



GENERAL INSURANCE PREMIUMS RISING WITH THE RISE IN CATASTROPHES

Premium for general insurance products under the nature catastrophe segment could see a rise in premiums, in the wake of a rise in the number of incidents in this segment such as floods and earthquake in the past two years. Senior executives in the sector had met recently to discuss this and decided that with the rise in claims, the premiums could see an upward revision of 10-20 per cent from FY17.

Insurance companies took a recent hit of Rs.4,800 crore due to claims arising from the floods that hit Chennai and other parts of Tamil Nadu. Public sector insurers had the biggest impact "With a rise in claims, it is imperative that premiums also see a proportionate rise," said a senior general insurance executive.

In India and globally, insured losses in natural catastrophes are much lower than economic losses. Insurance penetration is not so high with the top 10 cities having \$ 179.8 billion (Rs. 11.9 lakh crore) of gross domestic product (GDP) at risk, according to the Lloyd's City Risk Index 2015-2025.

Global economic losses from natural catastrophe in 2015 were \$ 123 billion, about 30 per cent below the 15-year average of \$175 billion, said impact Forecasting, Aon Benfield's catastrophe model development team. There were 14 multi-billion-dollar economic loss event around the world, the costliest being forest fires that went out of control in Indonesia.



UNDERWRITING LOSSES FOR GENERAL INSURERS RISES 33% IN FY15

Underwriting losses for general insurers jumped 33 per cent to Rs.10,127 crore in 2014-15 from Rs.7,641 crore in the previous year, according to IRDA's annual report.

Underwriting income is the difference between premiums collected in insurance policies by the insurer, and expenses incurred and claims paid out.

K.G. Krishnamoorthy Rao, MD and CEO of Future Generali Insurance, said that general insurance industry is seeing high underwriting losses as the pricing in the market is not adequate and is unviable in various lines of business, such as group health, motor and fire, due to increasing competition among insurers.

IRDA's annual report said that specialised insurers (ECGC and Agricultural Insurance Company) collectively reported significant increase in underwriting losses in 2014-15, which stood at Rs.428 crore as compared to underwriting profit of Rs.95 crore in 2013-14.

Net incurred claims of non-life insurers collectively increased by 12 per cent to Rs.55,232 crore in 2014-15 from Rs.49,179 crore in 2013-14.

PRIVATE HEALTH INSURERS OFFER A CHOICE OF HOSPITAL

For the first time Private health insurance companies are offering a choice of restricted network of hospital under group mediclaim policies that will reduce the cost of premium by 5-20%, a move that will come as a relief to firms that have been complaining of rising premiums.

"Three companies in information technology, manufacturing, real estate and construction have opted for the restricted network hospital scheme that has helped them to reduce their health costs. We are looking to offer 5-20% discount to companies opting for restricted network of hospital." said Sanjay Dutta, head of underwriting ICICI Lombard.

Over the years, group mediclaim costs have been rising for employers in this fast growing segment. Insurers are expecting the sector grow at 12%-15% on a year basis, and in the overall Rs. 22,000-crore health insurance industry, group health comprise about Rs. 10,000 crore- 12,000 crore. The industry has been seeing claims outstripping premium over the past several years.

"Today, hospitals are not graded by way of cost, service or quality. If there's an independent body grading hospital, it will make it easier for insurers to offer restricted network of hospital." said Shreeraj Deshpande, head of health, Future Generali General Insurance.

MOTOR THIRD PARTY PREMIUM-SCHEDULE OF PREMIUM RATES PROPOSED-W.E.F. 01-04-16

Private Cars	01-04-13	01-04-14	01-04-15	01-04-16	Will be Increased
Not exceeding 1000 cc	941	1129	1468	1908	29.97%
Exceeding 1000 cc but not exceeding 1500 cc	1110	1332	1598	1998	25.03%
Exceeding 1500 cc	3424	4109	4931	6164	25.01%

Two Wheelers	01-04-13	01-04-14	01-04-15	01-04-16	Will be Increased
Not exceeding 75 cc	414	455	519	569	9.63%
Exceeding 75 cc but not exceeding 150 cc	422	464	538	619	15.06%
Exceeding 150 cc but not exceeding 350 cc	420	462	554	693	25.09%
Exceeding 350 cc	804	884	884	796	-9.95%

A1 Goods Carrying Vehicles Public Carriers (Other than 3 wheelers)	01-04-13	01-04-14	01-04-15	01-04-16	Will be Increased
GVW not exceeding 7500 kgs	13082	14390	14390	14390	0.00%
Exceeding 7500 kgs but not exceeding 12000 kgs	13968	15365	15365	15365	0.00%
Exceeding 12000 kgs but not exceeding 20000 kgs	14873	16360	19632	22577	15.00%
Exceeding 20000 kgs but not exceeding 40000 kgs	14974	16471	19766	24708	25.00%
Exceeding 40000 kgs	15035	16539	19846	25800	30.00%

A2 Goods Carrying Vehicles Private Carriers (other than 3 wheelers)	01-04-13	01-04-14	01-04-15	01-04-16	Will be Increased
GVW not exceeding 7500 kgs	9690	8721	8721	6933	-20.50%
Exceeding 7500 kgs but not exceeding 12000 kgs	11197	10077	8868	11528	30.00%

Exceeding 12000 kgs but not exceeding 20000 kgs	9969	8972	8972	9390	4.66%
Exceeding 20000 kgs but not exceeding 40000 kgs	11470	10323	11149	12821	15.00%
Exceeding 40000 kgs	12851	11566	13879	16655	20.00%

A3 Goods Carrying Motorized Three Wheelers and Motorized Pedal Cycles - Public Carriers	01-04-13	01-04-14	01-04-15	01-04-16	Will be Increased
	4098	4508	4733	5680	20.01%

A4 Goods Carrying Motorized Three Wheelers and Motorized Pedal Cycles Private - Carriers	01-04-13	01-04-14	01-04-15	01-04-16	Will be Increased
	3218	3701	4071	4200	3.17%

B Trailers	01-04-13	01-04-14	01-04-15	01-04-16	Will be Increased	
	Agricultural Tractors upto 6 HP	418	460	483	510	5.59%
	Other vehicles including Miscellaneous & Special Type of Vehicles (Class-C), (For each trailer, for more please multiply b no. of trailers)	1023	1125	1238	1307	5.57%

C1a Four wheeled vehicles used for carrying passengers for hire or reward with carrying capacity not exceeding 6 passengers	01-04-13	01-04-14	01-04-15	01-04-16	Will be Increased		
	Basic TP Premium (A)	Basic TP Premium (A)	Basic TP Premium (A)	Basic TP Premium (A)			
	Not exceeding 1000 cc	3417	4100	4920		6396	30.00%
	Exceeding 1000 cc but not exceeding 1500 cc	5338	6406	6726		8408	25.01%
	Exceeding 1500 cc	6191	7429	8915		11144	25.0%

C1b Three wheeled vehicles used for carrying passengers for hire or reward with carrying capacity not exceeding 6 passengers	01-04-13	01-04-14	01-04-15	01-04-16	Will be Increased
	Basic TP Premium (A)	Basic TP Premium (A)	Basic TP Premium (A)	Basic TP Premium (A)	
	1102	1212	1333	1733	

“CHIPPING DENTING AND SCRATCHING CLAUSE UNDER MARINE POLICY”

You must be aware that for certain cargo, viz., Pipes, metal sheets, laminated boards, machinery items etc. Insurance companies generally incorporate a Clause under the Marine / Transit policy as under –

- ❄ Chipping Denting Scratching and related damage not covered unless caused due to ITC(B) perils

The FACTS SURROUNDING THE RISKS OF CHIPPING, DENTING, SCRATCHING DURING TRANSIT are -

- ❄ At times, cargo is placed on the vehicle side by side and is not protected by sufficient support (packing/stuffing) in between the cargoes and the body of the truck) to avoid rubbing with the cargo/truck body due to normal jerk and jolt during road transit.
- ❄ Consequently, the cargo becomes susceptible to get scratched/dented or even chipped by rubbing/impact with the body/side of the carrying truck due to jerks and jolts in transit
- ❄ ALL THESE ARE CONSIDERED AS NORMAL PHENOMENON SINCE NO ELEMENT OF FORTUITOUS EVENT IS INVOLVED.
- ❄ In order to exclude such losses due to normal hazards (foreseeable) the Insurers generally incorporate condition as – Chipping Denting Scratching not covered unless caused due to ITC(B) perils

While handling claims of our clients for denting/chipping/scratching damage of cargo (not caused due to normal phenomenon as explained above), we have come across some situation as given below –

- ❄ Pipes placed in truck duly fastened with iron/metal chain (Customary System). During journey, the metal chain accidentally torn off and two or three pipes fell down on the road and got dented/scratched rendering those pipes unusable.
- ❄ During unloading of Pipes at destination, two or three pipes accidentally slipped and fell on the ground and got dented/scratched. THE POLICY COVERS THE RISKS OF LOADING AND UNLOADING.

But, Insurance company takes the plea that damage due to CHIPPING, DENTING AND SCRATCHING not caused by ITC/ICC-B perils is not covered by the policy.

Insurers do not agree to accept that the nature of damage, i.e., chipping/denting/scratching occurred in the said circumstances (which are also accidental in nature) is definitely not akin to what has been explained above (normal phenomenon) for which the specific condition is incorporated. The proximate cause of falling down the cargo on road/ground (resulting chipping/denting/scratching) is purely accidental and the basic purpose/intention of insurance policy is to cover all accidental losses.

Once the 'Chipping and Denting Clause' is incorporated under the policy, Insurers are not interested to differentiate between -

- ❄ the purpose/intention of the said clause and
- ❄ the purpose/intention of insurance policy (for covering all accidental losses).

HENCE, IN ORDER TO OVERCOME SUCH A SITUATION, WE WOULD SUGGEST THAT wherever the Insurers put the said clause as – 'Chipping, Denting and Scratching are not covered unless caused by ITC(B) perils', WE SHOULD INSIST FOR REVISING THE CLAUSE AS –

- ❄ CHIPPING DENTING AND SCRATCHING IS NOT COVERED UNLESS CAUSED BY ITC(B) PERILS AND/OR ANY ACCIDENTAL CAUSES/CIRCUMSTANCES DURING TRANSIT AS WELL AS DURING LOADING AND UNLOADING.

Would request everyone to supplement their views on the above so that the same can be taken care of at the time of negotiating terms and conditions with the Insurance companies to protect the interest of our client.



CLAIMS BEST PRACTICES: NINE COMMANDMENTS

INTRODUCTION :

Insurance claim management is a core issue for the protection of insurance policyholders and hence a priority concern for all the stakeholders in the insurance industry. For the insurance company claim management is a key element in the competition between insurance providers ;and for the policyholders, claim settlement is critical as they expect insurance companies to reciprocate their trust and faith . While IRDA has published a set of norms for the insurance companies and surveyors for claims settlement and survey, it would be interesting to list out best practices that are desired, based on global practices, and to see where India stands in terms of these practices.

Good practice 1: Claims reporting

The insurance company should write insurance policies in easily understandable language. Policies should spell out what is covered and what is not covered. If necessary, plain language explanations could be an addendum to the legal language.

The insurance company should draw the attention of the policyholder/claimant/beneficiary¹ both when

he/she signs a policy (for policyholders only) and when he/she reports a loss on his/her duties related to

claim reporting which include:

- ✿ To try to minimise losses;
- ✿ To report claims in a timely fashion;
- ✿ To co-operate in the investigation by providing the company with all relevant information
- ✿ To authorize the company to handle necessary inspections and assess the extent of the damage prior to any repairs or replacement;

Good practice 2: Receipt of claims by the company

- ✿ The company claim department and/or the intermediary accessible for the claimant. If an intermediary is an initial contact for claimants, claims should be sent to the company claim department within an appropriate time period.
- ✿ The insurance company contacts the policyholder or sends an acknowledgement of receipt as soon as the claim is received.

- ✿ If it appears that the claim is not covered by the insurance policy, the company sends a notification as soon as possible to the policyholder, explaining why it is not covered.

Good practice 3: Claims files and procedures

Once a claim has been filed and, when applicable, after any additional documents that are required to

process the claim have been received, the file established by a company contains the following documents:

- ✿ Claim filing number;
- ✿ Policy number;
- ✿ Name of the policyholder/claimant/beneficiary;
- ✿ Summary sheet showing development / review of the claim;
- ✿ Opening date of the file;
- ✿ Date of loss;
- ✿ Reporting date;
- ✿ Description of the claim;
- ✿ Information on claimants;
- ✿ Assessment date;
- ✿ Electronic and/or paper copy of the adjustors' and investigators' reports where applicable;
- ✿ Identity of the adjuster;
- ✿ Estimated cost of damage;
- ✿ Dates and amounts of payments;
- ✿ Date of denial, if applicable;
- ✿ Name of intermediary, if applicable;
- ✿ Date of file closure;
- ✿ Documents recording contacts with the policyholder/claimant / beneficiary.

Good practice 4: Fraud detection and prevention

In order to curb the growth of fraudulent claims and the rise in premium costs that results from them, companies take the following steps:

- ✿ They establish compliance programs for combating fraud.
- ✿ In the claim filing phase, they discourage fraudulent practices by making the policyholder/claimant/beneficiary aware of the consequences of submitting a false statement

Good practice 5: Claims assessment

General issues:

- ✿ Any method of taking into account specific factors such as depreciation, discounting or negligence on the part of the victim is clearly outlined in the claim file.
- ✿ Any loss evaluation methods used by the company are reasonable and coherent.
- ✿ The insurance company uses internal methods for assessing claim values based on the applicable law of the jurisdiction.

The role of claims adjusters:

- ✿ Companies that use claims adjusters or intermediaries will need to ascertain their competence qualifications. Moreover, if these claims adjusters/intermediaries were to commit any errors or misappropriation of funds affecting their policyholders, claimants or beneficiaries within the framework of the contract with the insurance company, the latter would be held responsible. Consequently, companies may decide to limit the scope of action of claims adjusters and intermediaries (for example, by setting ceilings on the number of claims they can handle).

Good practice 6: Claim processing

General issues:

- ✿ Companies' claims department staff possess proper qualifications. To this end, companies encourage ongoing internal or external training of their claim staff.

Insurance companies do not:

- ✿ Conceal policy coverage provisions of any insurance policy when they are pertinent to a claim.
- ✿ Attempt to settle claims for less than the amount to which the claimant would be
- ✿ Deny a claim without reasonable investigation.
- ✿ Transfer responsibility for the claim to others, except as may be expressly provided for by policy conditions.

Good practice 7: Timely claim processing

- ✿ In accordance with applicable insurance law, companies may specify in the contract the most likely period of time for responding to correspondence from policyholders/claimants/beneficiaries.

- ✿ Once policyholders/claimants/beneficiaries have filed a claim:They are informed of the acceptance or denial of the claim within a reasonable amount of time after the receipt of the notification.
- ✿ The insurance company contacts any other company that is involved in the claim within a reasonable amount of time, and resolves inter-company claim disputes as quickly as possible.
- ✿ The insurance company endeavours to settle the claim as soon as possible and advises in writing the policyholder/claimant/beneficiary on the reasons for any delay.
- ✿ Quick claims settlement as well as high-quality and punctual information provided to the policyholder/claimant/beneficiary are key competition features for insurance companies.
- ✿ After an agreement has been reached between the company and the policyholder/claimant/ beneficiary on the amount of compensation, the payment is effected within a reasonable amount of time.
- ✿ Insurance companies implement and update their own statistical database tracing their performance in the timely settlement of claims as well as in trends in settlements and expenses. A proper procedure for the coding and statistical processing of losses is developed for this purpose.

Good practice 8: Complaints and dispute settlement

Complaints/Disputes:

When the policyholder/claimant/beneficiary files a complaint, the company:

- ✿ Acknowledges receipt of the complaint within a reasonable period of time;
- ✿ Provides policyholders/claimants/beneficiaries with explanations on how their complaints will be handled and on the procedures to be followed;
- ✿ Provides information to policyholders/claimants/beneficiaries on internal and external dispute settlement procedures;
- ✿ Processes complaints promptly and fairly;
- ✿ Keeps policyholders/claimants/beneficiaries regularly informed of how their complaints are progressing;
- ✿ Provides a final response in writing within a reasonable period of time.

- ✿ If the policyholder/claimant/beneficiary is dissatisfied with the final response that he/she has been sent by the company, he/she can activate an internal appeals process. He/she can also appeal to the dispute settlement procedures available outside the company (for example, the handling of complaints by the supervisory authorities). In case of a dispute, the insured/claimant/beneficiary should be informed by the company of the existence of these appeal procedures.

The above best practices have been compiled from a global study done and have been found to be most desirable for an insurance company. While IRDA has done some work towards creating a transparent claims management process, it is clear that a lot more needs to be done and the responsibility lies squarely with insurance companies.



Case Study

CASE NO: GIC/572/OIC/11/12

URMILA DEVI VS. ORIENTAL INSURANCE COMPANY LTD.

Facts :

This complaint was filed about the non- settlement of personal accident claim that was lodged under a group Personal Accident Policy about the death of an electrician, who had accidentally come in contact with live wire while performing his job.

Findings :

On behalf of the complainant, i. e. widow of the deceased, it was stated that the deceased was repairing a ceiling fan when he was electrocuted. He was immediately rushed to nearby hospital, where he was declared brought dead. In support of contention about death due to an accident, a press cutting of a local daily was provided which contained news about the death of the deceased. The representative of the Company had explained that claim intimation was given after 10 days and two important documents, i. e., 'First Information Report' and 'Post Mortem Report" were not provided.

Thereafter, directions were given to the Company for arranging a formal investigation into the matter. Finally, a copy of investigation report was provided, which elaborated the entire sequence of events leading to the death of the deceased due to an electronic shock.

The report specifically mentioned his receiving injuries after a fall on the floor, which proved fatal before he was brought to the hospital.

Decision :

Finally, it was held that it would be in order to allow a settlement of the claim because circumstantial evidence collected during the investigation was sufficient to ascertain that cause of death of the deceased was an accident and requirements of 'First Information Report' and 'Post Mortem Report' could be waived.

