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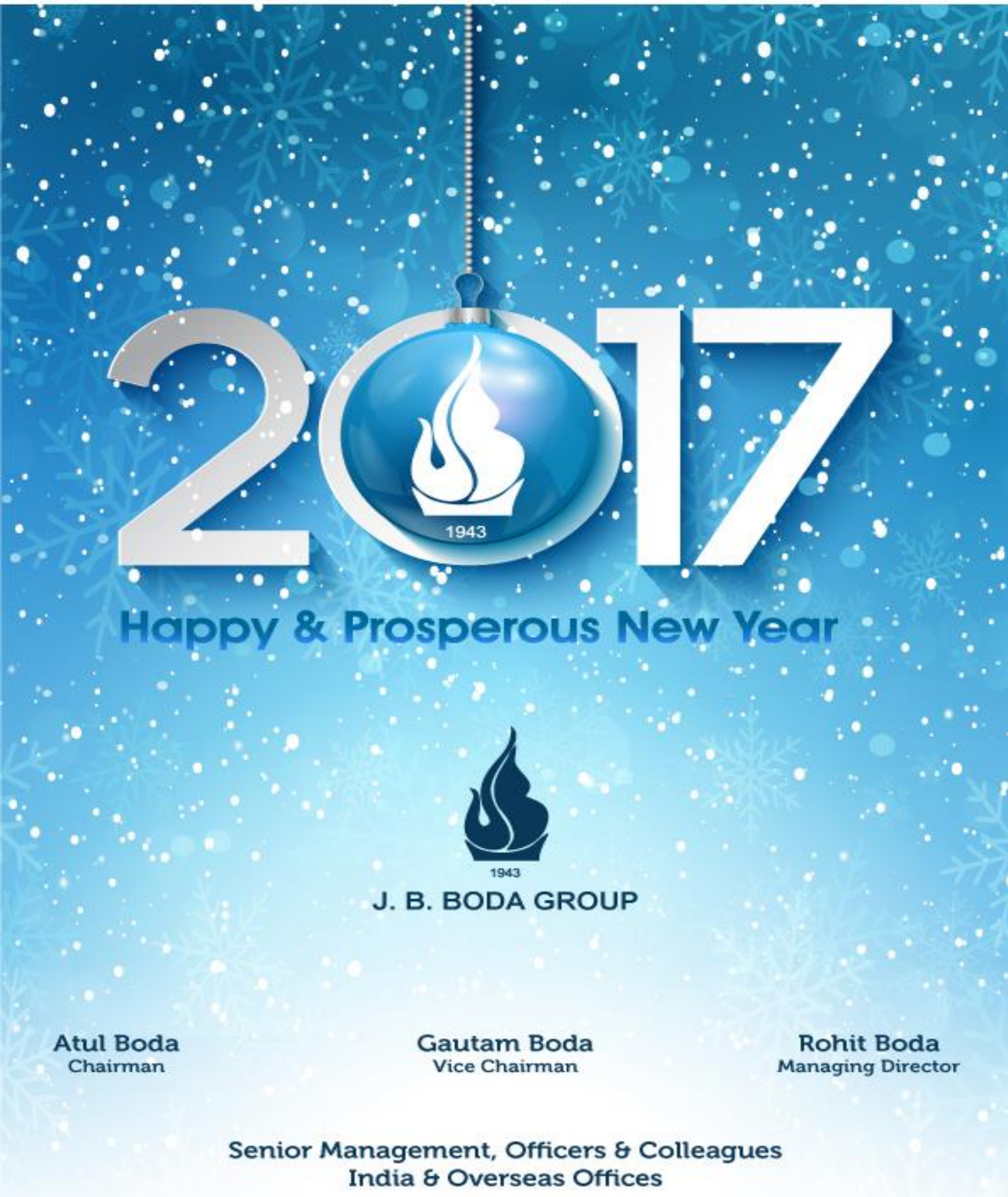
2017
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ON 'WRITE' SIDE

Using data to capitalise on capacity - Reinsurance

The increasing reliance on technology and data has implications for the way in which brokers look at different sources of capacity

Christmas is always a time to reflect and 2016, from a technology perspective, has provided much to think on. The 'data war' that has raged for the last 5 years continues unabated. However, 2016 may have provided some key indicators that may define how data and technology could affect the market.

Facility creation has been a hot topic all year and many brokers have made great strides in this space. MGAs have also become prized assets. Reinsurance brokers, which, in the past, created MGAs by introducing capital to underwriters and got paid by treaty orders, are finding their space squeezed.

The data collected by MGAs after a few years of operation, often dictates less reinsurance requirements. That's not good if that was the reason for the deal from the broker's perspective. Complicating the situation are inwards brokers who are claiming the MGA space for themselves. Why create a facility with a 'lead' who, after poor results could decline to renew, when you could 'own' the underwriting and the data as well? If the facility goes south, just rerun the data, amend the rates as needed, remove the black swans and look for new capital that wants to slot in. And what sort of capital will brokers look for? Certainly not just the traditional 'carrier type', but perhaps more esoteric to ensure the product is unique and hard to copy.

The key to all of this is data and the technology that captures it. For commodity type products this is easier. Agree a question set, build a form, apply an algorithm, allow for referrals and create documents. The technology is out there. It is fairly good and easily adaptable. Web based technology also removes geographic boundaries. That's a problem for some carriers which have spent a fortune creating an 'on the ground presence' in local market places. Others, which have historically had the local presence, are now carving back. What other industry is going local over going web?

"But we are specialised" the London market cries – you can't commoditise us. So open market risks are immune? A point to disagree. Placing Platform Limited (PPL) has made good strides in the right direction and let's be clear these are hard yards. The principles are correct, if not a little damning of the broking community. (PPL) had to start by 'trading paper' as brokers don't have the data, yet.

Race for data

So one hopes every broker is racing towards a place where they can collect all of the open market data as well? Woe betides if you're not. Although what is key is that the collection is part of the process, not just a rekey to enable eTrading – that will never work. Submission data is important, but the market reform contract contains the core fields to drive all of our systems. And if the broking community achieve this, then what?

Facilities and panels gain a longer life by converting to an MGA and begin to creep upward, from simple to increasingly complex, all driven by data understanding. More complex open markets risks are traded via PPL that trades data, not just documents. And all the data is collected and sent to carriers' systems to drive efficiencies.

That sounds good, but is it good for everyone? Some brokers charge for 'data services'? Will they give up that high margin 'market derived income'?

The last part of the (utopian) world I am imagining is, of course, loss data. When a broker understands their loss ratios the boot is truly on both (their) feet. Perhaps, in this regard, the US market's old-fashioned approach (carriers paying claims direct to clients) will be its savior for a while. However, for the London market this luxury does not exist for carriers.
In a recent survey that was carried out, 90% of the Brokers agreed that data and analytics will be an increasingly important part off their role going forward. One might argue that the carrier world has already moved to a more analytical approach.

For the first time in the history of the survey (5 years) published by EY they showed cost reductions in underwriting functions. Is this due to less expensive individual underwriters and more machine driven technology? Or more business in facilities that delegate authority (and so cost)? Either way all the indicators, direct or indirect, suggest that the much fabled 'big data' and the technology that captures it, is driving change. Whether this is good or bad, as always, depends on the perspective.

Those brokers that are not addicted to market derived income see no barriers to passing data to carriers. For them it will be a first mover advantage and a differentiator. Some brokers will move quickly to collect all data on all trades; some will complain about the technology and argue that only Microsoft Word can provide the uniqueness that their deals provide. Data will define segmentation and complexity, which in turn will dictate traditional carriers vs capital solution.

And what about the most important part of our market, the client? Surely big or small, simple or complex they will look for efficiency and innovation? They will look for data to prove they are getting the best deal. The ability to transact will become a given. Understanding carrier risk appetite knowledge will become less of a differentiator. Finding markets will be less valuable than 'way to market' and 'creating market'.

Unsurprisingly, in the same way that in 2015, almost 1.46 billion people shopped online and very few completed an online shopping training course, technology will naturally drive change to our market place.

Surprisingly technology may well rock the very foundations of the market as we know it.

NATIONAL

Crop insurance plan pays off in Karnataka

The Karnataka government's initiatives to enrol more farmers under the Pradhan Mantri Fasal Bima Yojana (PMFBY) to ensure continued Central assistance to help mitigate the economic impact of deficient rainfalls and resulting crop damage seems to have paid off as the number of enrolments in the state during the Kharif season has increased from 0.872 million in 2015 to 0.944 million farmers this year.

Reeling under its second consecutive drought and sixth year of deficient rainfall, Karnataka has declared drought in 139 of the 177 talukas, or administrative units this year (2016).

To increase farmer enrolment in the PMFBY, the state government had started deducting compulsory insurance premiums for almost all crop loans disbursed and has also increased the number of crops during the Kharif season from 25 in 2015 to 40 in 2016.

Karnataka's growth rate in farmer insurance scheme have been higher compared to other states even though the numbers at the national level fall way short of the ambitious target to cover half of all farmers in the country.

According to the agriculture ministry, during this kharif season, beginning June, 32.6 million farmers enrolled under PMFBY.
The numbers represent a growth of 6.3% in enrolment compared to the 30.7 million farmers who opted for crop insurance the previous year. However, it is significantly lower than the 29.5% rise in coverage in 2015, and 13.4% rise in 2014. Further, data shows only 23.6% of farmers enrolled for PMFBY in 2016, compared to 22.2% in 2015.

The Centre made a budgetary provision of Rs 55.01 billion for the PMFBY in 2016-17, up 84% from Rs 29.95 billion spent the year before.

States like Bihar, Andhra Pradesh, Odisha and Rajasthan witnessed far fewer takers for the Central crop insurance scheme, while Jharkhand, Karnataka, Madhya Pradesh, Uttar Pradesh and West Bengal saw a rise in enrolment.

The government has also introduced 16 crops under the Weather Based Crop Insurance Scheme (WBCIS) this year and already has over 0.102 million farmers enrolled under this scheme in the Kharif season.

The state government had started deducting compulsory insurance premiums for almost all loans disbursed, a senior official at the agricultural department had told. To be sure, coffee, sugarcane and tobacco is not covered under crop insurance-that is almost half of the over 7.80 million farm families in the state.

Launched in January 2016, PMFBY has a budgetary provision of Rs 176 billion. The share between Karnataka and the Centre is a 50:50 agreement around Rs 6.75 billion each. The state government had disbursed Rs 53.97 billion in 2015-16 to over 1 million farmers and has a target to disburse Rs 116 billion worth of crop loans this year.

Source : Livemint

Irdai allows insurers to be part of JLF

The Insurance Regulatory and Development Authority of India (Irdai) has allowed insurers to be part of the Joint Lenders' Forum (JLF), formed under Reserve Bank of India (RBI) guidelines for loan accounts that could turn non-performing assets (NPAs).

"Through this mechanism, insurers may take need-based exposure with the prior approval of the insurer's board which may be in excess of exposures permitted under extant Irdai Investment Regulations," said the circular that has been sent to insurers.

However, officials said that except large insurers such as the Life Insurance Corporation of India (LIC), other insurers might not be an active member in the JLF. RBI had framed new rules to enable commercial banks to form JLFs to detect stress early and provide support to troubled companies.

Banks had been told that as soon as an account is reported by any of the lenders to the Central Repository of Information on Large Credits as 'special mention account 2', they should mandatorily form a JLF if the aggregate exposure of lenders in that account is Rs 1 billion and above.

Now that Irdai has allowed insurers to also be a part of this process, it is expected that they would also play a big role in reducing the stressed accounts. The JLF can explore various options to resolve the stress in the account. The intention is not to encourage a particular resolution option - restructuring or recovery - but to arrive at an early solution to preserve the economic value of the underlying assets as well as the lenders' loans.

Source : Business Standard

Life insurers see up to 10 % drop

Life insurers are witnessing up to 10 % drop in premium collections post-demonetisation. While a chunk of premiums they collect in urban areas are generally through cheques or the electronic channel, cash has been a key mode of premium collection in semi-urban and rural areas, according to industry experts. When asked about the situation following the withdrawal of Rs 500 and Rs 1,000 notes since November 9, as part of the demonetisation exercise, a senior executive of Life Insurance Corporation (LIC) of India said there could be some impact on the premium collections through the agency channel in rural areas. For private insurers, the nature of impact has been varied depending on the nature and extent of their penetration into the rural hinterland and business mix from different channels. According to Arijit Basu, Managing Director, SBI Life, their renewal premiums are down by about 9 % from the previous three months' average collections.

"Our new business premium collections do not seem to have been very significantly affected. In the individual agency channel, the collections this month are in line with the yearly trend so far. In the bancassurance channel there has been a slight decrease in new collections this month," he said. In new business premium, as a matter of policy, SBI Life does not accept cash. In case of renewal, collections in cash constitute only around 3 % of the total collection for it. "In cash collections of premium there has been a fall," he added. According to RM Vishakha, Managing Director & CEO, IndiaFirst Life Insurance Company, premium collection through cash was very limited and the impact was below 5 %, post-demonetisation. An IRDAI official said the quantum of impact would depend on the continuity of cash crunch in rural areas. The regulator has extended the grace period for life insurance premium collections till December 31 in view of demonetisation.

Source : The Hindu Business Line

Why we must have travel insurance

Unlike health and life insurance, fewer people actively seek travel insurance. According to the latest annual report of the Insurance Regulatory and Development Authority of India (Irdai), only 1.4 million domestic travel insurance policies were issued in India in the financial year (FY) 2014-15. Many neglect to buy travel insurance. Those who do buy it, do so to cover themselves for issues like loss of baggage and delays. The importance of having travel insurance, however, comes to the fore when we hear of accidents like the recent one caused due to derailment of the Indore-Patna Express train.

Source : Mint

Death of Policyholder patient due to Malaria after Mosquito Bite is liable to pay the sum assured

In an interesting Case of National Insurance Co. Ltd. V/s Mosumi Bhattacharjee, (R.P. No.1270/2016), a question came before the National Commission to decide whether death of a Policy holder due to Malaria after a mosquito bite can be termed as an accidental Death?

Facts in short.

1. Late Mr. Debashish Bhatacharjee, the husband of the complainant took the home loan from Bank of Baroda and along with it, he also availed facility of Term insurance like policy by name "Bank of Baroda Loan Suraksha Vima", issued by the National Insurance Co. Incase of an accidental death, the policy amount was to be paid to the claimants.

2. During the subsistence of the Policy, the Policy holder died due to Malaria and hence his legal heirs (LRs) applied to the Insurance Company fir getting the sum assured.
3. But the Insurance Company turned down the claim on the ground that Malaria itself is a disease and not an accident. Hence the LRs filed the complaint before the District consumer forum, which was allowed in their favour. Hence the Insurance Company filed the appeal in state commission, which was also rejected and hence the matter came to national Commission.

Held :

1. The National Commission upheld both the judgments of lower fora's and observed that the Policy does not define the Term "Accident". It relied upon the definition of Accident given in oxford dictionary, wherein it is defined as "An Accident is something that happens unexpectedly and not planned in advance and causes injury".

2. Thus no one can predict about the mosquito bite and it can happen anywhere and anytime, like an accident. It relied upon the earlier judgment of Matbarsingh V/s Oriental Insurance Co.) wherein it has been held that Snake-bite, dog-bite, frost-bite are also accidents. It rejected the argument of the National Insurance company that Malaria itself is a disease and not an accident.

Source : karnatakajudiciary.kar.nic.in/dailycauselistBng/c4.htm

De-jargoned: Pre-authorisation in health insurance

The time taken to settle an insurance claim is an important factor for people buying health insurance. But claims settlement is a layered process. So when an insurer promises a quick turnaround on claims approval, it may not really mean that you will be able to walk out of the hospital, with all your bills paid by the insurer. It simply means a quick turnaround on whether the insurer has agreed to accept the claim. In health insurance, this stage in cashless claims process is called pre-authorisation. The pre-authorisation stage of claims approval is more like a provisional authorisation, where the insurer only communicates to the hospital whether the claim is admissible or not. You start this process by filling out a pre-authorisation form with the help of your treating doctor and the hospital. The form is forwarded to the insurer along with related documents and cost details. The insurer reviews these to authorise the claim. Depending on different insurers' advertised turnaround time, this could take a whole day to just an hour. The actual time taken also depend on insurers' review process. After this step, the policyholder is admitted and treatment begins.

Source : Mint

Incentives, discounts to make health insurance universal: Irdai

Irdai Chairman T S Vijayan today said there is a need to incentivise people who are not inclined to buy health insurance in form of free check-ups or discounts as part of efforts to deepen market penetration in this particular segment. The spending on healthcare is seen as a superior good and only taken by people who are risk-taking, so it is required to incentivise those who don't buy health insurance, Vijayan said at FICCI's Annual Health Conference here today. "For the people who are risk averse, it is important to incentivize them by offering some value to them like free health check-ups or discounts, which will help in realising our goal to make health insurance universal," he said. The New India Assurance CMD G Srinivasan, said it is a socio-economic challenge in India that health insurance is not accessible to all and it lacks sustainability as well. Srinivasan who is also the Chairman of the FICCI Health Insurance Committee said health insurance sector can only grow, if it is commercially viable for all stakeholders.

Source : The Economic Times

INTERNATIONAL

AM Best warns of risk of adverse reserve development

Rating agency highlights concerns about 'unsustainable' strategy to bolster profitability.

The trend for re/insurers to bolster their results with reserves is unsustainable. The rating agency said it will become increasingly difficult for carriers to sustain the present level of reserve releases being used to support earnings.

Over the past five years insurers and reinsurers in the US, European and London markets have become increasingly dependent on bolstering results with sizeable reserve releases, which has masked the sector's deteriorating fundamentals.

It has been cautioned that some companies may need to guard against possible reserve deficiencies to avoid a material depletion of capital. In the London market, it has been identified that a large proportion of releases in recent years had come from short-tail property reserves as benign large loss experience had allowed the release of catastrophe loadings. The rating agency said reserve redundancies at the level seen in recent years were unsustainable.

For the UK non-life sector, reserve releases have represented between 2.5% and 7.5% of reserves brought forward over the past 10 years. It was concerned reserve releases were continuing to be used to prop up underwriting profitability, which in turn was reducing confidence levels in reserves across the industry.

The rating agency highlighted the strong correlation between reserve development and the pricing cycle, warning reserve shrinkage coupled with weak pricing and the potential for above-average catastrophes pose a significant threat to companies' financial strength.

As well as reserve development, AM Best also cautioned the industry against the threats posed by accumulation risks, pandemics, low interest rates and energy prices.

In the prolonged soft market conditions, where organic growth remains difficult, AM Best predicted 2017 would see more consolidation. “Mega-deals cannot be ruled out," it added.

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