Salasar Services Insurance Brokers Pvt. Ltd.

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Third party motor insurance premium to go up in FY18

It has been indicated that motor third party insurance premiums are set to rise in the next financial year. Last week an exposure draft was released which proposed a 16-50 per cent hike in premiums in various motor segments like two-wheelers and private cars from April 1. While consumers are not happy with a hike in premium rates for third party insurance.

Third-party motor premium is the only segment in the general insurance sector that's still regulated. There is no proposal in the IRDAI exposure draft to increase the third party motor insurance premium for small cars (up to 1,000 cc) from Rs 2,055 currently. The hike proposed in mid-segment cars (1,000-1500 cc) as well as bigger cars and SUVs is 50 per cent. The proposal is to increase premium to Rs 3,355 for cars up to 1,000 cc and Rs 9,246 for bigger ones.

It has not proposed any change for two-wheelers having engine capacity up to 75 cc. However, for sports bikes and super bikes (more than 350 cc), it has proposed to increase the premium to Rs 1,194 from the present Rs 796, up 50 per cen

ETMoney partners HDFC Life to launch India's first data-led life insurance policy

Times Internet backed personal finance app ETMoney has launched an exclusive data-led group term insurance plan in partnership with HDFC Life. It claims this is India's first term insurance plan that is based on the spend pattern of the users. This plan will be offered as an exclusive benefit to more than 1 million ETMoney users and will provide coverage between Rs 25 lakhs to Rs 50 lakhs, calculated based on the user's spend pattern, the company said. It added that ETMoney users can also save upto 30% of the premium paid as a tax benefit under section 80C of the Income Tax Act.

Young earners in India are significantly under insured. The term plan is designed grounds up for this segment and it acts as a simple, paperless & cost effective way to start their insurance journey. Partnering with an Industry leader like HDFC Life substantiates our data-led, mobile-first approach and we are proud to work with HDFC Life to design this digital policy. Times Internet said that this plan was developed with first-time insurance buyers in mind and simplifies the policy buying process by eliminating all paperwork, medical tests, income requirements and manual intervention.

We're proud to say that our association with ET Money will enable us to reach out to the millennial customer through one's most preferred medium in a paperless, self-help environment with privacy and convenience. This financial planning management app brings insurance at the fingertips of the discerning new-age generation. In December, ETMoney launched a new paperless tax saving solution that will enable users get done with their tax saving investments directly from their smartphones in under 2 minutes. It also introduced a new feature called 'SmartDeposit' that helps consumers earn upto 7-8% interest on their Savings A/c balance without much risk.Last month, Times Internet also launched an online insurance platform called ETInsure.com that aims to help consumers buy the best insurance plan. It currently offers car and two-wheeler insurance plans from seven prominent insurance companies and plans to soon add health, life & travel insurance products to its online platform.

SALASAR NEWS

Salasar Insurance Brokers MD, Shri Arvind Khaitan (Director IBAI) in a panel discussion at IBAI Summit held at Mumbai, 10th March

INSURANCE PILOT PRODUCTS TO BE RECOGNIZED

If you're a regular marathon runner, your insurer may soon recommend a product other than a plain vanilla one meant for 9-5 office-goers with a sedentary lifestyle. As per the recommendations of the working group set up for this purpose, general insurers can launch a product for a particular period in a defined area on a pilot basis after informing the regulator. Based on the response received for the product, they would able to either file it for final approval or withdraw/tweak it based on the feedback received. The regulator will give a go-ahead for pilot products so that appropriate products suiting a particular class of customer based on his/her income, profession and lifestyle can be designed and tested first.

This will mean that smokers who recently quit will have a different product to help maintain their health, versus marathon runners who will get a product suiting their fitness needs. Insurance companies often launch products, marketing them as "innovative" and "'first in the industry" especially in the health and miscellaneous space, and there have been cases where customer response has been poor. Owing to lower sales, insurers have also withdrawn products from the market, leading to cost pressures. However, file-and-use will continue for retail products. This means that a product first need to be filed with the concerned authority and approval sought later. Only after they have received the nod can they start selling it in the market.

The industry had asked for a use-and-file system for some product types to co-exist with file-and-use system so that they could respond to customer requirements faster. However, this has been allowed only for corporate products. It is anticipated that even terrain-specific pilot products, meaning one for hilly areas and one for cities may also come into the market. By testing the products first, insurers will also be able to save costs and marketing expenses. Risk profiles of customers will also be mapped and insurers will bring out specific products after analysing individual customers. While some small target group tests are done by companies, they are not allowed to have launch products on a pilot basis. Only one or two pilots by a company at a time may be allowed and it would be expected that the insurer to file the product after the pilot, which can run for a few months.

INVESTORS IN STAR HEALTH INSURANCE COMPANY LOOK TO EXIT VENTURE

Investors in Star Health Insurance Co, including ICICI Ventures, Sequoia Capital and Oman Insurance, have put their holdings on the block as they look to exit a venture that is getting fiercely competitive.

At least two global and two local investment banks have made pitches to PE investors for a mandate to sell the company, two people with direct knowledge of the development said. Of the two sources, one is an investor and another, an investment banker. Bank of America Merrill Lynch, Credit Suisse, ICICI Securities and Kotak declined comment.

Star Health is a joint venture between ICICI Ventures, Sequoia Capital, Tata Capital Growth Fund, Alpha TC Holdings and Oman Insurance Company. "Investors of Star Health have called bankers to give a presentation to mandate them to sell the business," said one of the two quoted above. "There are some minor glitches and a final mandate will be awarded soon.''

Indian shareholders own 63.76% while the rest is owned by foreign investors, according to the data available until September 2016. The company has been struggling to meet capital requirement, as it is growing at over 30%. Its gross written premium income expanded 39.32% between April and December 2016.

The company, with a capital base of Rs 1,050 crore, is the first standalone health insurance company which deals in personal accident, mediclaim and overseas travel insurance. Star has been attracting investors as Indians are rushing to buy insurance policies with health expenditure going through the roof. Last year, Apis Partners and ICICI Ventures acquired 15% stake in Star Health and Allied Insurance for Rs 320 crore, valuing the company at Rs 2,100 crore.

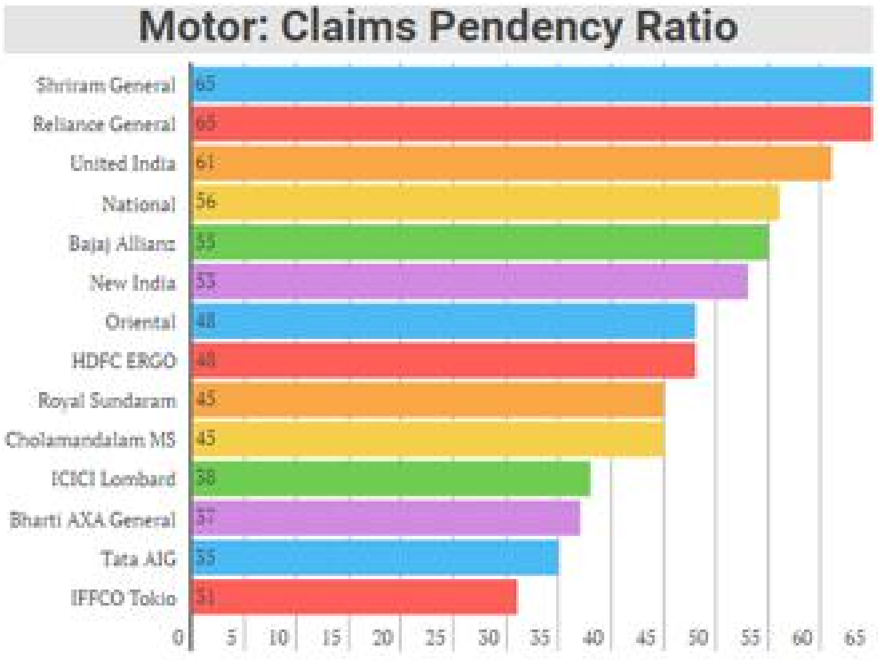
MOTOR POLICY CLAIMS TAKE MOST TIME TO BE SETTLED; HEALTH LOWEST

According to data on general insurance claims by the Insurance Brokers Association of India (IBAI), only around 3 percent health claims have been pending for more than one year.

Motor insurance policies take the longest time to be passed while health claims have among the shortest time for passage. According to data on general insurance claims by the Insurance Brokers Association of India (IBAI), only around 3 percent health claims have been pending for more than one year.

Lower the claims pendency ratio, better is the insurance company in terms of the measured ratio. For the quarter ending June 30, 2016, public sector general insurers including Oriental Insurance, New India Assurance, National Insurance and United India Insurance have less than 6 percent pending claims in the health space.

Similarly, private sector general insurers too also low pendency ratio. Large ones like SBI General, Cholamandalam MS, HDFC ERGO, Tata AIG, ICICI Lombard, and Bajaj Allianz have less than 5 percent health claims pending.

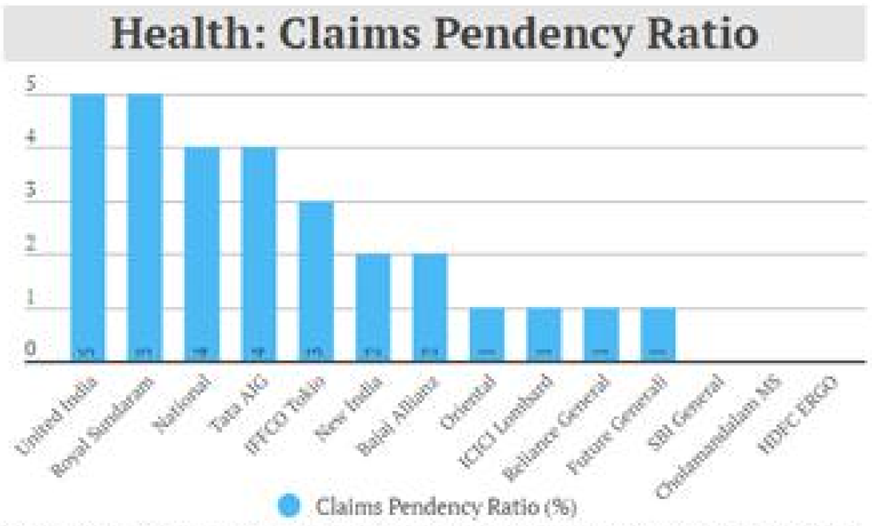


Source: IBAI | Data for quarter ending June 30, 2016 | Refers to number of claims pending for more than 1 year out of total pending claims

Third party motor insurance is mandatory and there is no limit on the claims that are filed under this category. Hence, whatever the Motor Accident Claims Tribunal passes in its order has to be paid. The third party cover comes into force if there is an accidental death due to a vehicle. The policyholder's insurer pays the claims.

Often, the courts and tribunal give an order to pay high claims and the insurer contests this. While there are fixed amounts for train and air accidents, there is no such fixed compensation for road accidents. Hence disputes arise and there are also mega Lok Adalats held where claims are settled.

Standalone health insurers including Apollo Munich, Religare Health, CignaTTK, Max Bupa and Star Health have zero claims pending for more than one year.



Source: IBAI | Data for quarter ending June 30, 2016 | Refers to number of claims pending for more than 1 year out of total pending claims

Insurance company officials said that during the proposal stage itself, underwriting heads look into what are the existing conditions of the prospective policyholder and the exclusions under the particular scheme so that claims are not unnecessarily delayed.

GROUP MEDICLAIM PREMIUMS LIKELY TO RISE

Group health insurance premiums may go up as the insurance regulator cracks the whip on disclosures to end subsidisation by individual payers.

Insurance Regulatory and Development Authority of India (IRDA) chairman TS Vijayan recently said the watchdog was planning to ask companies for segmental reporting of balance sheets to show which segment was making losses.

Among the various classes of health insurance, the net incurred claim ratio is particularly high for the group business, which was more than 100% for the past five years. The net incurred claims of non-life insurers rose 16.77% to Rs 64,495 crore in 2015-16 from Rs 55,232 crore in 201415, according to regulatory data.

Health and motor insurance were the main reason for this with claims ratios at 98.43% and 81.18%, respectively. Insurance companies pay claims and manage expenses from premiums earned. If the claims and expenses exceed premiums, the business becomes unviable.

The increasing cost of medical insurance had forced companies to make changes to group health insurance policies to make the business viable in the past few years. This includes introduction of copayment terms on claims and premiums and a cap on acquisition costs. Some large insurance companies have increased premiums on group health by 10-50%, depending on their experience with the account.Earlier, prior to freeing up of premium rates, group health was doled out almost as a freebie with fire or property insurance products. Group health insurance is an annual policy that's renewed at the end of the term. These are high in volume and aid insurers in reporting topline growth.

The individual health insurance business has been improving over business has been improving over the same period. Other than individual and group, the government business has worsened, with claim payouts exceeding premiums collected under the various schemes.

The general insurance industry reported 21.7% growth in the overall health insurance business in 2015-16 to Rs 24,448 crore. This is the highest growth reported in the past five years.

WHY AND HOW SHOULD YOU TAKE HOME INSURANCE AND CLAIM FOR IT? HERE'S ALL YOU NEED TO KNOW

Earthquakes have become very common these days. Regions in northern and western India are frequently experiencing a huge drift due to earthquakes. Even states near coastal areas like Andhra Pradesh and Odisha and in fact the whole of the southern India regions are getting prone to flood and cyclones.

Earthquakes have become very common these days. Regions in northern and western India are frequently experiencing a huge drift due to earthquakes. Even states near coastal areas like Andhra Pradesh and Odisha and in fact the whole of the southern India regions are getting prone to flood and cyclones. In such a scenario, where calamities are becoming quite common, one should ideally opt for a home insurance for their dream home.

Home insurance comes up with massive discounts when you take it for a longer term. Moreover, discounts are also given on various home appliances by many insurers. You need to check the best deal and opt for the same. Here is all you need to know about the coverage under the home insurance policy:

What does home insurance cover?

Home insurance is an outright solution to protect your home from unfortunate events such as natural calamities, theft or burglary etc. It is particularly of two types: Structure Insurance and Content Insurance. Home insurance for the structure covers your home from the damage or collapse by fire, hurricane, earthquake or other natural disasters. If the damage is hard enough that you cannot live there, in that scenario, it covers the rent of living away from home, over and above your usual living expenses incurred, while your home is being rebuilt. Content insurance typically covers contents inside the house such as furniture, artwork, collectables, mobiles, laptops etc.

"One can opt for comprehensive insurance policy to cover both the structure of the house and valuable contents inside the house. In case you are a tenant, then opting for content insurance can be a good investment to protect your valuables. A nominal premium is charged to provide a 360-degree protection to expensive contents of your house. It is important to buy a content insurance policy as nowadays, most of the people are working and houses mostly remain empty during the day. The chances of theft are high during the day time. It also eliminates the stress during the vacation time, when no one is at home for a longer period of time,"

A few insurers are giving appliance breakdown cover, where repair cost will be covered for appliances like AC, washing machine, TV etc. In certain scenarios, fire due to short circuit or kitchen cylinder blast is also covered. "For example, you are living in a rented flat in Delhi and only looking to buy a content insurance. It will cost you an annual premium between Rs 700-Rs 1500 to cover furniture worth Rs 100000, electronic appliances worth Rs 100000 and burglary cover of Rs 200000. There are certain exclusions also in the Home Insurance. It does not cover loss or damaged due to wear & tear and war, loss of cash, damaged caused to any electronic equipment due to over-running or excessive pressure,"

How and when can one claim for it?

While making a claim against any uncertainty, you need to take a few precautions. Suppose something got damaged and in an emergency you had called a plumber. Then make sure that you kept the receipts of payment with you. The emergency funding is acceptable by an insurer, but the only thing you need to be aware of is that you are keeping all the relevant documents with you. You need to file the claim on right time because if you are not able to do so, payments may get delayed. Moreover, there can be a chance of reduction in making due payments from the insurer side too.

"In the case of any natural calamity, you can simply file the claim with your insurer. Your insurer will ask for necessary documents to confirm that the house is in the name of the person filing the claim. In the case of burglary, you need file an FIR and a copy of the same needs to be submitted with the insurance company will filing for the claim. Every insurance company has specified a time period to file the claim. It varies from 7-15 days. Post this time period, the insurer may reject your claim. The insurer will inspect the damaged goods. Therefore, it is important to make a declaration and have all the documents and proof in hand, before filing the claim,"

F.O.B. TRANSIT INCLUDING SHUT OUT CARGO IN MARINE CARGO INSURANCE

- The normal Inland Transit policy can be extended to cover the F.O.B risks with the duration of two weeks until the consignment covered under the policy is placed on board the ocean going vessel for both coastal and overseas shipment. The extension of F.O.B risks may be granted subject to payment of an additional premium when loading is done directly from Wharf/Quay and when the same is also done mid stream by craft or lighter.
- Additional rates are also charged for shut out cargo whilst goods are on board craft, raft or lighter until loaded on ocean going vessel for a period not exceeding 48 hours.
- In case the consignment is not loaded within 48 hours, the consignment shall be returned to loading point and discharge.
- The premium shall be payable when shut out cargo remains in docks or in port warehouse awaiting shipment for another vessel. The normal Inland transit policy shall be issued for return journey from Dock to shipper's warehouse.
- The incidental risks like additional storage, lighterage, jettisoning, etc (if covered) may be charged at the underwriters' discretion.
- The rate for shut out cargo (coastal and overseas) ex craft, raft, lighter in mid stream shall be 75% of the basic rate subject to a maximum cover whilst on mid stream, up to a period of 48 hours or until discharge at loading point whichever is earlier.
- Any extension of cover beyond the period of 48 hours or for cargo shut-out in midstream due to strike by bargemen/stevedores, port workers etc. may be granted against additional premium.

In a chat with ET Now, Sandeep Batra, ED, ICICI Prudential Life Insurance, says in FY16, the industry grew by 8% pre-demonetisation, till October, this industry grew at about 17%. Post demonetisation, till February it has grown at about 23%.

Excerpts:

Insurance is a very new sector from a listed standpoint. What is happening to this sector? What has been the impact of demonetisation? We have always thought that LIC is losing market share, private guys are gaining market share. It is a crystal clear story that in India LIC is losing market share and we will all be buying insurance.

Absolutely right. Demonetisation has provided a big boost to the insurance sector and in fact to entire sector dealing with financial savings.. If I just put the numbers in context, in FY16, the industry grew by 8% pre-demonetisation that is, till October this industry was doing well; it grew at about 17%. Post demonetisation, till February it has grown at about 23% which is the impact clearly from a demonetisation angle on the saving side.

The larger story which is going to play out is on the protection side. We have seen a report which talked about the protection gap and talked of that number at about $8.5 trillion but let us not get into those bigger pictures. Out of the large amounts of premium that this industry get, only about 5000 to 6000 is pure term products that is it. It is just about 2% that is our estimates. The motor insurance premium of this country and that is about Rs 45000 crore. Now let us put it from the customer point of view and see where the opportunities come in. When I buy a car for say about Rs 10 lakh, I typically pay an insurance for about Rs 20000, So, for Rs 20000 for a 40-year old you can buy a cover of Rs 1 crore. The proposition is do you value your car more than you value yourself? From a consumer angle, as an industry we need to do a better job of what we are trying to do on protection. That is clearly one of the fastest growing segments though from a small base. Coming back to the original question of demonetisation and whther it has been a big boost to the industry, the answer is yes.

The question often is also about the market share adjustment and we were discussing whether there could be migration from LIC to private insurers. How do you see your market share picking up from here and in all the segments that you operate in?

Even if LIC is losing market share, it is growing. If you start with 100%, obviously you cannot go up further and to that extent, private sector will always grow. LIC has also had a period of very healthy growth this year but the private sector has done a little bette.

But from the current 13%, where do you see your market share headed? Is it really about the value of your new business growth? On a broad basis from a branding perspective, do you not look at how your market share is growing in each of the segments that you are patent?

We do look at it. We have been growing a little faster than the market at 13%. It was about 6% five or six years back. From our perspective, it is important to sell customer centric products which we are doing on the saving side and in the protection business. We have talked about the opportunities that are there in both these segments.

The belief in the market is that you have too much dependence on the ULIP business. ULIP is a market linked product and depending on the way how markets would move, the future of ULIP business will move?

ULIP is one of the most efficient savings products from consumer point of view and I am less sticky about the protection part of it. Whether it is a unit linked product or a participating product or a non-part product, each of them offer a cover which is 10 times the annual premium.

The markets as a whole do determine growth in financials savings . Does it mean that their growth affects unit linked more or less, the answer is they do effect equally the customer proposition. If the markets are doing well, it affects ULIP, it affects other insurance, it affects mutual funds, it affects the entire financial savings space. There is no real singular dependence on unit linked per se. From an overall markets point of view and from a customer point of view, it is important to sell customer centric products and the way we have designed those products given the restrictions on lapsation etc. it makes a great customer choice. If you are going to remain invested over a 10-year period, systematically keep on investing money and have a cover along with it. The proposition is your financial goals will be met irrespective of what happens to you.

Will your policy mix change drastically? The ratio which is skewed in favour of ULIPs -- about 80% -- broadly. Will it remain like this?

We would like to sell the customer centric products and let the customer choose. There are different deals and there are different segments. We will grow the savings business and let the customer choose the product and we will grow the protection business and upgrade much faster than the savings business.

What about profitability in terms of your outlook on margins? How do you see that panning out?

We have moved our margins significantly over the last couple of years, if you recall, in FY15 we reported a margin of 5.7%, in FY16 it was 8 and now the reported numbers are 9.4. The margins expansion will largely be a function of how we expand the protection business and also how well we will focus on our persistency improvements.

The other aspect of the insurance industry is that at the lower end of the pyramid, there are government schemes which currently are popular. No private playetr has targeted this pocket maybe because they are not profitable. I am talking about the Pradhan Mantri Jeevan Jyoti Yojana, those are very small low ticket options. Are you looking at doing something very radical and substantial which will take care of addressing that segment of the society?

The prime minister when he launched that Pradhan Mantri Jeevan Jyoti Yojana about two years back, did a big service to the insurance sector and especially the term, I mean the product has just about Rs 330 premium and Rs 2,00,000 of cover. You do not get a cover for such a cheap price. As an industry, we sold about three crore policies within a period of two months which is a number we do not sell as an industry during the whole year. The process was very simple. As far as we were concerned, we targeted on ICICI Bank customers. If you are a bank customer, you got an SMS. This is the product feature. You said yes and your money was debited to your account and we send another SMS here is the link to your policy. So three SMS and the policy is there. It told us how a process can be made or modified or simplified and deliver great value. We have had a significant number of people who have renewed this policy and clearly for us, we have not lost money in the scheme.

These are segments which we clearly need to look at but it also told a large set of Indians that there is a value of term insurance and the point that you were earlier making that Indians do not buy term, that myth is sort of breaking.

NEED FOR INWARD REINSURANCE BUSINESS

INWARD INSURANCE

Inward Reinsurance is written by both professional reinsurers and direct writing companies. Practically, most insurers write inward reinsurance business besides the reinsurers.

They can be broadly divided into the following groups:

a. Direct companies accepting business;
b. Professional reinsurance companies;
c. Underwriting agents writing business on behalf of other companies;
d. Lloyd's underwriters in London and underwriters in similar exchanges in the U.S.A.
e. State reinsurance corporations in various countries;
f. Regional reinsurance corporations;
g. Captives insurance markets with their fronting.

NEED OF INWARD REINSURANCE BUSINESS:

Whilst a professional reinsurer is a specialist insurer writing only reinsurance business, direct writing insurance companies may be guided by the following main reason for wanting to write inward reinsurance business:

a. To increase net retained premium
b. Due to several reasons like statutory regulations or economic depression in various countries of the world, insurers may wish to go in for reinsurance business than for direct business to supplement their growth.
c. To achieve a lower expense ratio by the maintenance of the volume of premium income. This is an extension of the objective at (a) above. Normally, outward cession would tend to reduce the gross direct premium income and consequently expense ratio on the new premium would be higher.

   However, an insurer may accept inward reinsurance business to increase his net premium income, which otherwise gets depleted by outward cessions, to be able to maintain a lower expense ratio.

   Underwriter must take into consideration the overall cost structure of reinsurance business including commission and brokerage paid, as opposed to the cost in procuring direct business.
d. To obtain a better and wide spread of business by writing business from overseas. Reinsurance business is subject to fluctuations and a better balance can be achieved by spreading one's acceptances across markets and to minimize the effect of claim fluctuation.
e. To counteract the drain of foreign exchange on account of reinsurance ceded abroad. This thinking is in practice in several developing countries, where there is outward flow of balance on account of reinsurance ceded but not sufficient inward business flow.

However, this reason has to be tempered by the fact that if the outward reinsurance has been unprofitable to the reinsurers, this will result in an inward cash flow to the ceding insurer.

Secondly it is difficult to find good quality inward reinsurance; therefore, a reinsurer may often find himself paying out more than be expected to receive.

f. To earn an investment income, which is derived from cash flow resulting from inward acceptance. This objective again has to be viewed in the context of market conditions, where underwriting losses are more predominant and reverse cash flow is more common.
g. To act as a "window" in international reinsurance markets; that is, to be in touch with the development in reinsurance thinking and techniques in other countries of the world.