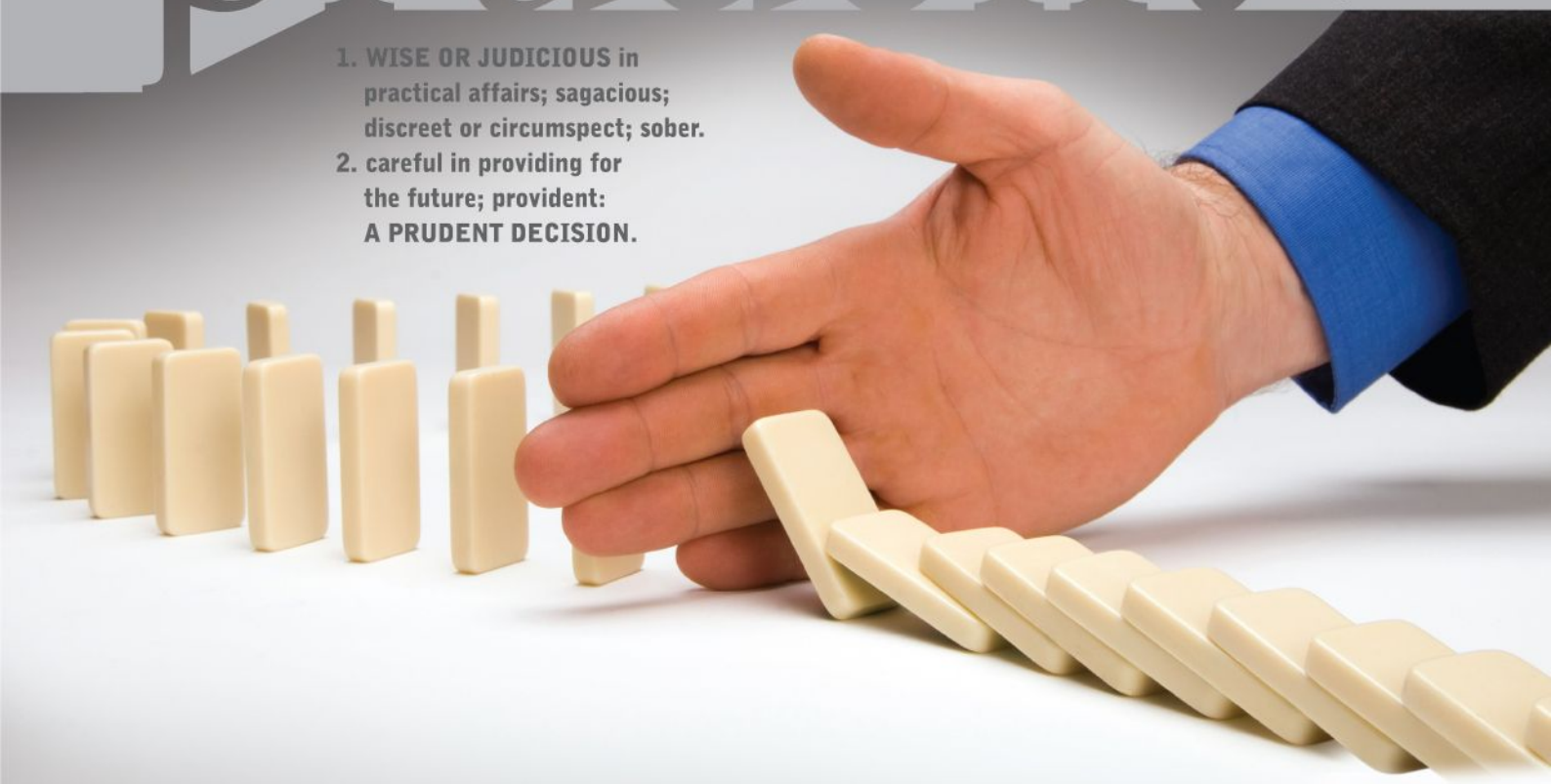
PRUDENT
THE FUTURE OF INSURANCE

# prudent - adjective

1. WISE OR JUDICIOUS in practical affairs; sagacious; discreet or circumspect; sober.
2. careful in providing for the future; provident: A PRUDENT DECISION.



## Domestic News

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# Health insurance: A defined benefit plan or indemnity based plan; which one to opt

*Financial Express/ July 04, 2017*

Health insurance needs vary from person to person and largely depend on the age and lifestyle of the individual. People often ignore post-hospitalization expenses, which can be higher than hospitalization, while buying a health insurance plan. Choosing between indemnity and defined health insurance is often the talking point for health insurance seekers. Here is everything you need to know about indemnity based health insurance vis-à-vis defined health insurance plans and which one should you opt for.

**Indemnity-based and defined benefit plans**

The common perception is that health insurance is a financial instrument that offers a cover for expenses incurred when one is hospitalized. But since sometimes post-hospitalization expenses can be far higher than the hospitalization charges itself, health insurers have devised plans to cover for such expenses. Health insurance plans are therefore broadly classified as two distinct types namely indemnity-based and defined benefit-based to cover for both the scenarios.

Indemnity-based health insurance plans are those which offer coverage and eventual repayment of expenses incurred during hospitalization as per the selected health insurance plan. Defined benefit plans offer a pre-defined lump sum payout for a particular disease, irrespective of any pre or post hospitalization expenses. Common examples of indemnity based health insurance plans are Mediclaim policies or family floater plans while critical illness plans or disease specific plans are examples of defined benefit health insurance plans.

Comparing plans: Indemnity insurance plans offer repayment as per the submitted hospitalization bills. For example, if you have an indemnity health insurance plan with a sum insured of 5 lakh and hospitalization bills amount to 2 lakh, you will get a reimbursement of 2 lakh post submission of bills. The remaining 3 lakh will be available for the remaining health policy tenure. A defined benefit plan does not require submission of any bills and you are paid a pre-defined lump sum amount as per the plan. The money can be used towards pre- and post-hospitalization expenses. A diagnosis report signed by a medical specialist must be submitted for availing lump sum payout for such a plan.

On the downside, indemnity plans have a deductible clause which means that policyholder has to cover for some percentage of the hospitalization expenses. Cost of post-operative care and medication is excluded in indemnity health plans. Defined health benefit plans usually offer a cap on hospital cash cover. So, if a policyholder opts for a defined health benefit plan, the payout per day will be as per the stipulated limit irrespective of the amount spent by the policyholder during hospital stay.

Both the plans have their advantages and choosing between the two must be correlated as per the individual health needs of a policy seeker. For example, if someone has a high risk of specific ailments that run in the family, a defined benefit plan may be the right choice along with an indemnity insurance plan to make for a comprehensive health cover.

Also, since chances of claim rejection in the event of a pre-defined cover are lower than indemnity based health insurance plans, doubling both policies gives a widespread cover towards any health eventuality. Balancing between both indemnity and defined benefit plans also ensures that any expenses towards pre or post-hospitalization are also covered and health insurance does not remain limited to hospitalization

expenses alone. Choosing between an indemnity and a defined health benefit plan must be done as per the medical needs of the policyholder.

# National Insurance gross premium rises 19% in FY17

*PTI/ July 04, 2017*

NEW DELHI: State-owned National Insurance Company has recorded 18.8 per cent growth in gross premium collection at Rs 14,282 crore for the fiscal ended March 2017. The Kolkata-based insurer had mobilized gross premium of Rs 12,019 crore in the previous fiscal. At the same time solvency margin, the key indicator of an insurer's financial health, of the company improved from 1.26 per cent to 1.90 per cent.

Insurance regulator IRDAI stipulates that an insurer should maintain solvency margin of 1.5 per cent. Since the solvency margin had fallen below the stipulated level, Insurance Regulatory and Development Authority of India (IRDAI) had asked the company to initiate corrective action and improve solvency margin. According to official sources, the net worth of the company at market value also improved to Rs 9,544 crore as against Rs 8,764 crore recorded in the previous year.

In January this year, the Union Cabinet had approved the listing of general insurance companies on stock markets. The government, which currently holds 100 per cent in five public insurers — New India Assurance, National Insurance, United Insurance, Oriental Insurance and reinsurance company General Insurance Corporation — is looking to raise Rs 11,000 crore by selling its stake in general insurers. The government had approved dilution of up to 25 per cent equity stake in the five companies in tranches.

# Insurance sector needs comprehensive overhaul

*PTI/ July 09, 2017*

The insurance industry needs a comprehensive overhaul across segments to boost performance as compliance cost is high and regulatory policy is less development oriented, says a report by former IRDAI member. "The regulatory framework and support system tends to over-regulate. Predictably the cost of compliance is high and regulatory policy is less development oriented," the report prepared jointly by former IRDAI member H Ansari and an industry expert Arun Agarwal, said. The essential elements of 'Ease of doing business' framework have not been incubated within the policy and regulatory framework to establish a credible, proportionate and supportive regulatory regime, the report said. The report was recently submitted to the government, Niti Aayog and regulator IRDAI. The report has identified areas that need reformatory steps by stakeholders, including policy makers, IRDAI, judiciary and insurance players to develop a modern, transparent and progressive industry framework and a global (re)insurance platform. According to the report, the regulations are prescriptive and rule-based and often there is carping on 'market not mature' and 'data not adequate'. Further, the regulatory anchors relating to products, pricing, placement and promotion, outsourcing and much more under the banner of protecting policyholders' interest, do not meet modern and global standards which fulcrum on 'Contract certainty and effective litigation', the report said.

The digitization goals for the insurance industry, the report said, seem to be a far-fetched one. The big data tech revolution that is set to shake up insurance, including distribution, process digitalization, products, pricing and customer engagement where digital will enable customer centricity to seem far-fetched in the country since these challenge current silos between life, non-life and health and reinsurers as different regulations set with different priorities, it said. Commenting on the report, Sanath Kumar, chairman and managing director, National Insurance Company said, "We have found IRDAI regulations quite contemporary and has been focusing a little heavily on policyholder protection." Their digital initiatives have been dealing with cutting edge technology and insurers have found it beneficial to adhere to. The descriptive regulations are a general trend in the country with SEBI, RBI and TRAI adopting it. For the past 17 years, there have not been underwriting surplus in Indian general insurance industry and it is because of the long pendency of legal cases in India and the large technical reserves that it entails.

"Yes, there is a capital crunch, especially in the wake of Rs 21,000 crore of Prime Minister Suraksha Bima Yojana (PMSBY)," he added. The report points out that the industry too has strengthened the current intrusive regulatory mechanisms with investments led rather than underwriting led profits, with life insurance industry delivering returns below the cost of capital for years and non-life insurance industry having the highest combined ratios across developed and emerging countries for last many years. Lack of profitability and underwriting disciplines, the report goes on, means that the right talent not attracted and there is virtually no research spend into lowering the risk thresholds. The capital accumulation is not enough to fund more growth and the fresh capital is not easy to get internal accruals, public listing or external borrowing or equity all of which demand greater control and improved performances.

"Annuities are the future growth areas, especially in view of the introduction of NPS and removal of pensions across many sectors. The structure of guarantees and the taxation of annuities, implying taxation of the principle itself is well brought out and needs the attention of the government," RM Vishakha, managing director and chief executive, India First Life Insurance said. "While the paper comments on the loss to the customer in case of non-par and par products, it does not draw enough attention to the fact that insurance companies carry the risk of long-term guarantees in these products, with no control on the market dynamics. The contract to pay a guaranteed amount as income needs to be supported by a contract to pay the premium," she added.

# Non-life insurers' premium income grows 22% in Q1: IRDAI

*Financial Express/ July 10, 2017*

KOLKATA: Thirty non-life insurers posted a 21.95 percent increase in their gross premium income to Rs 33,302.89 crore in the first three months of the current fiscal as compared to Rs 27,309.59 crore in the same period last year, Insurance Regulatory Authority of India (IRDAI) data revealed on Monday. According to the data, the gross direct premium income underwritten in June was at Rs 11,512.40 crore, up by over 35 per cent from Rs 8,521.28 crore in the year-ago month. The data showed private sector general insurers' gross premium income stood at Rs 14,986.85 crore in April-June quarter, up by about 28 per cent from Rs 11,738.98 crore in the corresponding period last year. For June only, their gross

premium income was at Rs 5,010 crore, up by 38 per cent from Rs 3,626.55 crore in the same month last year.

The same for public general insurers including specialized PSUA insurers in the June quarter was at Rs 16,864.81 crore, registering a 16 per cent growth, from Rs 14,562.86 crore in the corresponding period last year, the IRDAI report said. Only in June, gross direct premium income of public insurers stood at Rs 5,980.81 crore, up by 32 per cent from Rs 4,533.33 crore in year-ago month. Standalone private health insurers' gross direct premium income underwritten was at Rs 1,451.23 crore in April-June period, which was a growth of 44 per cent from Rs 1,007.75 crore in the year-ago period. Public general insurers have the market share of 50.64 per cent while private players have 49.36 per cent.

# IRDAI issues new norms for mediclaim policies

*Economic Times/ July 13, 2017*

CHENNAI: Many customers only realize at the time of making a claim that their health insurance policy does not cover certain medical conditions or ailment. Policyholders usually depend on what has been told to them by their insurance agents, who sometimes overstate the coverage. To prevent such cases, the Insurance Regulatory and Development Authority of India (IRDAI) has asked insurers to group together all policy exclusions upfront in the policy document.

Misselling is a huge problem for the insurance industry as, of 1.72 lakh complaints in 2016-17, about 50 per cent related to unfair business practices, according to IRDAI's consumer booklet 2016-17.
SBI General Insurance head (health) Puneet Sahni said, "Many a time, exclusions are lost in a maze of fine print. But the IRDAI has now said that the terms and conditions for claims, renewals have to be bifurcated.

Another change with the new regulation is the introduction of penal interest. "If the customer is not paid the claim within 90 days of reporting, the insurer has to pay the bank rate + 2 per cent interest for every day of further delay," said Sahni. An important addition pertinent to policyholders is the regulator's insistence that the insurer mentions service parameters or turnaround time.

"Often, there is a delay in the settlement of claims. It could be a three-month or six-month delay, or more. And the insurer's lethargy over the claim would be made known to the public only when IRDAI publishes its annual report. Now the regulator is trying to increase accountability by insisting they put up on their website the average servicing time taken for claims as approved by their board,".

The 'IRDAI Protection Of Policyholders' Interests Regulations 2017', released a couple of days ago, said, "Every insurer shall display the service parameters and turnaround times as approved by the board on its website and keep the same updated as and when the service parameters are revised by the board."

With the prevalence of employer-paid health insurance, IRDAI now insists that the policy document mention upfront co-payer limits if the policy is co-paid by the employees. Insurers are also now required to update on their website the terms and conditions of every insurance product that is withdrawn or modified. And update the list at frequent intervals.

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