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FIRST ON **PROTECTION**

J. B. BODA
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NEWS AT JBB

Annual meet of reinsurance team

We had our annual meeting in the first week of September 2017 at Lonavala with respect to the challenges and opportunities of the reinsurance market. Our Mumbai and international team put up a good show on their achievements and sharing across achievable solutions after a session of healthy discussion and critical analysis.

Awarded as Star Performer by MD and CEO of Bajaj Allianz


KUDOS Team… You make us proud… **CONGRATULATIONS** !!!!!

Its all about the COLOURFUL J. B. BODA

We are all tinted with the same shades… we are the family at J. B. Boda and the festive season has run us all mad with ecstasy, oneness and unanimity. Here are some shades that you will love…





ON "WRITE" SIDE

Govt panel highlights need for household financial products

There is a need for a minimum set of cost-effective financial products to be prescribed for Indian households like simple term insurance and basic health insurance, according to a report of the Household Finance Committee.

For instance, in insurance, simplified low-cost home and contents insurance and travel insurance should be offered, recommends the inter-regulatory committee consisting of members from IRDAI, the Securities and Exchange Board of India, the Reserve Bank of India and Pension Fund Regulatory and Development Authority. It adds that low-cost catastrophe insurance could be made mandatory when property is purchased in areas that are at a high risk of natural disasters. The committee also says that households should be given the choice to shop for the best annuity plans and that investment guidelines for annuity funds could be relaxed.

The panel suggests too a set of standardised norms across regulators for financial advice to be implemented in a phased and unified manner, supported with a fiduciary standard for financial advisors. It also proposes that the provision of financial advice be clearly separated from the distribution of financial products, and provided in a manner that avoids conflicts of interest.

Debt in later years

The report notes that the average Indian household holds 84% of its wealth in real estate and other physical goods, 11% in gold and the residual 5% in financial assets, and as households age, they pile up debt, a peculiarity unique to Indians. More than half the debt Indian households accumulate are unsecured, reflecting an "unusually high reliance on non-institutional sources such as moneylenders".

Indian households tend to borrow later in life and are more likely to reach retirement age with outstanding debt, which is a source of risk given that they are no longer earning income during these years.

One reason for accumulating debt at a later stage in life could be the social arrangement, in which households bequeath the properties to future generations in lieu of old age care.
However, the panel notes these traditional structures were increasingly under pressure from shifting demographic patterns, social norms, and changing economic conditions, "introducing risks to economic well-being especially as households age".

The report found that the contribution of pension wealth and insurance cover was prevalent in only a few states and not across India. Insurance penetration was low, despite risks from excess rainfall, health shocks and natural disasters.

Over the coming decade and a half, the elderly population is expected to grow by 75%, but only a small fraction of this had saved in private pension plans. Coupled with low insurance cover, Indian households “appear particularly vulnerable to adverse shocks later in life”.

More worrying is the habit of Indian households borrowing high-cost debt after a shock as opposed to insuring themselves in advance, it said. This might be due to tight constraints on Indian household budgets which do not allow them to buy insurance in advance, or because of adverse selection, moral hazards or other issues which may cause the insurance premiums to become unaffordable.

This could be overcome by strengthening the public provision of health and social welfare services, the report says. It also stresses that Indian households must re-allocate assets towards financial products and away from gold.

One major issue for a distorted assets and liabilities picture in Indian households is the lack of unified framework or guidelines for the provision of high quality and low-cost financial advice.

As part of its recommendations, the committee proposes a set of sector-specific recommendations to improve the functioning of mortgage, collateralised lending, insurance, pension, and gold markets.

NATIONAL

Insurance brokers can offer up to Rs. 100 million without prior IRDAI nod

The Insurance Regulatory and Development Authority of India (Irdai) will soon come out with regulations that would allow insurance brokers to offer claim consultancy up to Rs 100 million without the prior approval of the regulator

For claims above Rs 100 million, the brokers would need to take approval from Irdai.

President of the Insurance Brokers Association of India (IBAI), said: “This point was discussed in the last board meeting of Irdai and our demand has been largely been agreed by the regulator and we welcome the move.” He was speaking at the launch of new volume of its “General Insurance Claim Insights for Policyholders: A Handbook”.

Claim consultancy services will provide for efficient liasioning with the insurance companies so that the claims can be settled on time. Senior officials in the insurance industry say that, this move will ensure that policy holders do not approach unauthorised agencies to get assistance for claims. “We have been verbally told regrading the change in regulations and we are happy with the move. Going forward we hope that, regulator remove all the restrictions of prior approval of above 100 million for claim consultancy services,” said a senior official.

Data from the handbook showed the claims settlement ratio is the highest by the New India Assurance, at 70.97%, among the public sector insurance companies, while Royal Sundaram’s claims settlement ratio stood at 70.79% among large private general insurance companies. Insurers are evaluated and ranked basis the above five criteria for individual lines of business such as fire, marine cargo, marine hull, motor own damage, motor third party, health and miscellaneous, and for all lines of business combined.

The handbook intends to capture data in these parameters and present it in a lucid and accessible manner, which would help policyholders in making an informed decision while choosing a general insurance policy.

However, claims settlement ratio for motor third party has been very less for the entire industry, the data suggests that, claims settlement ratio is below 20% for general insurance companies. While in health insurance claims settlement ratio for New India Assurance is 83.83% in public sector insurance companies.

Insurance savings product is the original SIP in India

Insurance is becoming a key force in Indian economy. Life insurance is evolving into a big challenger to banks and mutual funds in channelising financial savings.

The insurance industry comes in three shapes — reinsurance, life insurance and general insurance or property and casualty business. Many countries permit a single entity to do both life and non-life business.

Fundamentally, insurance operates on two big needs. One, saving for a goal, where it is competing with any asset manager. Other is a tool to financial security. It is true in life, health, motor, travel or in business-related areas like marine, fire, business continuity insurance. It is a first step to financial risk management for everything. If the fundamental hypothesis is that the economy is on the growth trajectory, then it is quite logical that these will be driven by the growth of economy. The need for insurance is permanent in nature. It is not for a service need or for a product created for a limited time.

Public sector does a lot of insurance business and so does private sector. But at one level, they are talking about the need for consumer which is not adequately utilised. As long as individuals have their coverage, burden on state is less. The language of the government has been crop insurance. Crop has been the fastest growing segment for general insurers last year. So far, the burden was borne by government. Now, it will be paid by insurance companies who are using good times to prepare for bad times. The other is simplicity of government products. The government is focusing not just on simplicity of products but also on simplicity of the delivery of products.

IRDAI working with govt to create a simple platform for KYC

The Insurance Regulatory and Development Authority of India (IRDAI) said that though Aadhar is not a mandatory requirement for Know Your Customer (KYC) in the insurance sector, it is the most simple form of KYC document. However, Aadhar is the simplest form of KYC.

Talking about distribution, the regulator urged the industry to strengthen distribution saying there is a need for merging technology with human touch. It is necessary to understand that more than 20 lakh people get their income from distribution. Even if technology is adapted extensively, insurance products distribution needs a human touch. However, one has to understand that the agent requirement and growth depends on the company’s growth strategy.

Only technology cannot prevent the incidents of frauds. As technology advances frauds also go up. One has to develop digital and human matrix capturing individual behavioural data to prevent frauds.

Settle car accident insurance claim in 1 hour with video proof

When a speeding biker knocked off the exterior rear-view mirror of N Krishna's car, he did not want to proceed on the Bengaluru-Chennai highway without fixing it.

So he took the car to the nearest garage. As he waited for the mechanic to fix it, Krishna decided to try and file the claim on his mobile. He shot a video of the damage, filled in the details and uploaded his claim.

To Krishna's surprise, the claim amount of Rs 1,200 was processed immediately and the amount credited to his bank account, all within an hour — before the mechanic could finish repairing his car.

Settlement of accident claims with an hour has become the new add-on in insurance. And companies are able to do this because of automation.

Take for instance Bengaluru resident Syed Saifulla, who works in an IT company and was recently surprised by a pleasant experience. "My policy expired and I thought I'll try the self-inspection video service. The turnaround was very quick. It was fast, simple and processed at my convenience," he says.

Every month, more than 25,000 users are doing their own photo shoot for renewals, says insurance aggregator. Few insurers are going a step further by offering such services for accidents via their in-house designed mobile apps.

With insurance regulator IRDAI allowing policyholders to do self-assessments for vehicle damage of up to Rs 50,000, this has proved of enormous help to many. With 'Motor on the Spot' facility, vehicle users can just click pictures of the damaged vehicle, their driving licence, FIR copy (if required) on their mobile phone and send it with the insurance policy number. Using data analytics, an immediate quote is given to the customer. If the customer is happy with the quote, he can agree and get an immediate settlement. If he is not then he can disagree, and the surveyors/customer service representatives gets in touch with the customer.

Aggregator says adoption of their app has increased after they started offering it in seven regional languages. They realised it takes the customer four-five minutes to shoot their videos and upload. Then a help video is created, which gives instructions — 'Turn right, turn left, shoot the bonnet, shoot the side-door, etc'. After that, it takes our customers just 50 seconds-1 minute to shoot and upload the video. For every 100 renewals, there are roughly about 30 of those for lapsed policies. Physical inspection of the vehicle and documentation can take two-five working days. For those who live in rural or semi-urban areas, getting hold of an inspection agent can be time-consuming. With the self-inspect video feature, policy renewal has become faster.

INTERNATIONAL

Thailand: Cross border insurance products made available

Bangkok Insurance has signed a reciprocal deal with APA Insurance of Laos on vehicle and accident cover for their respective clients who travel to the other country.

"This is the first step in business cooperation in the field of insurance under the Asean Economic Community framework. Thailand and Laos have made an unprecedented deal in the circle of international insurance business," Director of Bangkok Insurance, said.

The agreement was signed in Vientiane in the presence of insurance representatives and authorities from the two countries. The insurance covers people travelling in automobiles and on motorcycles.

APA Insurance is a subsidiary of Phongsavanh Bank of Laos and Bangkok Insurance a subsidiary of Bangkok Bank. The two banks had a business partnership going back 11 years. Meanwhile, Sompo Holdings will launch insurance products this month targeting Japanese logistics companies in Thailand, covering accidents in four neighbouring countries as more goods flow across the region.

The Japanese insurer will cover accidents occurring in the border areas with Cambodia, Laos, Malaysia and Myanmar.

Thailand, a manufacturing hub, anchors Southeast Asia's supply chain, and trucks commonly make deliveries to factories and logistics centres within 10km or so of the Thai border.

Australia : Life insurers face reputational and other challenges

The Australian life insurance sector continues to face negative trends, related to heightened claims and reputational risks as well as queries over claims management practices, and the threat of greater regulatory and compliance costs stemming from industrywide reviews, notes S&P Global Ratings. However, at this stage, the international rating agency does not expect these factors to have adverse ratings implications

The difficult operating conditions have contributed to a number of financial services groups divesting, de-risking, or considering severing their wealth protection operations over the past two years.

Income protection remains a problem child

The industry continues to experience heightened income protection claims, a segment that has been lossmaking for the past three years. S&P expects the repricing and amendments to policy terms and conditions over the past 12 to 18 months to take some time before resulting in improved profitability for this class of business. Although there have been significant price rises in most lines of business over the last two to three years, S&P believes this trend will moderate somewhat over the next few years, with insurers mindful of mitigating any affordability problems.

Industry's reputation

The life insurance industry's reputation remains somewhat tainted by reports of poor claims management, which triggered a number of reviews and inquiries into the sector over the past two years. S&P anticipates that these reviews could lead to greater regulation and an increase in compliance costs, which could hurt profitability.

Industry participants have been proactive in trying to regain the public's trust by creating a Life Insurance Code of Practice, which outlines a commitment to customer service standards. Twenty-two life insurers have agreed to be bound by the Code from 30 June 2017.

Capitalisation remains robust

Capitalisation, a strength of the industry, remains comfortably above the minimum risk-based regulatory capital requirements. In S&P's view, many of the Australian life insurers it rates also benefit from the income diversity associated with asset management operations, and varying degrees of domestic and international group support.

Another supportive factor is the government-mandated lowering of upfront commissions in 2018. S&P believes that the lower commission structure in a concentrated market with strong brand loyalty could facilitate further improvements in lapse rates.

China: Insurers urged to carry out more green finance research

Insurance, securities and asset management companies and banks have been urged to do more research on green financing.

Ma Jun, chief economist of the research bureau of the People's Bank of China, the central bank, called for capacity building for the development of green financing at an event in Beijing.

Mr Ma, who is also head of the Green Finance Committee of the China Society for Finance and Banking, called for improvement in capacity to develop analytical methodology and tools, to create a variety of green finance products and to train talent.

Many institutions in China are not aware of the tools for analysing environmental risks, such as scenario and sensitivity analysis tools, which can help them to fund more capital into low carbon and green industries, he said.

There is a lack of awareness about how to quantify the benefits and costs of environmental projection projects, he added.

He also called for capacity building to develop green financing products. He gave examples of how insurance products for green projects, asset-backed securities and carbon emissions rights collateral products can play a positive role in green financing.

China's State Council specified for the first time that the country will establish a green finance system in a document on ecological system reform released in September 2015.

In August 2016, the PBOC and several ministries published a guideline on building the green finance system which included 35 suggestions.

In June this year, the State Council approved a plan to develop five new green finance pilot zones in Zhejiang, Guangdong, Guizhou and Jiangxi provinces, as well as in Xinjiang.

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