i-notes Newsletter from India's Leading Insurance Broking House
October 2012

Summary

India Insure The risk managers

Message from the Editor

Dear Readers,

The coming winter session of the Parliament would probably be the most awaited one by the insurance industry with the Cabinet approving the bill for increase in FDI cap from 26 to 49% in the insurance sector and the Insurance law (amendment) bill being put up for the Parliamentary nod in this coming session. Considering the bill being passed, much remains to be seen as to how much of inflows this would translate into keeping in mind the sluggish growth in the life insurance sector. For the capital inflow to start ticking in, particularly in the life industry, growth would need to pick up and that can happen only if there is an improvement in the product profile, quicker approval of the products and new products coming in all of which depends upon measures taken by the government and regulator. In all probability, this may provide an exit opportunity for promoters who are in the business for making investment gains.

The focus this year by all insurers has been bottom line growth and underwriting norms have been getting stringent in the Property and health lines. Claims have been under close scrutiny by insurers in a bid to control the outgo. IRDA has been releasing the list of large claims (> Rs. 25 lakhs) to all insurers on a quarterly basis and in our focus article we have summarized the same for the year 2012. In the interview section we have Mr. Parag Gupta, Executive Vice President, Commercial Lines, Iffco Tokio General Insurance; Mr. Yogesh Gandhi, Director - Cunningham Lindsey International Pvt. Ltd. and Mr. Vijay Choudhary, Sr. Deputy General Manager-Insurance, Lanco Infratech Ltd. sharing their views on claims handling. Our sincere thanks to them for sharing their views with our readers.

We trust you will find this issue interesting and do welcome any feedback and suggestions.

V Ramakrishna
Editor – *i-notes* & Chairman – India Insure

An Overview of the Large Claims in the Non Life Insurance Industry 2012

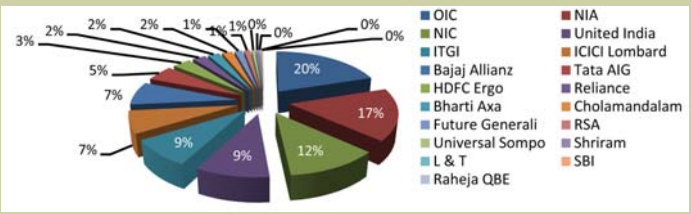
Claims are a defining moment in the customer relationship and for any insurer; success is defined by the customers experience around the claim. In a highly competitive insurance market, differentiation through new and more effective claims management practices is one of the most important and effective ways to maintain market share and profitability. Sophisticated insurers investigate trends and patterns in past claims experience and this helps them re-price products, measure distribution channels performance and identify the most profitable customer segments.

Almost all the non life Indian insurers are faced with underwriting losses. A look into the financials of non life insurers in the recent past reveals that the overall incurred claims ratio for the non life industry as a whole stands at about 88-90% for the year FY 2012. The size of the claims which contribute to sum up this figure vary from a couple of thousands to over 100s of crores.

Traditionally, the large claims are often separated from other claims. Large claims generally require to be handled differently. This treatment could be from the angle of documentation, the type of surveyor deputed, sanctioning authority at the insurers end, closer scrutiny by the surveyor as well as insurer, etc.

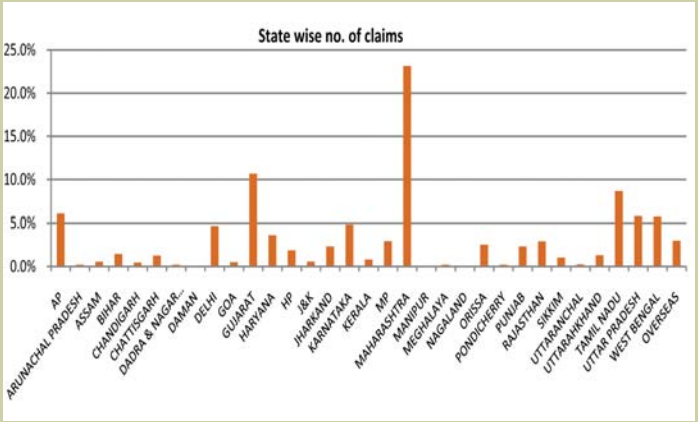
There is a need for the insured as well as insurer to look closely at their claims experience, identify common causes and ensure that their internal procedures are capable of eradicating the trends. The regulator, IRDA generates a list of large claims exceeding Rs. 25 lakhs on a quarterly basis. Through this article we have made an attempt to consolidate the claims data and have an overview of the types of claims that made their way to the large claims list in FY12. There were over 3600 losses exceeding Rs. 25 lakhs during the year.

The analysis has been done based on the data received by IRDA for all claims reported and hence no specific analysis has been done on the claim amount as there could be a possibility of the claim amount being revised subsequently. The largest claim reported last year fell under the Liability lines under a Professional indemnity policy for an estimate of Rs. 91 crores.



Of the over 3600 large claims reported, 730 claims, which is 20% of the total claims exceeding Rs. 25 lakhs, pertain to Oriental insurance company and only 9% pertain to United India (the 2nd largest non life insurance company in the country). In aggregate, the four PSU insurers account for 58% of the claims. This is almost keeping in line with the market share (52%) that the four PSU hold in respect of premium market share in the year 2012. At OIC, over 16% of the large claims pertain to the Power industry.

Amongst Private insurers, it is interesting to note that ITGI, which has a 3.44% premium market share, has had a disproportional 9% of the total claims exceeding Rs. 25 lakhs. The line which has seen the largest number of high value claims for ITGI has been the Property lines.



The chart above indicates that claim numbers are the largest from the west of India with almost 34% of the large claims coming in from the state of Maharashtra and Gujarat combined. This could be attributed to the high

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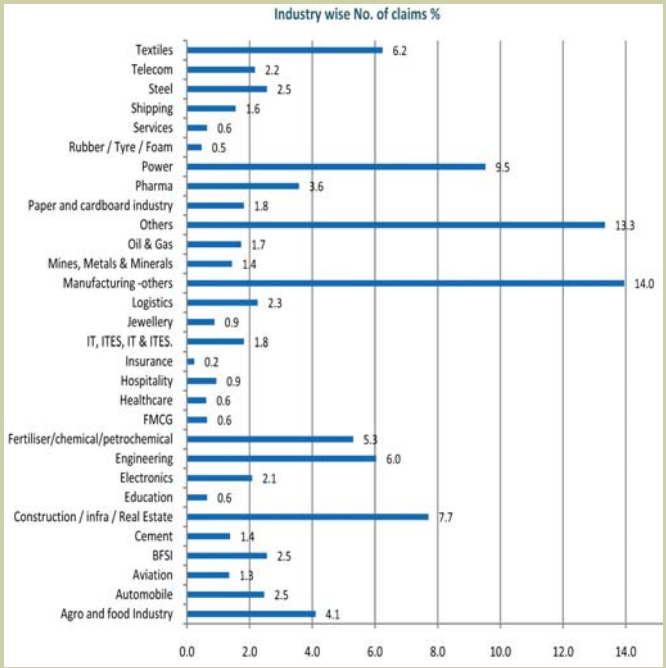
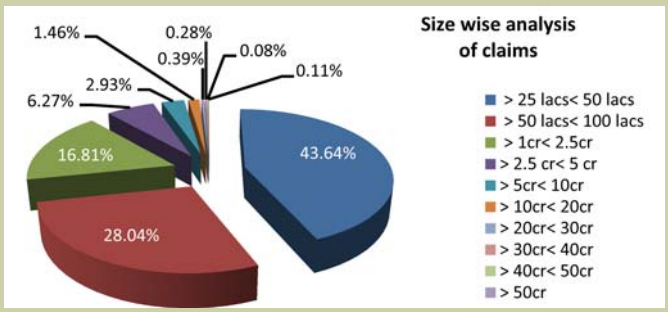
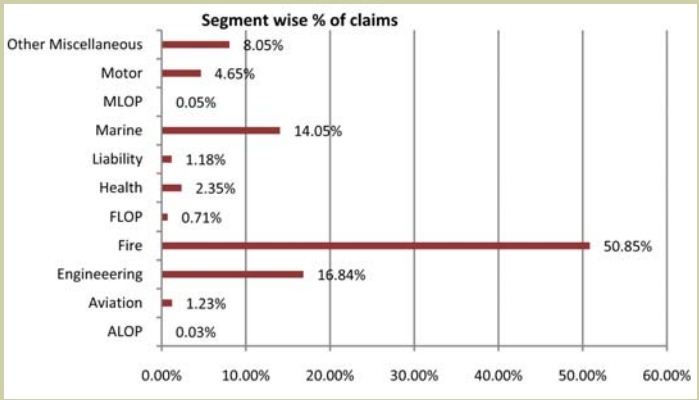
industrial development and trade in these states. Sikkim has reported 27 claims which is due to the earthquake which occurred in September 2011.



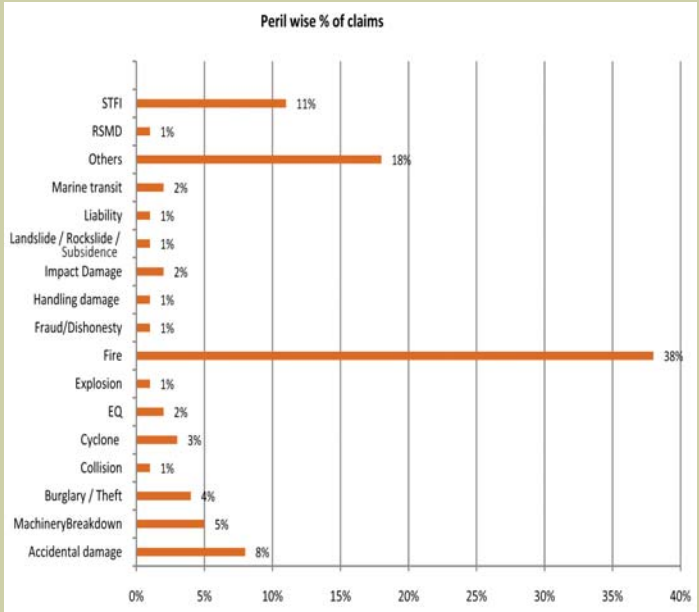
Year 2012 in India has been a year of mushroomed growth in the Energy and Infra industry and predictably, the Power sector has witnessed the largest number of claims in the year 2012. With the thrust by the Government on the Power industry, the year had witnessed a spurt in the number of power projects coming up in India in the Thermal, Hydel, Solar as well as Wind energy sector. This is in addition to the already operational units that dot the entire country. 35% of the claims have arisen due to AOG perils in the Power industry. Business interruption insurance is yet to catch up in the Indian market and the claims complexion would have been different had corporates opted for a BI policy. The claims in the infra industry have been majorly due to AOG perils. The major cause of loss for the manufacturing industry was reported to be fire and allied perils as well as Machinery breakdown. Incidentally, about 72% of the large claims pertaining the Power industry have been lodged with PSU insurers.



The largest number of claims fall between the range of ≥ Rs 25 lakhs < Rs 50 lakhs and 95% of the claims fall in the < 5 crore category. Claims falling under the >50 crores category, fall under the fire, liability and EAR policies. The largest claim reported in the year 2012 for 91 crores was reported under the Professional Indemnity policy.



The maximum number of high value claims falls in the Property line of business followed by Engineering, adding upto over 67.5%. However, strangely, the lowest numbers falls in the business interruption with ALOP, FLOP and MLOP aggregating to less than 1% of the total large claims. This could be largely attributed to the low penetration level of this policy consequent upon poor selling by the various distribution channels. The trend noted is that particularly in the infra industry, there is great reluctance from the insured in opting for a BI policy.



The most frequent cause of high value claims stands out to be 'Fire' and the allied perils. The incurred claims ratio in the Property lines have been consistently between 75-85% over the past three years despite falling premium rates post detariffication.

The non life insurance industry has had a growth rate of over 23% in FY12; however this has been undermined by the overall underwriting loss with the incurred claims ratio at about 90%. Claims in the non life insurance industry are much more complex and effort intensive in comparison to the life industry. Capturing and analyzing claims data and sharing the information with underwriters would help improve risk based underwriting. To improve the claims ratio, more effort from the insurer on creating product awareness within the distribution channel requires to be focused upon.

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Interview – *Insurer*

Mr. Parag Gupta, Executive Vice President, Head – Commercial Lines, IFFCO Tokio.

During the year 2011-12, which are the lines of business that have seen the largest number of claims in terms of numbers and also in terms of volume? What are the reasons you would attribute towards the same?

Largest number and volume of claims were reported in Motor (mainly Own Damage). Motor happens to be the largest portfolio for each insurer and also in the overall General Insurance market.

Which 3 factors would you attribute to being the most common reasons for the delay in settlement of large claims? How can this be overcome?

Most of the large claims are being settled efficiently. Having said that, in some rare cases delay occurs primarily due to the following reasons:

- Lack of understanding of required documentation/ delay in claim bill preparation at client's end.
- Gaps in policy issued vis a vis coverage required by the client.
- Lack of enthusiasm at surveyor and/or insurer level to conclude the matter.

These problems can be overcome easily if:

a) Insurer has an expertise and understanding about client's business, their risk exposure and insurance requirements.

b) While finalising the Insurance program client follows the philosophy of transparent and forthright sharing of information related to their risk.

(This is very important since a client's insurance programme is designed and implemented, based mainly on the information shared by them with their insurer.) This would help the insurer and client in developing and sustaining a long term and healthy relationship. This would also result in understanding each other's requirement in a better way and improve the commitment levels too.

Indian insurance companies have collectively lost a substantial amount due to the various frauds which have taken place in life and general insurance segments during the year 2012. In which line of the business is this most prevalent? What are the steps being taken by the industry as a whole and ITGI in particular to arrest this malaise?

In the General Insurance Industry, frauds are most prevalent in case of Motor TP claims. There is not much effort or initiative at the industry level to address this malaise. However, we are faced with the fact that these claims majorly impact every insurer's books. Therefore, each insurer has taken some step or the other to arrest this malpractice. However, keeping the loopholes and lacunae in the system itself, insurers have experienced that nothing is 100% foolproof.

ITGI has also started taking the following initiatives:

- Reduction of cover note issuance by intermediaries and Branch Offices and replacement of these with installation of online policy issuance software.
- Continued efforts at tracking TP claims right from the time of intimation of OD claim.
- Appointment of reputed and active investigators, where required.
- Close monitoring of each case.

Additionally, ITGI has assigned the task of TP claims management to a hand-picked team of specialist managers.

Claims Data Repository is the talk of the town today. How do you think it can be built up and how would it benefit the insurance companies?

Existence of insurance depends on claims. If there are no claims, the need for insurance would not arise. Development of various insurance products and their pricing depends largely on claims. Claims data Repository is very common and highly evolved in matured and developed insurance markets.

In India, we have begun to understand and appreciate the need for such a Repository only in the past decade and a half. This assumes paramount importance in view of the fact that the Indian market today operates in a detariffed environment.

IRDA has taken giant steps towards developing a data base of all the Insurers in the Indian market. This software is of course a mix of line wise premium as well as claims data of each insurer.

Some significant initiatives in the direction of building up a sustainable Repository could be developing software that provides claims data at various levels. It could be:

- Customer level data and analysis.
- Online availability of real time status of claims to corporates.
- Industry level Burning cost analysis and insurers developing their pricing mechanism based on that.

While underwriting large risks, is there a practice to carry out a claims control exercise on inception of risk to suggest to the customer ways to minimize the risk?

Few insurers like ITGI believe in knowledge sharing on best industry practices and guiding their clients to reduce/control risk exposure to have a win-win situation. Unfortunately today's insurance market is driven by wider coverage with cheap pricing and in most of the situations market is unable to appreciate any risk management/ loss control suggestions by insurance companies.

Such studies/ recommendations will have due importance only in a 'Risk based pricing' scenario, when, the insurer and the insured work jointly for risk improvement and in turn, towards better insurance program.

With a large majority of corporates shifting loyalty's during renewal, how is this effecting claims settlement? Any advise to Corporates on shifting insurers, considering price to be the deciding factor?

Insurance policy is intangible and it becomes tangible only at the time of loss. As mentioned earlier most of the times delay in settlement of claim is due to lack of understanding of each other's business and business requirements. Insurance is not a product but a commitment and assurance by insurer to indemnify the insured in case of any loss or damage due to sudden unforeseen accidents. Hence, commitment and long term relationship is most important from both the sides. As an organisation and as part of a very dynamic and evolving industry, our efforts should be to make continuous and incessant efforts at conveying this message and philosophy to our existing as well as potential clients.

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Interview – *Surveyor*

Mr. Yogesh Gandhi, Director - Cunningham Lindsey International Pvt. Ltd.,

What are the most common problems faced by you while assessing the claims and how do you overcome?

- Issues related to liability for some part of claim.
- Issues related to policy description and discrepancy.
- Insured's perception of cover and actual insurance policy understanding.
- Disposal of salvage.
- Value at Risk.

It would be best if a Professional help is taken at the time of policy inception so that fruitful interaction can be done in the benefit of all concerned. This will help in understanding claim handling process and on broad basis it will be agreed and known to all concerned forehand. These should help in the claim management process including risk management and minimisation of losses.

There is no common rule for all claims but if insured, insurer, broker (if engaged) and surveyor interact closely soon after a claim is reported, many issues causing delays can be avoided.

Insured should be clearly explained the way forward and immediate interaction between surveyor and insured will help in early conclusion on quantification. As far as possible, joint reports to be prepared for all verification, to ensure that difference in views are immediately sorted out or at least recorded for action by other party.

Appoint technical expert as early as possible if warranted so that benefit of available evidence to scrutiny by expert will help in early conclusion of issues.

Salvage disposal process to be decided as early as possible. Similarly, insured should start early working on Value at Risk exercise.

By and large what has been your overall experience about a) Insurers b) Customers and c) Brokers during survey and the entire claims process?

Insurers: As per present situation, insurers are proactive and want to know status on regular basis. However, very few insurers depute their officials to visit site of loss. If this is done more often and maybe more than one visit is arranged during the life of a claim, it will help Insurers in faster processing of the file once reports are received.

Customers: Customers should refrain from exaggerating their claim under the fear that their claim will be drastically reduced if claimed based on fair damage assessment. In fact, it takes much longer when surveyor feels that claim is casually prepared without detailed verification of extent of damage. The process of acceptance even for clear damage takes longer time for validation under the circumstances.

Brokers: Brokers are professionals and should advise insured about strict application of policy cover. The broker should prepare the insured to accept adjustments which are fair in terms of policy. This will solve many problems and confrontation. It is detrimental in claim process when brokers suggest insured to give partial information or insist that insured claim untenable amounts under the policy. In short, the broker should hold his insured's hand, for early and fair settlement.

How do you rate the present claims process that is being followed by Insurers? What are the thoughts you would like to share with insurers as well as customer which can enhance the experience of all parties concerned in the claim settlement process?

- It is necessary that spirit of policy is considered beyond technicalities by either party, and the insurer appreciates the intention of the insured at the time of seeking cover.
- The Insured needs to appreciate that though lowest premium is his target, squeezing the insurer beyond a certain stage could invite trouble at the time of a claim. However, that in itself does not give the liberty to insurers to seek for negotiations on the claim.
- More than the value of claim settlement, it is the time of settlement that is essence of insured's satisfaction, and should be appreciated by the surveyors and insurers.
- Mutual faith and trust among insured and insurer needs to be re-established.
- Some claims processes in the market need to be revisited with a serious outlook. It is possible today to take on innovative processes involving international experience of insurance industry. There are tailored solutions available for handling frequency claims and underwriters should be open to accept such processes.

In the experience you have been having over the past decades, do you see any perceptible changes in the way the Insurer or the corporate is handling the claims? Also what is your experience with the concept of corporate appointing Claims consultants catching up?

- I believe Insurers have come a long way as business now done is much different than a decade ago.
- Insured for long had desired that premiums should be charged with respect to risk involved and past experience. The market opening for rate was expected to pass the benefit of premium to good risk. It is unfortunate that industry has gone all the way in sidelining sound risk assessment practices and hence purpose is again defeated. Surely, this will affect the claim settlement process.
- Corporates have started increasing appointment of experts and consultants for their claim handling. This is surely welcome if intention is not to get higher claim but fair and fast settlement. Experts on both sides of the table, with positive approach, can make the process seamless for both parties.

The fees structure for claims has not seen any changes in the recent past. What are your views about the same?

- This has been the issue for surveyor fraternity for quite a long time. There are complex issues and surely no single formula can be a solution for a large country like India.
- Most importantly, the present system of licence by department and restriction for three departments only for each surveyor needs to be abolished as this is a constraint for all surveyors and insurers.
- On scale of fees, Indian insurance industry is typical as it has Government Companies and Private insurers. Private insurers surely can decide their preferred professionals and service standards they desire. For Government Companies, this is little difficult but some efforts are surely needed to formulate some process to help them as well as adjusters.
- There can be ways and means to get market feedback from all insurers and insured as well and data or information can be shared confidentially with all insurers for their guidance and then left to them for further action.
- Such process of evaluation should be continuous so that there is evolution of good professionalism.

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Report Card - August 2012

Gross premium underwritten by non life industry for and up to the month of August 2012* (Rs. In crores)

INSURER	AUGUST		GROWTH OVER THE SAME PERIOD OF PREVIOUS YEAR (%)	APRIL - AUGUST		GROWTH OVER THE SAME PERIOD OF PREVIOUS YEAR (%)
	2012-13	2011-12		2012-13	2011-12	
New India	715	614	16%	4343	3637	19%
United India	724	642	13%	4021	3245	24%
National	669	568	18%	3615	3036	19%
Oriental	481	451	7%	2760	2456	12%
ICICI-lombard	455	466	-2%	2350	2126	11%
Bajaj Allianz	338	272	24%	1620	1358	19%
IFFCO-Tokio	218	158	38%	1012	853	19%
HDFC ERGO	222	164	35%	973	772	26%
Tata-AIG	146	127	15%	920	730	26%
Reliance	158	122	29%	883	782	13%
Cholamandalam	128	98	30%	662	546	21%
Royal Sundaram	115	118	-3%	641	592	8%
Shriram	121	90	34%	566	416	36%
Bharti AXA	84	61	38%	485	324	50%
Future Generali	100	80	26%	472	384	23%
SBI	52	17	201%	238	75	216%
Universal Sompo	37	28	31%	204	140	46%
L&T	11	11	0%	69	50	39%
Raheja QBE	3	3	-16%	12	8	48%
Religare	2	0		9	0	
Magma Health	0	0		0	0	
Liberty	0	0		0	0	
AIC	801	850	-6%	1094	1139	-4%
ECGC	90	65	39%	438	374	17%
Star Health	65	31	111%	311	543	-43%
Apollo MUNICH	35	28	23%	179	130	37%
Max BUPA	14	10	30%	64	31	105%
Private Total	2301	1885	22%	11670	9861	18%
Public Total	3479	3190	9%	16272	13887	17%
Grand Total	5780	5075	14%	27942	23748	18%

* Source : IRDA

August -2012

- The non-life industry has registered a growth rate of 14% for the month of August 2012 (compared to the corresponding period last year). Total premium collected by general insurers is Rs. 5780 crores in August 2012 vis-à-vis Rs. 5075 crore in August 2011.
- The accretion achieved by the PSU's during the period April - August 2012 is Rs. 2385 crore while the private players have achieved Rs. 1809 crore towards the overall market accretion of Rs 4194 crore.
- The PSU's have registered a growth rate of 17% during this period compared to last year's 23% while the private players have registered a growth rate of 18% during this period compared to last year's 26%.
- The major contributors for the performance in August, 2012 have been New India with an accretion of Rs. 101 crore, National with an accretion of Rs. 100 crore and United India with an accretion of Rs.81 crore.
- In terms of growth rate for the month of August 2012, amongst the private players, SBI General registered a growth of 201%, followed by Bharti Axa and ITGI 38%, Shriram General 34%, HDFC ERGO 35%, Universal Sompo 31% and Cholamandalam 30%. In terms of growth rate for the month of August 2012, amongst the health insurance players, Star Health stood out with 111% growth.
- At the end of this period, the PSU's have decreased their market share collectively to 58.24% from 58.48% while the private players have increased their market share collectively to 41.76% from 41.52%.

Interview – *Surveyor ... contd... # 04*

- Survey fees is a matter already left to the insurer but since Government Companies are holding on to old scale of fees, Private insurers are not going much further to this scale.
- Survey profession in India is considered to be a lowly paid profession which is evident from the fact that the profession is unable to attract young and talented graduates and post graduates, and there will be an immense void once the present senior members of the fraternity retire.
- Industry therefore needs to create an atmosphere which can invite talent and professional services should be respected and remunerated in the same way as many other professions.

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News TitBits

Fire, group health, motor insurance premiums may go up

Source: The Economic Times

Premiums in various segments like fire, group health insurance plan and third-party motor insurance are likely to go up in the wake of losses being incurred by insurers, a top United India Insurance executive said. "There are certain lines of business like fire insurance, group health insurance and motor third party insurance where premium rates will go up. Insurance lines, which are making some kind of losses, will see some hike in premium rates," United India Insurance Chairman-cum-Managing Director G Srinivasan told.

IRDA to bar arbitrary hike in renewal premium on health policy

Source: mydigitalfc.com

IRDA will soon come out with guidelines to prevent insurance companies from arbitrarily hiking renewal premiums on health policies under which benefits had been claimed previously."We have seen that if a party makes a claim in a given year, it is likely that the insurance company may increase the premium because you have made a claim. To some extent it means they are doing underwriting at the time of the claim. And that is not the way you do underwriting. That is what we are bringing it in draft regulations," Mr. J Hari Narayan said. He further added that while changing the premium, the insurers will have to take into account the experience of the entire class and not only individual.

IRDA to penalise companies refusing 3rd party motor insurance

Source: Business Standard

IRDA said "severe" penal action will be taken against those general insurance companies refusing third party motor insurance."Some companies are declining third party insurance. They will find it not in their best interest to do so because if companies do not abide by the rules we have laid down there will be very severe penalties, which will be more onerous than the business foregone," IRDA Chairman said.

"Should there be a provision for sharing of claims data and experience by the insurers? How would it help the insurance industry?"

In the last issue of i-notes, we had invited our Readers opinion on the above topic.

Response from **Mr. K. K. Rao, General Manager, The Oriental Insurance Company Limited, New Delhi.**

"Provision for sharing of claims data and experience by the insurers can be a welcome move. However, insurers invoke principle of Utmost Good Faith and depend on the information provided by the customers by way of proposal forms and other means. Maintaining a data base of the claims either by an industry or by an independent body should not lead to dilution of principle of Utmost Good Faith.

The benefits of sharing can be:

Elimination/minimisation of fraud;

Effective underwriting;

Sharing of underwriting and claims information would help in identifying frequent claim patterns, suspicious claims, multiple claims being lodged with different insurers, or successive claims with the same insurer. Ultimately fraudulent claims increase claim cost and thereby premiums. Elimination of fraud would help honest insureds benefit from reduced premiums and make insurance more affordable.

Complete information sharing will enable insurers to understand the risks better and minimize non disclosure. With the claims information on various insureds freely available, the insurer will be in a position to view the risk better and segregate good risks from bad / undesirable risks.

However, looking to the enormous amount of data to be compiled and stored, the "cost benefit" shall have to be thoroughly evaluated.

If the claims information has to contain the details of insureds, whether individual Insurance Companies will consider this as their confidential commercial information? Will all insurers be ready to share?

In case of individual medical insurance claims, whether the details fall under the doctrine of 'Privacy of individuals' needs to be examined.

Considering the above, the feasibility of maintaining the data of "all the claims" made or restricting it to only the information on fraudulent claims, is to be decided."

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Response from **Mr. Subir Bhattacharyya, General Manager, National Insurance Co. Ltd. Head Office, Kolkata**

"I think that this idea has both plus and minus points. But there will be issues. Who will ensure that the data is authentic? The data may be used to the detriment of the existing insurer. The question of data confidentiality will arise. These issues need to be addressed. However, an Insurer can always get the data in the form of a declaration from the client. Instead, it would be advisable to form a generic data bank as has been done by GIC for R&D and product development purpose."

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Next Issue: "If the FDI hike receives parliament's approval how would it affect the industry and in case the approval does not come through, what would be the industry's loss? FDI hike viz -a viz listing of insurance companies - how do you compare the two?"

The news buzzing in the insurance industry is that of FDI hike. The cabinet has approved it and it is awaiting parliamentary nod. At this juncture, it is essential to look into the aspect whether the life and non-life insurance industry really require this capital infusion? If yes, why?

The IPO guidelines for life industry have been issued and for the non-life industry it is in the pipeline. In this scenario, one question that comes very obviously is, wouldn't IPO suffice the requirement of the industry?

The insurance industry is a capital intensive industry and the figures indicate that most of the insurance companies have not been able to break through. With this background, what would be more appropriate, FDI / IPO or a combination of both?

Your opinion is solicited.

Please send your responses in 200 - 300 words to knowledge@indiainsure.com

News TitBits

PSU insurers start process to set up own TPA

Source: The Economic Times

Public sector insurance companies including general insurers have initiated the process to have their own Third Party Administrator (TPA) to carry out claim processing."Insurance companies have decided to float their own TPA and hopefully by next year pilot project would start running," Oriental Insurance Company Chairman cum Managing Director, A K Saxena said after announcing its 2011-12 results.

Reforms in life insurance next on govt. agenda

Source: Business Standard

After a slew of foreign direct investment reforms and measures to revive market sentiments in the last two weeks, the government will now come up with a booster dose for the life insurance sector. Finance ministry officials had intense deliberations with the IRDA. The proposals on the table vary from small procedural issues to raising foreign direct investment (FDI) in the insurance sector to 49%. Relaxing investment norms for insurance companies is top on the agenda to release more funds for infrastructure sector. Taxation of life insurance policies, revival of unit linked insurance products (Ulips), faster regulatory approval for new products, tax on pension products, open architecture on bancassurance and relaxed licensing norms are some of the other issues being considered by the finance ministry.

IRDA s draft proposal for insurance cover to BPL families

Source: The Economic Times

IRDA has come with a draft proposal to expand the reach of insurance cover to Below Poverty Line (BPL) families in the next five years."The target group shall be the BPL population. Each insurer shall prescribe the target in proportion to their market share. IRDA shall prescribe annual target so as to cover entire BPL population in the next five years," IRDA said in its draft.

(Contd... 07)

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Interview – *Corporate*

Mr. Vijay Choudhary, Sr. Deputy General Manager- Insurance, Lanco Infratech Limited.

In the recent past, we observe that 'Lanco' had multiple large claims. How would you rate your experiences with a) Insurers b) Surveyors c) Brokers in terms of assistance, cooperation, timelines as well as the overall experience?

Lanco being one of the largest companies in the Infrastructure and Power sector and having various projects under construction & operation, it is natural to have claims. Each and every claim is different and so is the claims settlement process. So far our experience with PSU's and private sector players has been good. Surveyors have never been biased in any case and they've always assessed the loss fairly. Though we have our dedicated Team to handle insurance underwriting and claims however, having heard from the industry peers, I would rather suggest that Insurers should be more customer centric & improve the quality of services in claims. Overall the experience can be rated well with all parties except rare one case where we had to choose the legal way.

As a purchaser of insurance for the past couple of decades, you may have come across multiple claims. How have you worked on improving the processes within Lanco so as to ensure a speedy settlement in the eventuality of a claim?

We have developed SOPs in claims settlement process which is to be executed with rigor all over where we have insurable interest. It talks about step-wise procedures and spreading responsibilities to the respective heads, Do's and Don'ts, documentation and its accuracy and co-ordination between internal and external departments. Despite this, we are facing little difficulty and delay in arranging the information/ documents sought by the Surveyors, as the staff on site is more concerned with reinstatement of loss rather than providing the information. However, SOPs have flexibility to match with circumstances which have to be met urgently.

Disputes over policy interpretation (policy wordings) or sums claimed can lead to delays in the process which will affect cash flow, damage credibility and increase costs. Worse still, they may result in legal remedy if not resolved quickly. How do you tackle this situation?

I'm happy to share that we have a practise of screening the Policy wordings immediately after it's issuance to us so that gaps, if any, can be filled immediately without any probable disputes during currency of the policy. However, there were some instances in the past where we had issues with Surveyors in Interpretation of Policy wordings. In most of the cases, we have been successful in convincing them understand in the right perspective. In few of the cases we accepted the insurer's approach and claims got settled amicably to avoid delay.

What have been your major pain points in the process of claims settlement and what are the changes you would like to suggest to the Insurance industry in respect to the process of claim handling to ensure a quicker and more practical method of settlement?

Particularly, in the public sector Insurance Companies there is an abnormal delay in settling claims. It starts from delay in submission of the report by the Surveyor to the Insurer and processing the file at various level/ offices is the major concern. Even though, these companies recently started Centralised Claims Processing Centres, it has become more difficult, as the team is different from the Operating Office Team. In Private Sector Companies the system seems to be better as they follow-up with the Surveyors to submit their Reports and file moves quickly and goes through minimum no. of levels.

What are the factors you consider most critical while placing your risks with an insurer and what is the weightage given to price vis-à-vis other factors?

Our major concern is 'Claims Settlement Philosophy' of the company. At times, we placed business with L2 even though the premium is little higher than L1. Also we generally don't place 100% premium with one Insurer. We share around 50% with Lead Insurer and remaining 50% spread with 3 to 4 Insurers as Co-Insurers. This is to sp read the Risk among the Insurers and also to continue the relationship with all the Insurers. Though we know that some of the companies can quote the lowest price, we do not even approach them. Our projects are big and we can't take a chance of placing business with the companies' who offer at very low price and at the time of claim, never turn back.

We are all aware of the recent Finance Ministry circular which mandates that the insured has to obtain NOC from the existing Insurer, in case he wishes to change the Insurer. In my view, this is not going to be beneficial to either party.

"Views expressed herein are purely personal and do not reflect the views of the Company"

News TitBits

IRDA mulling lead insurance model to increase penetration
Source: The Economic Times

IRDA said it is mulling lead insurance model based on geography to enhance reach and cover lower strata of the society. "IRDA has proposed the lead insurance model on the basis of geography, just like the banking industry," J Hari Narayan said at an ASSOCHAM summit. The regulator is awaiting feedback from the life insurance and general insurance council. In the banking sector, lead bank model is followed in specific geographies in order to give emphasis on availability of various banking services in one particular zone, which the regulator is considering to replicate.

IRDA asks insurers to re-look at their distribution model
Source: Business Standard

The distribution channels of insurance companies needs to be re-looked, said J Hari Narayan, chairman of IRDA and he further added that insurance companies needed to leverage technology the way their banking counterparts have done. He said that the attrition on the agents' side needed to be contained. "Each year about 7 lakh agents pass out from institutes. However, more than 7 lakh agents drop out every year. So, the problem here is not generation, but attrition," he said.

IRDA to introduce demat insurance policies soon
Source: indiainfoline.com

A number of changes are planned to take place in the insurance industry with IRDA's final approval to insurance repositories which will allow introduction of demat policies. J Harinarayan, chairman, IRDA, said, demat life insurance policies will be introduced soon. The regulator is ready to grant certificate of registration to five companies for building insurance repositories. The companies that have received IRDA approval for setting up insurance repositories include NSDL, CDSL, Karvy, CAMS and STCI.

Final IPO norms for non-life insurers to be released shortly: IRDA
Source: mydigitalfc.com

IRDA said it is likely to issue final IPO guidelines for general insurance companies shortly. "The insurance advisory committee had a look at the recommendations," said Mr. J Hari Narayan on the sidelines of a CII event.

News TitBits

Big bang reforms: Cabinet approves 49% FDI in insurance, 26% in pension sector

Source: The Times of India

The government decided to move ahead with its proposal to hike foreign investment ceiling in the insurance sector to 49 % cent from the present 26 %. A decision in this regard was taken by the Union Cabinet headed by Prime Minister Manmohan Singh. "The benefit of this amendment will go to the private sector insurance companies which require huge amount of capital and that capital will be facilitated with increase in FDI to 49 per cent," finance minister P Chidambaram told. The minister also clarified that state-run insurance companies will remain in the public sector.

FDI in insurance: Health insurance business to get a fillip, new player's boon for consumers

Source: The Economic Times

Consumers can look forward to a series of changes and not just the advent of new companies and insurance options if the reforms package approved by the Cabinet on Thursday gets a green signal from Parliament. The change in law is expected to come as a huge boon for the health insurance business. Market participants reckon that new players may enter the market after the government halves the minimum capital requirement to Rs 50 crore. New players would also result in innovation and more choice for consumers. The government has also decided to pass a separate law to regulate the motor vehicle insurance business, which too would bring much-needed clarity to concerns like third-party insurance.

Insurers to share data to stop frauds

Source: mydigitalfc.com

Insurance fraudsters beware! General insurance companies are all set to share information with each other on individuals and entities that have tried to defraud them in health and motor covers. Besides policyholders, others such as insurance surveyors, hospitals and motor gar-ages, among others, who defraud insurers, will also be listed in the database. The General Insurance Council, an umbrella organization of 24 non-life insurance companies, has taken the initiative to build the database, which will be made available on the council's portal for all members to share.

Fire policy to cost more as insurance companies add flood risk

Source: The Economic Times

Corporates will have to shell out 15% more for fire and engineering insurance as non-life insurance companies plan to include flood risk in the policy after having burnt their fingers in the recent catastrophes in Thailand, Japan and New Zealand. Premium has gone up from 0.15% to 0.25% per thousand of the sum assured. "Weather pattern is changing every day. Flood exposure is going up," said KG Krishnamurthy Rao, managing director and CEO, Future Generali General Insurance. GIC posted a maiden loss of Rs 2,469 crore in 2011-12 due to unprecedented natural catastrophes in Thailand, Japan, New Zealand and Australia.

Insurers should cut obligatory cession losses: GIC

Source: The Economic Times

Worried over huge losses from the compulsory business, the General Insurance Corporation of India, or GIC Re, has asked non-life insurance companies to take steps to cut losses on this portion. Since 2007, when the insurance regulator detariffed rates on various segments, GIC's accumulated loss stands at Rs 2,500 crore. "We have to take steps to bring down our losses in the obligatory cession," said AK Roy, chairman and managing director, GIC Re.

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