plan was bought.

What you should do

While choosing a health cover, one should ideally start by comparing plans from 2-3 preferred insurers. Have a close look at the inclusions and exclusions in the most basic plan being offered by them. Do not base your decision solely on the premium; instead prefer simple plans with fewer conditions and restrictions. And remember, every member of the family, irrespective of the age, needs health insurance cover to tide over unforeseen medical exigencies anytime in the future.

[TOP](#)



Private hospitals treat 68% of Modicare beneficiaries - The Economic Times - 18th November 2018

In encouraging news for the Ayushman Bharat programme, around 68% of the some 2.3 lakh beneficiaries to be admitted to hospitals under the scheme received treatment in private hospitals with Gujarat, along with Tamil Nadu, Maharashtra and West Bengal, topping the list. Under the Pradhan Mantri Jan Aarogya Yojana — the secondary and tertiary care arm of the government health insurance scheme — 2,32,592 beneficiaries received hospitalisation under in less than two months of its rollout on September 23, according to data by the National Health Agency.

The data show that oral and maxillofacial surgery, general surgery, ophthalmology and gynecology were among the most sought-after treatments.

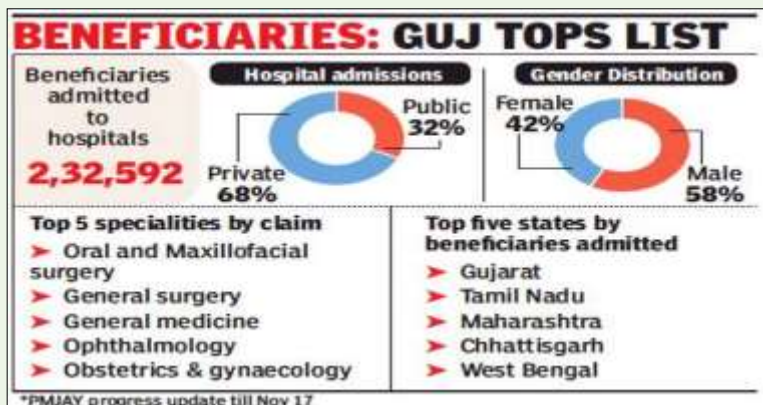
Modicare: 55k applies for hospital empanelment

As these include head surgeries, there is a possibility that accident cases constitute a significant number of claims. These statistics assume significance as initially private hospitals had expressed concerns about the low pricing of packages fixed by National Health Agency (NHA).

This had also led to speculation about the take-off and spread of the scheme, which requires a network of empanelled hospitals for patients to seek care across the country. The data shows NHA has so far received 55,482 applications for hospital empanelment. Out of this, 15,000 hospitals have either been empanelled or are in the pipeline following approvals. Around 8,000 empanelled hospitals are from the private sector.

“Costing issues are primarily in Delhi and in other metro cities where the cost of services and human resources is high. Otherwise, the response in tier 2 and 3 cities in states like Haryana, UP, Jharkhand and Chhattisgarh is tremendous,” says Dinesh Arora, deputy chief executive of Ayushman Bharat.

Through Ayushman Bharat, the government is targeting to increase healthcare accessibility while reducing out-of-pocket expenditure on health. While out-of-pocket payments constitute over 60% of health financing in India, many are still deprived of tertiary care because of its high cost.



“Our target is to increase accessibility of tertiary care by 6,000 to 7,000 patients per day,” Arora said.

PMJAY, dubbed as Modicare, aims to cover nearly 50 crore beneficiaries from 10.74 crore deprived families with an annual cashless health cover of Rs 5 lakh per family.

PMJAY is the secondary and tertiary care arm of Ayushman Bharat scheme, which also includes plans to open health and wellness centres across the country to cater to people’s primary healthcare needs. Apart

from Gujarat, where around 35,000 beneficiaries were hospitalised so far, Tamil Nadu, Maharashtra, Chhattisgarh and West Bengal comprise the top five slots on the beneficiary chart. All of these states registered more than 25,000 patients for hospitalisation under the scheme till November 17.

[TOP](#)

 Source

CROP INSURANCE

Farm loan waivers lead to fewer crop insurance policies - Financial Express - 21st November 2018

Implementation of farm loan waivers by various state governments has led to a sharp decline in both the number of insurance policies and the farm area insured under the Pradhan Mantri FasalBimaYojana (PMFBY).

According to data gathered by FE, during kharif 2018 (the harvesting of the crop is on), the number of insured loanee farmers under PMFBY was just over 2 crore, compared with 3 crore such farmers insured during kharif 2016. The drop of over 1 crore in the loanee farmers' count between the summer crops of 2016 and 2018 was despite the non-loanee farmers under PMFBY cover being around 1 crore during both the seasons (see chart).

The shrinking of the PMFBY cover could mean that more farmers are vulnerable to disasters/crop damage. Already, Maharashtra, Karnataka, and Andhra Pradesh, which implemented farm loan waivers, have sought drought relief for farmers from the Centre. While pruning their capital expenditure, six states have implemented farm loan waivers of a total of `1.26 lakh crore between 2017 and 2018.

After Maharashtra implemented loan waivers of `34,000 crore, PMFBY coverage of the state's loanee farmers, for whom crop insurance is meant to be mandatory, fell 58% to 16 lakh in kharif 2018 from 38 lakh in 2016. Similar reductions in coverage of loanee farmers were seen in Karnataka (down 43%), Rajasthan (38%) and UP (22%).

"Farm loan waiver has affected the PMFBY coverage," PMFBY CEO Ashish Kumar Bhutani told FE. Also, mandatory seeding of Aadhaar with crop insurance and issues like delays in notification of the crop covered under PMFBY also led to lower enrolments. The number of loanee farmers covered in both kharif and Rabi seasons declined by 19% from 4.36 crore in 2016-17 to 3.54 crore in 2017-18. The area insured under both kharif and Rabi also declined by 13% to 49 million hectares during the period.

In a matter of two years, PMFBY has become the third largest line of non-life insurance business in India after motor and health insurance. The insurers are estimated to have made a surplus of Rs 9,500 crore in the first three crop seasons (for which full data is available).

However, their profit could be around Rs 5,000 crore after factoring in at least 10% (of the gross premium) expenditure on reinsurance and other administrative expenses, sources explained. The expense ratio is about 10 to 15% of the premium collected by the companies, Bhutani said.

As against gross premium receipt of Rs 36,022 crore in the two kharif seasons (2016 and 2017), the claims paid were Rs 26,861 crore (of Rs 27,510 crore approved). Some payments were held up due to non-payment of premium by some state governments, quality issues with crop cutting experience data etc. Claims paid were 64% of the gross premium collected for kharif 2016, the first year of the PMFBY, while it was 84% in kharif 2017.

Of the 12% (of sum insured) premium paid for PMFBY, farmers pay only 2 percentage points while the remainder is split equally between the Centre and states. About 50% of the PMFBY business is with public sector general insurers, 30% with AIC alone.

 Source

[TOP](#)

Awareness will drive farm insurance, says IRDA chief Subhash Khuntia - The Hindu Business Line - 16th November 2018

Creating awareness among farmers holds the key to expand crop insurance coverage across the country, said Subhash Chandra Khuntia, chairman, Insurance Regulatory and Development Authority of India.

Inaugurating the First National Review Conference on Pradhan Mantri Fasal BimaYojana (PMFBY) on Friday, Khuntia advised stakeholders such as the Centre, States and insurers to strengthen the grievance Redressal mechanism to make the scheme more effective and expand its coverage.

Khuntia further suggested that the cut-off dates for the insurance schemes should be announced well in advance so that farmers can take advantage of the scheme. Also, the companies should work towards settlement of crop insurance claims within 30 days, as with general insurance.

PMFBY is currently being implemented in 27 states and territories and about 18 insurance companies have been empanelled with the Agriculture Ministry to implement the scheme. About 30 per cent of the cropped area is covered by the scheme.

The Centre is targeting coverage of 50 per cent by 2020. Khuntia said both Central and State governments should work jointly for effective implementation of PMFBY and provide crop advisories during adverse weather conditions to farmers to reduce the risk and losses.

The stakeholders should set up call centres to answer the queries of farmers without any delay and have more people on the ground to create awareness about the insurance scheme among the small and medium farmers, he said.

The IRDA chairman also urged the insurance companies to conduct Crop Cutting Experiments (CCE) in a fair and transparent manner, leveraging technologies such as smart phones and remote sensing, among others.

[TOP](#)


[Source](#)

Karnataka may have own crop insurance scheme -The Hindu Business Line - 16th November 2018

After Bihar, drought-stricken Karnataka proposes to have its own state-specific, farmer-friendly crop insurance scheme.

“There are apprehensions that the policy being implemented by the Centre is not beneficial to farmers as we feel that the parameters adopted to assess crop losses are complicated and the claims process is also delayed,” said NH Shiv Shankar Reddy, Karnataka Agriculture Minister. Some of the claims for the 2016-17 cropping season estimated at around Rs 150 crore are still pending.

“We are examining the scheme adopted by Bihar and also studying the financial implications of having our own crop insurance scheme,” Reddy said. The state has budgeted Rs 845 crore towards crop insurance premiums. Bihar had launched its own crop insurance scheme during the kharif season this year to compensate farmers better.

Karnataka, which is reeling under drought due to a weak southwest monsoon, has pegged the crop losses at Rs 16,662 crore. The state has sought assistance to the tune of Rs 2,434 crore from the Centre under the National Disaster Relief Fund. Reddy said crops such as maize, groundnut, jowar and pulses have suffered damages on account of the rain deficit. The State is expected to declare another 10 taluks to be drought affected.

Karnataka had already declared a drought in about 100 taluks. A central team of officials will be touring the state from Saturday to assess the drought impact.


[Source](#)

[TOP](#)

India: IRDAI chief outlines measures to improve crop insurance operations – Asia Insurance Review

The head of the IRDAI has given several pointers to insurance companies about settling crop loss claims of farmers to ensure timely payouts.

According to a report by Indo-Asian News Service, IRDAI chairman Subhash Chandra Khuntia said, "Insurance companies should set up call centres to answer queries of farmers without delay and settle their claims soon." Insurance companies should work towards settlement of crop insurance claims within 30 days, as with other general insurance business, he said.

He was speaking at the first National Review Conference on Pradhan Mantri Fasal BimaYojana (PMFBY) last week. PMFBY, launched by Prime Minister Narendra Modi in February 2016, is the state-sponsored crop insurance scheme, providing financial support to millions of farmers across the country.

With about 50% of the country's workforce employed in the agriculture sector, there is a need to strengthen the redress mechanism of the crop insurance scheme, Mr. Khuntia said. "Insurance companies, state governments and banks should appoint staff to create awareness about the scheme among small and medium farmers to utilise its benefits," he stressed.

Crop-cutting experiments to estimate the yield of crops must be held by the insurance companies in a fair and transparent manner, he added. Mr. Khuntia also said that the cut-off dates for the drop insurance schemes should be announced well in advance so that farmers can take advantage of the plans.

"Central and state governments should jointly implement the scheme and alert farmers about adverse weather conditions to reduce the risk," the IRDAI chief said. Agriculture Department secretary of Karnataka State Mr. M Maheshwar Rao pointed out that insurers should appoint a person in each district for farmers to reach them easily.

The review was held at a time when the number of subscribers beneficiaries under the PMFBY fell by 8m, decreasing from 57m to 49m, between FY2017 and FY2018 in the country.

[TOP](#)


[Source](#)

MOTOR INSURANCE

India: Regulator studies allowing more flexible motor products – Asia Insurance Review

The IRDAI has set up a working group to look into allowing modifications of the motor insurance product structure.

Not only is the insurance regulator looking to allow short-term duration products, but it may also permit technology-led solutions for dynamic pricing and better services, reports Money control.

Trial-based technology products could be allowed. Telematics or tracking devices will be a key component of the policy.

In motor own damage insurance, insurers suffer from the inability to launch innovative product features or tweak the policy duration. Any additional cover requires the insured to purchase 'add-ons' by paying more premiums. These include engine protection, no-claim bonus, and roadside assistance as well as zero depreciation cover. Other markets have these as a part of the core policy.

Similarly, co-ownership of cars is being considered globally. Once this is operational, multiple parties could be responsible for the car's insurance. How this will work out in the Indian market will be crucial, considering that vehicle theft rates are high in the country.


[Source](#)

[TOP](#)

SURVEY & REPORTS

VNB growth of large players to remain strong - Financial Chronicle - 19th November 2018

Private sector individual APE saw growth at 17 per cent YoY in October. Most large players saw strong growth with HDFC Life up 36 per cent and Max Life 27 per cent. SBI Life saw a moderate growth at 16 per cent. But ICICI Life reported a big decline (down 17 per cent) likely due to its focus on the lower-ticket business.

On the mutual fund side, inflows to equities (including SIP) continued to be stable. With shifting focus to protection and other high- margin policies, VNB growth of large players will remain strong; nevertheless, APE growth for ICICI Life will remain a monitor able over the next few months.

HDFC Life reported 37 per cent growth in individual APE and 34 per cent in overall APE in October. Growth recovered in September after recording three months of low single-digit growth.

This is largely driven by higher ticket size in individual non-single business (up 42 per cent YoY; slightly down MoM); in all probabilities the products profile during the month was skewed to Ulips.

SBI Life reported 16 per cent growth in individual APE (up from 6-10 per cent YoY in June-August). This is in line with its guidance of gradual improvement in volumes from a decline in Q1FY19 when it was focusing on streamlining its processes and increasing protection business. While near-term growth will be modest (versus 30 per cent + in the past), rise in penetration will drive VNB.

Max Life continued its momentum and delivered 27 per cent growth in individual APE (20-40 per cent YoY in the past five months).

Birla SL reported 1.1 X YoY growths in individual APE in October, raising market share to 2.3 per cent from 1.2 per cent in October 2017. Making strong inroads in HDFC BANK drives this. The 74 per cent YoY rise in ticket size in the individual non-single segment during October (up 22 per cent in 7MFY19) suggests that a large part of the growth may be from higher-ticket Ulips.

Tata AIA reported 59 per cent growth in individual APE in October, similar to September, leading to 54 per cent growth YTD. Its market share increased to 2.8 per cent (up 90bps YoY; flat MoM). The 12 per cent YoY decline (down 2 per cent in 7MFY19) in average ticket of individual non-single segment suggests that growth is driven by increase in volume.

APE decline for ICICI Prudential Life a bit worrying. Unlike other large players that reported strong growth, ICICI Prudential Life reported 17 per cent YoY decline in individual APE. This was largely driven by a steep reduction in ticket size in the individual non-single segment (down 11 per cent YoY and 14 per cent MoM).

The reason, according to the management, was its focus on lower-ticket business; October anyway tends to be a lean month. The trend, if continues, poses risk of downgrade in our APE growth estimates for the year even as protection story continues to play out.

Liquid funds in positive mutual fund inflows to equities saw a rise, though modest, to Rs 130 billion after three months, post reaching trough of Rs 97 billion in July. SIPs continued to increase at a modest pace (up 42 per cent YoY/ 3 per cent QoQ). After reporting large (Rs 2.1 trillion) of redemptions in September, liquid funds recorded modest (Rs 553 billion) inflows in October.

This provides comfort to debt markets, reducing the fears of mass redemptions by corporate investors due to challenges with NBFCs.



Source

[TOP](#)

OPINION

Buying insurance? Read the fine print first – Financial Express – 19th November 2018

Most people hold more than one insurance policy: One takes care of compulsory insurance products while the other part comprises need and emotion driven life insurance policies. Most urban households today hold a motor policy, many buy health cover and a few opt for householders' protection or fire and burglary policy to protect their household assets and the building.

Systematic approach

Creating an insurance portfolio to meet a variety of needs requires a systematic approach. In order to build a purposeful and adequate insurance portfolio, one must explore information sources like websites of insurance companies and articles about insurance and the information shared by the insurance regulator and the life and general insurance councils.

Since insurance does not come free every conscious policyholder has to invest 10-15% of his yearly income on buying and renewing policies. Moreover, policyholders are required to pay substantial GST on the premium. There are benefits of saving on income tax but that also has to be properly planned. Unfortunately, the insurance portfolio of almost all citizens is constructed on the basis of insufficient information dished out by those who are not experts or who have different priorities than the welfare of the customers.

Mitigate hardship

The purpose of insurance is to mitigate hardship of the policyholder as well as of the people left behind by the policyholder. People should first identify the risk faced by them and make a conscious decision or take the right opinion to select suitable protection plans out of various insurance products available in the market.

Many policyholders surrender policies taken by them when they find they have made a wrong choice of the insurance product or feel they have been cheated by the intermediary. Surrendering any life insurance policy before maturity causes heavy loss to the policyholder. As per one's needs one has to select endowment policy, term policy and even unit-linked insurance plans for achieving both protection and financial goals. Medclaim policies bought at an early age ensures that "exclusions" get minimized over a period of time and limitations such as co-payment and reduced cover for pre-existing diseases are made inapplicable. The motor policy is becoming really costly these days; the prospective customer needs to know what cover is necessary for him and what cover is irrelevant to his situation.

Read the fine print

The insurance policy documents comprise several annexure. They contain the terms and conditions that become operative when a claim would arise. It is known as "conditions in fine print" because the contents are not only too voluminous to read but also too small to be read. The insurers resort to such conditions when they decide to repudiate a claim. The policyholder or the claimant gets caught unaware. In order to escape such a situation the policyholder must go through the entire policy document and annexure received by him. If he finds the conditions contrary to his expectations or understanding he will have the right to seek cancellation of the policy and refund of the premium paid. This escape route provided to the policyholder is known as free look Period and the policyholder can exercise this option within 15 days of receipt of the policy document from the insurer.

Buying insurance is therefore a serious business and uninformed decisions must be avoided. Most of the complaints registered with consumer forums or Insurance Ombudsman reveal policyholders' lack of precaution or understanding while choosing insurance products. Such customers find it very difficult to get back their investment or to get the expected benefits under policies purchased by them in haste.

(The writer, Mr. Kamalji Sahay is former MD & CEO, Star Union Dai-ichi Life Insurance.)

TOP



Source

INSURANCE CASES

HC warns insurance firms of criminal action on bogus claims – The Hindu – 19th November 2018

The Madras High Court on Friday warned four public sector insurance companies of criminal action if they do not conduct in-house inquiries on bogus motor accident claims and submit the details to an expert body appointed by the court under the chairmanship of Justice K. Chandru, a retired judge of the court.

Justice P.N. Prakash issued a warning to United India Insurance Company, New India Assurance Company, Oriental Insurance Company and National Insurance Company. He said, “Custodians of public wealth could not be permitted to sweep the dirt under the carpet and sleep as if nothing affected them.”

The judge said it was indeed strange to hear from N. Vijayaraghavan, counsel for Cholamandalam General Insurance Company, at whose instance the court came across a mega racket of bogus claims that the four public sector companies had not acted despite being informed of the proceedings pending before the Expert Body.

“In fact, even the Expert Body had sent notices for response from these four public sector insurance companies as could be seen from paragraph number five of its interim report dated October 4, 2018. Perhaps, they too have enough skeletons in their cupboard which they do not want the world to know,” he added.

‘Unearth duplicate claims’

The judge directed the four insurance companies to “wake up at least now and conduct in-house inquiries to unearth duplicate claims” and said: “It is made clear that if they still stand to continue to be a Rip Van Winkle, this court may have to draw an inference that officials of these companies are in league with the bogus claimants.”

Mr. Justice Prakash had appointed the Expert Body early this year after coming across 353 bogus motor accident claims, estimated at ₹60.71 crore, having been preferred before various motor accident claims tribunals across the State. The claims related to five insurance companies.

The court took note of a turf war between legal practitioners in motor accidents claims tribunals having gone to the “miserable extent” of 55 case bundles of an advocate named S. Thambi having gone missing from one of the tribunals functioning within the Madras High Court premises.

Shocked over the disquieting features, the judge on July 19 ordered a Crime Branch-Criminal Investigation Department (CB-CID) inquiry into the missing bundles. He also appointed the expert body led by Mr. Justice Chandru to examine the 353 bogus claims and suggest remedial measures.

72 claims dropped

After the order was passed, curiously 72 motor accident claims totally valued at ₹ 8.90 crore were quietly withdrawn from various tribunals.

In the meantime, the Expert Body too conducted a thorough inquiry and found about 76 duplicate claims having been filed before various tribunals in the State.

It also found credible materials to suspect the involvement of seven advocates in the racket. Taking serious note of the revelation, Mr. Justice Prakash stayed all proceedings in the 76 motor accident claims and directed the seven lawyers to explain the charges leveled against them by December 13.

[TOP](#)


Source

PENSION

PFRDA conducts valuation to weigh up doubling of pension limit to 10K - Business Standard - 19th November 2018

Pension fund regulator PFRDA is doing actuarial valuation of its portfolio to gauge the feasibility of raising the pension limit to up to Rs 10,000 per month under the Atal Pension Yojana (APY), a top official said.

A proposal was made in the past to raise the pension under APY to double the limit from the existing slab of up to Rs 5,000.

"Since it is a guaranteed pension scheme, there is an obligation to honour the guarantee on the government. So, for that, on what kind of obligation would be required on the government (part), we are doing an actuarial valuation of the portfolio that will show us whether the government really needs to do something to honour the guarantee or whether the guarantee will really not be required," PFRDA Chairman Hemant G Contractor told PTI.

The process is expected to be complete by December.

Contractor said once clear on the idea, the government may like to increase the scope of the scheme. On asked how soon the scheme, if feasible, can be a reality, he said as the actuarial examination will be over by December, anything concrete on the proposal can be seen by February or March next year.

In June this year, the Finance Ministry had said that there was a need to increase the pension amount under APY and a proposal sent by the Pension Fund Regulatory and Development Authority of India (PFRDA) to raise the amount was under examination of the government.

"As of now, we have five slabs of pension, from Rs 1,000 to 5,000 per month. There has been a lot of feedback from the market asking for higher pension amounts because many people feel that Rs 5,000 at the age of 60 years, 20-30 years from now, will not be sufficient," Contractor had said in June.

The PFRDA has added almost 28 lakh new subscribers under APY in the first eight months of the current fiscal so far and hopes to close the current fiscal ending March 2019 with 1.50 crore accounts.


Source

[TOP](#)

PFRDA wants UIDAI to treat Atal Pension Yojana at par with government benefit schemes - Financial Express - 16th November 2018

The pension fund regulator PFRDA has urged the UIDAI to treat Atal Pension Yojana at par with government benefit schemes and allow Aadhaar seeding, its chairman Hemant G Contractor said Friday. "We are actually taking up the matter with UIDAI for excluding the APY like the others (government schemes) from the SC order on Aadhaar because we feel that in a scheme like APY there is government guarantee," Contractor told PTI here on the sidelines of an event on APY.

All those schemes of government benefits are exempted from the order on Aadhaar by the Supreme Court, the PFRDA chairman added.

The Supreme Court in its verdict on Aadhaar on September 26 pronounced constitutional validity of the unique identification number and said it would not be mandatory for services such as banking and telephony but will be required to avail the government-run social benefit schemes.

"For APY, as this scheme comes with a government guarantee on pension, it would fall within the scope of that definition (of government benefits). And therefore there is a strong case for excluding APY (from SC order).

“We are taking it up with the Unique Identification Authority of India (UIDAI) and if they agree to that, we will not be affected by this (order),” he said further. Apart from availing government benefit schemes, Aadhaar is mandatory to be linked with PAN as well as for filing income tax returns.

When asked if there were any hiccups in adding APY subscribers after the apex court order, the Chairman of the Pension Fund Regulatory and Development Authority (PFRDA) said that as such there are no concerns on adding new subscribers under the Atal Pension Yojana as other methods are being employed for KYC details.

Before the SC order on Aadhaar, the unique identification number was made mandatory for a host of services and became a one-point solution to complete the know your customer (KYC) requirement at an affordable cost.

Contractor said that PFRDA has added almost 28 lakh new APY accounts during the first eight months of the current fiscal.

The Pension Fund Regulatory and Development Authority added 50 lakh subscribers under the APY in the last fiscal and hopes to close with about 1.50 crore subscribers by the end of March 2019.

[TOP](#)



Source

India: Pension regulator eyes higher payouts in govt scheme – Asia Insurance Review

Pension fund regulator, Pension Fund Regulatory and Development Authority,, (PFRDA) is carrying out an actuarial valuation of its portfolio to gauge the feasibility of raising the pension limit to up to INR10,000 (\$140) per month under the Atal Pension Yojana (APY), a top official has said.

APY is a government-backed pension scheme in India targeted at the unorganized sector. The current limit is INR 5,000.

PFRDA chairman Hemant G Contractor told Press Trust of India, "Since it is a guaranteed pension scheme, there is an obligation to honour the guarantee by the government. So, for that—what kind of obligation would be required of the government—we are doing an actuarial valuation of the portfolio that will show us whether the government really needs to do something to honour the guarantee or whether the guarantee will really not be required."

The process is expected to be completed by December. Any change could be seen by February or March next year, he said.

There has been a lot of feedback from the market asking for higher pension amounts because many people feel that INR 5,000 at the age of 60 years, 20-30 years from now, will not be sufficient to fund retirement, Mr. Contractor had previously said.

APY, launched in 2015 for workers in the unorganized sector like personal maids, drivers, gardeners etc, is open to those aged between 18 and 40 years of age.

APY is a periodic contribution based pension plan which pays out a fixed monthly pension of INR1, 000 to INR 5,000 (in INR 1,000 increments). The monthly contribution depends on the fixed amount of monthly pension the subscriber wishes to receive and the age when he or she starts making contributions.



Source

[TOP](#)

IRDAI CIRCULAR

Updated List of Non-life Insurers is available on IRDAI website.

[TOP](#)


[Source](#)

Exposure Draft on IRDAI (Registration of Insurance Marketing Firm) Regulations, 2018 is available on IRDAI website.

[TOP](#)


[Source](#)

Exposure Draft - IRDAI (Linked Insurance Products) Regulations, 2018 and IRDAI (Non-Linked Insurance Products) Regulations, 2018 is available on IRDAI website.

[TOP](#)


[Source](#)

GLOBAL NEWS

Japan: Govt mulls health insurance criteria for overseas dependents of expats - Asia Insurance Review

The government is considering requiring dependent families of foreign residents in Japan to live in the country as a condition for giving these families access to public health insurance coverage, those familiar with the matter have disclosed.

The move comes as the government aims to accept more foreign workers to make up for chronic workforce shortages. Specifically, the government plans to revise the Immigration Control and Refugee Recognition Act to create two new residency statuses for workers with certain knowledge and experience, and for those in jobs requiring special expertise, reports The Mainichi.

Currently, the medical expenses of foreign residents' dependent family members who live overseas are covered by the foreign residents' public health insurance. The executive branch of the government will submit a Bill to revise the Health Insurance Act to make the change.

There are two types of health insurance programmes for company employees—those managed by individual major companies, and those operated by the Japan Health Insurance Association for employees of smaller businesses. These health insurance programmes cover the policyholder's dependent family members up to the third degree of kinship. Family members living outside Japan are covered if they meet certain conditions, such as that they live on money sent by the policyholders.

As the government aims to expand Japan's acceptance of foreign workers in April 2019, ruling Liberal Democratic Party (LDP) legislators have expressed concerns that Japan could be forced to shoulder an extra financial burden by having to pay the medical costs of foreign workers' dependent families living outside Japan.

Specifically, concerns have been voiced that some foreign residents could abuse the system by falsely registering non-relatives as their dependents, for example. This prompted the ministry to examine various health insurance associations' recognition of policyholders' dependents this past March. However, no such illegal practices were found.

More than 1.27m foreigners were working in Japan as of October 2017. Up to about 40,000 foreign workers will come to Japan under new residency statuses in the fiscal year starting 1 April 2019.

The medical costs of policyholders' dependents living or temporarily staying overseas, which health insurance associations shouldered in fiscal 2016, totaled roughly JPY2bn (\$17.7m). This represented 0.02% of those associations' total costs for medical coverage in the same fiscal year.

[TOP](#)



Source

Global: Modest real growth of 3% p.a. expected in global insurance premium in 2019-20 - Asia Insurance Review

Positive but slowing economic momentum will support modest global insurance premium growth of around 3% annually in real terms over the next two years, a 1 ppt improvement from 2018, according to the latest sigma report by Swiss Re Institute.

In both non-life and life, the emerging markets remain the main driver of growth, in particular China, the report titled "Global economic and insurance outlook 2020" says.

Non-life insurance

Global non-life premiums will grow by around 3% on an inflation-adjusted basis in 2018, and Swiss Re forecasts similar growth over the coming two years. The global aggregate is being driven by the emerging markets, where Swiss Re estimates 8% premium growth this year, and around the same over 2019 and 2020.

Non-life business in China and India has been particularly strong, with combined premiums up 12% in real terms this year. Agriculture insurance has been a main growth driver in both countries.

For 2018, Swiss Re expects a positive underwriting result for the global non-life sector of around 1% of premiums. This will be mostly driven by a lower loss burden from natural catastrophes compared to 2017.

In the next several years, in the absence of clear direction on rates, Swiss Re expects underwriting results to remain stable at current levels. The recent improvement of property rates has been mainly felt in regions that suffered a high natural catastrophe burden last year, and is expected to fade.

Life insurance

Swiss Re estimates that global life insurance premiums will grow by 1.6% in real terms this year, slightly slower than the average annual growth rate of the last five years. Premiums in the advanced markets will grow by 1.7%, while emerging market premium growth will likely be much slower than usual (Swiss Re forecast: +1.3%).

Overall profitability in life insurance has improved this year, with outperformance in the US. The ongoing low interest rate environment, however, will remain a challenge, says the report.

Insur Tech

A main enabler of future profitability in insurance and overall industry growth will be technology and data. Information, once digitalized, is being used to improve processes across the insurance value chain, including underwriting and pricing decisions, and outreach to customers.

Policy and claims management is becoming more efficient as machine learning and pattern recognition are used to analyse handwritten and unstructured documents to expedite and detect false claims. The integration of cognitive computing systems with voice recognition and text reading algorithms will eventually make it possible to extract meaningful information from all sources of data, including unstructured medical reports.

So far, insurers' investments in technology have led to some efficiency gains and compressed margins for the distribution system in commoditized lines, the report says. Technology such as telematics and advanced analytics can also be used to reduce claims frequency and severity, reduce fraud and lower claims costs.

In Swiss Re's view, the scope for digital disruption is much further reaching. Crucially, technology can facilitate access to new risk pools. In the long run, this will help close existing protection gaps and improve economic and social resilience.

[TOP](#)



Source

China: Swiss Re sigma report sees significant decline in life premiums this year – Asia Insurance Review

Part-year data indicate that there will be a substantial contraction (-1.8%) in life premiums in China in 2018, due mostly to tighter regulation of wealth management product (WMP) types since the beginning of the year, says Swiss Re Institute in a new sigma report.

In the report titled “Global economic and insurance outlook 2020”, Swiss Re says that China remains the engine of growth for the life industry. What happens there has large impact on the emerging market aggregate.

China will thus be the reason that the contribution of emerging markets to global life premium income will be much lower in 2018 compared to previous years.

Excluding China, Swiss Re forecasts emerging market life premiums to increase by 5% this year. For the next two years, the outlook for different regions is mixed. Emerging market premiums will accelerate again to around 9%.

There will be a rebound in China, where the economic backdrop remains strong and as the one-off effect of this year's WMP shock fades. Advanced market premiums are expected to remain stable.

[TOP](#)



Source

Global: S&P urges IFRS17 deferral be used in preparation, not more talk – Asia Insurance Review

The proposed postponement of the implementation deadline for International Financial Reporting Standard 17 (IFRS17) to January 2022 from January 2021 will allow insurers more time to prepare, ensuring there is no impairment of information quality, says S&P Global Ratings.

S&P said, “We remain concerned about the data and systems challenges that insurers will face in preparing for the new standard, but feel that the additional year will provide some buffer for insurers' implementation projects.

“However, we hope that any final amendments to the standard are settled as soon as possible so that the additional 12 months can be devoted chiefly to preparation rather than debate.

“Given the material change to reporting with IFRS17, we assume insurers also might use the extra time for transparent communication. For Korean life insurers, the extra year might also support ongoing capital raising efforts.”

The International Accounting Standards Board (IASB), an independent body responsible for the development and publication of IFRSs, earlier this month voted to delay the implementation of IFRS 17 for one year to 1 January 2022.

The proposed deferral is subject to public consultation, which is expected next year. IFRS17 covers accounting for insurance contracts.

[TOP](#)



Source

Australia: Most say insurers should stop asking about genetic tests – Asia Insurance Review

Life insurers should be banned from asking consumers whether they have taken a genetic test, according to the latest readership survey by the website Financial Standard.

The majority (62%) of respondents said they "agree" or "strongly agree" that life insurers should stop asking applicants whether they have undertaken a genetic test. Only 28% of respondents disagreed with this statement.

The survey was conducted at a time when the Financial Services Council announced it would establish a moratorium on insurers using genetic test results as part of insurance applications on 1 July 2019.

From this date, consumers will be able to receive up to A\$500,000 (\$362,200) in life insurance cover without having to disclose an adverse genetic test result. The moratorium is expected to be in place until 30 June 2024.

[TOP](#)


Source

China: Govt to act on foreign ownership in insurance next year – Asia Insurance Review

China will accept applications early next year from foreign insurers seeking to take control of their local joint ventures and is even considering giving them full ownership earlier than flagged, reports Reuters citing people with direct knowledge of the matter said.

The regulator is expected to publish its final guidelines as soon as the first quarter of 2019 and would begin taking applications from interested foreign insurers soon after that, they said.

China has set an agenda to open up its financial sector and has already taken steps this year to relax foreign ownerships in securities ventures.

Beijing said in November last year that for life insurance ventures it would first raise the foreign ownership cap to 51% from 50%. It has also pledged to remove the limit completely three years thereafter.

But there has been little clarity on the status of the sector's opening up, and doubts about Beijing's commitment has crept in amid an escalating Sino-US trade war and a regulatory overhaul.

The plans for the insurance sector, the world's third-largest insurance market, show the liberalisation plan has not been derailed.

"We have seen no signs of China looking to delay or put on hold its commitments to open up the financial sector despite the challenges on other fronts. If anything, they are looking to advance the process," said a top executive at a large foreign insurance company with a China presence.

The CBIRC is currently reviewing the feedback it received as part of a sector consultation process that ended recently, the people told Reuters.

The regulator, in a consultation paper issued earlier this year and seen by Reuters, has proposed, among other measures, that the major shareholder of a foreign-funded insurer not be allowed to sell the equity within five years of its acquisition.

It has not been smooth sailing for foreign insurers in China, despite a low market penetration of 3%. The total market share of foreign life insurers in China was just 6.97% last year, while the same was 1.96% for foreign property and casualty insurance companies, according to Guotai Junan Securities.

"For foreign life insurers, that's mainly caused by the conflicts between Chinese and foreign shareholders over management styles, and a slow buildup of branches," the brokerage said in a report in May.

While a one percentage point rise in the equity ownership would not have a big impact on the balance sheets of the global insurers, winning management control would help drive the business and facilitate decisions on expansion, industry sources said.

The regulator is likely to make it easier for foreign-owned joint ventures to expand into new provinces, moving away from its current practice of rationing of new branch opening applications, the people said.

[TOP](#)



Source

Disclaimer:

'Newsletter' is for Private Circulation only intended to bring weekly updates of insurance related information published in various media like newspapers, magazines, e-journals etc. to the attention of Members of Insurance Institute of India registered for its various examinations.

Sources of all Cited Information (CI) are duly acknowledged and Members are advised to read, refer, research and quote content from the original source only, even if the actual content is reproduced. CI selection does not reflect quality judgment, prejudice or bias by 'III Library' or Insurance Institute of India. Selection is based on relevance of content to Members, readability/ brevity/ space constraints/ availability of CI solely in the opinion of 'III Library'.

'Newsletter' is a free email service from 'III Library' to III Members and does not contain any advertisement, promotional material or content having any specific commercial value.

In case of any complaint whatsoever relating 'Newsletter', please send an email to newsletter@iii.org.in.

To stop receiving this newsletter, please send email to newsletter@iii.org.in