



Summary

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Message from the Editor

Dear Readers

I derive great pleasure in placing this issue of inotes with you.

The limit for Foreign Direct Investment in the Indian insurance companies has been hiked to 49% from the earlier limit of 26%. While increasing the limit, the law has mandated that the ownership of insurance ventures will still remain with Indian entities. It is strongly felt that the increase in FDI limit will lead to further infusion of capital in the insurance sector thereby facilitating improvement in solvency standards and increase in penetration levels.

The non-life insurance industry in India witnessed a top line growth of 9.3% during the financial year 2014-15. This is the lowest growth registered in the last 3 consecutive financial years. This subdued growth is mainly attributed to slump in automobile sales and infrastructural projects not taking off. We are all aware that the bottom line of many of the insurers was dented by two catastrophic losses - the Hudhud Cyclone and the J&K floods.

In India, employers have been quite liberal when it comes to extending benefits to their employees. However, the employers have realised that the expenditure towards employee benefits insurances has been increasing year on year. This is pushing them towards a review of and rethinking on their employee benefits strategy. In this issue of inotes, our editorial committee has brought out the focus article on "Employee Benefits - Trends and Outlook 2015". The article highlights the trends and developments in the Employee Benefits landscape over the past few years and also discusses the outlook for 2015 & beyond.

In the Interview column, Mr. Sanjay Seth, Executive Vice President, Iffco Tokio General Insurance Company has come out with his views on the changing texture of the Health Insurance industry and the future trends that are likely to be witnessed.

I take pride in mentioning here that India Insure came up with a panel discussion on "Burning Cost" based pricing on February 6th at Pune which was attended by Executives from many leading corporates. The panel comprised of Senior Professionals from the General Insurance industry.

With regards,


V G Dhanasekaran
Editor - i-notes



Employee Benefits - Trends and Outlook 2015

The last decade was one of intense change in the employee benefits landscape in India. The benefits themselves and the way they're managed have undergone some pretty dramatic changes. It has been transformed primarily by the escalating costs of benefits and customized benefit options. Traditionally, most employers assumed the majority of employee benefit costs and decision making. However, of late, there has been a marked transition to increased employee engagement and participation in benefit decisions. Factors such as delayed retirements, increased longevity, rise of chronic illness, nuclear families and changing aspirations have altered the expectations Indian employees have of benefit programs. All this has forced organizations to be creative in their efforts to unleash the best benefits package in order to remain competitive in the recruitment and retention of employees.

Many employers believe that a strong employee benefits offering will showcase them as the 'employer of choice', help reduce turnover and offer employees an incentive for staying with their organization. The importance of benefits when choosing a job is not surprising given that, for an overwhelming majority of Indian employees, the workplace is their sole source of health and retirement insurance products. For this reason, the workplace serves as a lynchpin to their financial security and wellbeing.

Health insurance, Provident Fund and gratuity have been the only areas of benefits that are wide spread across the work force. Personal accident insurance, term life insurance, NPS (National Pension scheme) has never penetrated beyond one-third of the workforce.

In this article, we discuss and outline the key trends shaping the workplace insurance benefits landscape in the recent past and present the outlook for 2015.

Key Trends

Shifting costs to employees

Containing spiralling healthcare costs has become a business imperative for today's employers. As health-care inflation continues to rise at about two times the rate of general inflation, we look at the significant factors driving increasing healthcare costs:

- **Rising tariff of hospitals:** Health-care costs are a difficult thing to track, since every hospital charges differently for services and tariffs vary widely between different hospitals as they have no regulatory authority to question them. India needs to urgently introduce regulatory reforms in the healthcare sector to iron out deficiencies that currently bedevil the industry.
- **Rise of chronic illness:** Nearly 50% of deaths that are happening in India are due to chronic diseases especially cardiovascular ailments. Though India's workforce is younger compared to the Western world, certain genetic predisposition and lifestyle behaviour are making them more prone to chronic health conditions.

(Contd... 02)

- **Medical technology:** While a particular new technology may either increase or decrease health care spending, researchers generally agree that, advances in medical technology have contributed to rise in health care costs.

In the past 5 years, the Indian benefits landscape has experienced an increase in shared responsibility for benefits between the employer and employee due to the rising health care costs. The Employee Benefits Insurance survey conducted by *India Insure* has reiterated the fact that employers are asking employees to pick-up or increase their share of health insurance premiums. Most employers have already boosted the percentage of health insurance premiums paid by their employees while others have adopted health plans that feature larger co-pays & room rent restrictions.

While this cost-sharing arrangement has reduced employer healthcare costs, employers need to watch out for any negative impact it may have on employee morale and finances.

Limiting the network of medical providers

The wide provider networks available initially led to rapidly rising health claim costs as the hospitals were not being regulated by any statutory authority and the tariffs charged varied drastically from hospital to hospital. To hold down the vicious cycle of claim and premium increase, major insurers in India have brought in the concept of Preferred Provider Network (PPN) and limited the number of hospitals available to insured persons. Many hospitals were put out of the network because of their exorbitant high tariffs.

A smaller panel of hospitals generally yields lower rates because insurers can negotiate better discounts with providers who receive more patients.

Some employers have been reluctant to risk employee discontent by opting for restrictive networks, but with health costs continuing to outpace wage growth, resistance to this has declined.

Wellness Programs

India Inc has slowly started recognising that Company growth, productivity and employee health are interdependent. Worksite wellness has been a significant theme that has caught up with at least the large corporates in 2014. These programs focus on wellness as a way to curb rising healthcare costs and ensure a healthy, productive workforce.

The World Health Organisation defines wellness as “a state of complete physical, mental, and social well-being and not merely the absence of disease or infirmity”.

Health & wellness programs prioritise on

- Improving employee well-being, including physical, emotional and social health
- Incorporating work/life balance
- Improving mental health (including stress-related issues)

Workplace wellness programs could be in different forms from filling out a questionnaire on diet and fitness routine to taking a biometric screening for cholesterol, blood pressure etc. or cycle to work scheme or programs on Back care, Smoking cessation, Stress management, Meditation workshops, Spiritual talks, Yoga classes, etc. As per a survey conducted by *India Insure*, Health Check-ups are the most commonly offered program in India, followed by Health talks / seminars / clinics and Health Risk Assessment (HRA).

Expanding the offering of voluntary benefits

One increasingly popular approach being adopted by Indian employers is to supplement existing employer-paid benefits with voluntary benefits — those for which employees pay all of the costs but are purchased through the employer (where a discount is obtained).

These products can help employees plug any gaps in their insurance coverage. In today's fast-paced hectic life, very few employees have the time to research on the best available insurance options for them. With the employer doing the homework and endorsing the products, the employee feels reassured that the best product is selected. In addition to the affordability of voluntary insurance benefits, employees also feel that they are more convenient because premium is paid through payroll deduction.

Offering a wider range of voluntary benefits enables organisations to achieve the following:

- Expand benefit options for employees
- Engage employees in customizing benefits to their needs
- Help fill coverage gaps

Some of the voluntary benefits commonly offered in India are health insurance for dependant parents, top-up health cover, term life, critical illness cover, motor insurance and voluntary provident fund.

Use of Analytics

Insurers, Brokers & TPA's are using analytical tools to spot utilization trends and aid employers in understanding where and why health care costs are rising. The use of analytics can help employers with plan design, wellness efforts and a range of other benefit administration issues. However, most of the analysis is happening on claims info which reflects only the hospitalised cases. Outpatient treatments which can be a portent of chronic conditions often go unnoticed.

OUTLOOK FOR 2015 & BEYOND

Financial Incentives and Personal responsibility

A large number of companies in the USA use financial rewards/ incentives to coax employees to work towards better health. Studies show that incentives can help double participation in wellness programs. To be effective, incentives must be on-going, offered at different intervals and tied to the specific activity. For example, employees could be awarded insurance premium rebates for taking a Health Risk Assessment (HRA) or offering a gift voucher could be an incentive for participation in a stress management workshop.

However, only a handful of Indian companies adopt this approach but it is a trend to watch for in the future.

Market news also suggest that companies who have got limited success using this approach have now started taking the opposite stance... if an employee refuses to participate in say a chronic-condition program appropriate for him, then his health insurance plan will not reimburse him fully. The goal isn't to punish employees, but rather encourage them to take responsibility for their health conditions and behaviours.

Shift from defined benefit health plans to a defined contribution

This benefit trend borrows a page from the defined contribution retirement plans. Defined contribution (DC) is a different way employers are thinking about health insurance for their employees. Instead of defining the benefit offered/ providing a group health plan, employers offer a contribution they fix on an annual basis and the employee uses that to shop for their own health insurance. Many a times the employer may arrange a setup for the employees with their current health insurance provider as they will be able to negotiate better terms & pricing with insurers.

By shifting to a defined contribution model, employers are transferring the risk of medical cost inflation to the employees. It will help employers set cost-effective, predictable budgets while enabling employees to purchase plans as per their individual requirement.

Defined contribution would be especially valuable for the small employers who do not have a formal human resources department to handle the group health policy. Also defined contribution can help portability - when an employee moves from one employer to another, he can still keep his current policy. In countries like USA, the traditional model of employer-

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Interview - Insurer

Mr. Sanjay Seth, Executive Vice President, Iffco Tokio General Insurance Company



As per a report released by NATHEALTH, Seventy percent of India's population has no health insurance. So, where does health insurance stand in India now?

It is a fact that health insurance is largely not available to a major segment of population in India. Insurance based protection is available to barely 7-8% of the population that too largely through employer arranged policies. CGHS, ESIS and other direct government coverages take care of about 12% of the population. Incidences of ailments and treatment costs relating thereto are regularly increasing and people find it difficult to afford/ manage the same. As a last resort, a large number of people raise debts for medical treatment. Unfortunately even then, the awareness and awakening towards health insurance is very poor.

Health insurance is different from other segments of insurance business. It is more complex because of serious conflicts arising out of adverse selection, moral hazard and information gap problems. Resultantly it remained highly underdeveloped and a less significant segment of the product portfolios in the past. However, it is now poised for a fundamental change in its approach and management.

Experiences from other countries suggest that the entry of private firms into the health insurance sector, has led to the vertical and horizontal growth of health insurance. However, it is besieged with a situation that if not properly regulated, it does have adverse consequences for the costs of care, equity, consumer satisfaction, fraud and ethical standards.

Therefore, it is felt that the IRDAI/Government would have a significant role in the regulation of this sector and responsibility to minimize the unintended consequences of this change and facilitate the growth of this segment of insurance.

What do you see is the biggest change in the health insurance landscape in the past 10 years?

Since India's independence in 1947, the Government Sector has been the backbone of the healthcare ecosystem, including healthcare delivery and insurance.

After economic liberalization in 1991, care delivery equipment, methodology and process sharing from developed nations became mainstream. With the improvement in healthcare delivery and increase in disposable income, life expectancy had increased to 65 years by 2011. Of course such longer life is not free from ailments and need for treatment.

The Insurance Regulatory and Development Authority (IRDA) legislation in 2000 served as a key milestone in healthcare insurance. It opened up the health insurance industry to private players. Health insurance membership quadrupled between 2007 and 2011 and is expected to be 600 million by 2015.

India's health insurance landscape has undergone tremendous changes in the last few years with the launch of several health insurance schemes, largely initiated by central and state governments. A significant share of coverage has been achieved through central and state government-sponsored health insurance schemes. Besides, private and public health insurers have introduced a large number of plans and schemes to cover an individual and his family specifically against critical ailments. With the Government not able to provide ample health care options, there has been a huge growth of private medical facilities in the country. While Govt. Facilities offer treatment virtually without any charge, the private services providers attach a huge tag to their services. This goes beyond the capacity of many patients and hence the need for health care financing has increased. Almost two dozen insurers are currently offering various health insurance packages in the country.

Health insurance portability is also gaining popularity in India as it allows health insurance policyholders to switch companies while retaining their no-claims benefit.

Healthy employees are an asset to the company and wellness programs present a more holistic approach towards employee health. According to you, how far has India Inc succeeded in moving from disease management to health management of their employees to control costs and improve productivity?

Theoretically what is stated above is correct. However, reality is far different. Disease management continues to be the ultimate effort. No doubt, initiatives have been there for introduction and implementation of wellness programmes, but most are based upon the support of insurers servicing their health insurances. There comes the big issue. While some programmes are offered, due to the cost considerations they may not be very comprehensive. That apart, the response/availability of the members/employees to avail whatever benefits may be available is abysmal.

Reasons could be many ranging from lack of knowledge to lack of conviction to paucity of time or simply disinterest. However, the net result is that the wellness approach is much talked about but hardly effectively implemented/availed. Such programmes have been successful only with a few corporates who have made a health check up mandatory and have a fixed schedule which is pre decided and apprised to the employees and their participation in such programmes is a part of their duty, since it is usually carried out on a working day in the working hours. Such approach only is likely to yield the desired benefits.

What are the main challenges and concerns that insurers are facing in the health insurance industry today?

The health insurance business, being a part of employee benefits has attained tremendous importance in Corporate spectrum. However, that does not come cheap since the employee strength is usually large, the desired covers are expansive and the cost of treatment is rising every day. While the latter three statements continue to be applicable, the fact that health insurance does not come cheap is something that is now not that certain.

Overbeating competition, more often than not irrational, and perception that health insurance is the gateway to the total portfolio of the client drives the insurers to go well below the burning costs even though, this portfolio pricing is and should be experience based, rather than exposure or expectation based. However, operators quoting a price well below the previous year claims, inspite of the wider coverage desired on renewal and notwithstanding the increase in the numbers to be covered and the annual medical inflation, is a common phenomenon. This is a pitiable situation and approach.

Furthermore, the way the treatment costs are being billed (upcoding, unwarranted diagnostics etc.) the burden on the insurance policy is increasing. No regulatory control on medical service providers has left the hospitals unbridled and many of them run amok at the sight of an insured patient and make the most of gullibility of patient and fallibility of the insurer.

Thinking of upcoming trends, what would you say is the next big thing in the health insurance arena?

Health for all, Universal Health Schemes and such terms are being regularly heard. With a vast population, lack of Govt. provided health care facilities and increasing incidence of ailments and treatment costs, even a small value cover is of purpose to the large marginal population and of course an opportunity to the insurers to care for the vast multitudes of people while simultaneously increasing their spread and revenue in health insurance space.

Aliment specific, gender specific, age specific covers are the in thing now and covers including OPD treatment, wellness etc. are also being worked upon by the insurers.

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Interview Contd. # 3

What has been India Inc's response to the move to standardize the collection of health data by insurers?

The collection of health data is coming out of relevance as also out of regulatory requirement. With very limited insurance penetration on health front, and the intent, scope and need to expand it in the near future, it is important that the analysis of whatever data is available is carried out, suitable products are created and appropriate pricing is worked out and offered.

While accepting the fact that this exercise is not very simple, nonetheless it has to be appreciated that it is not that very difficult that it has to be despised. Here, the importance is of the role of the intermediaries who associate with the corporate insured. They have the knowledge of the relevance of this data and have the capacity of convincing the corporate client about the need and utility of sharing of such information.

How do you foresee the future of health insurance in India? What policy shifts and innovations would you like to see?

Health insurance in India is still in a nascent stage. While a large part of population has absolutely no health insurance cover, a large number those covered are benefitted only because of being a part of an insurance programme arranged by their employer.

On individual basis, even the knowledgeable and discerning have not opted for such insurance. This could be on account of various factors like ignorance, negligence, impertinence or nonchalance. Also, lack of conviction in the delivery of the policy promises, inappropriate knowledge of the agents and intermediaries, leading to and/ or coupled with mis-selling, creates a general lack of conviction in the minds of the prospective buyers. However, with greater awareness being created and dawning upon the people, their interest in this line of insurance protection is increasing.

Considering the fact that India has such a large population, increasing disposable income, escalating medical treatment cost and spiraling incidences of ailment, many induced by lifestyle factors, there is little doubt that health insurance will be the driving force of insurance industry in the times to come.

While that would be a welcome situation, it would necessitate various innovative actions on areas like:

- Pricing
- Integration of various risks in one single product
- Linking of insurance schemes with savings
- Coverage of many services not included in market based schemes such as maternity cover.
- There are several social issues such as exclusion of sexually transmitted diseases, AIDS, Delivery and maternity conditions etc. Insurance policies must ideally take care of all the risks related to health even if at an additional premium.

(Contd... 07)

Innovative Employee Benefits

Attracting top talent with just a salary hike is something of the past. In the high-stakes quest to find, keep and nurture the right talent, employers today are creating and implementing unique perks to differentiate themselves from the rest of the herd. They are keener than ever to attract the best people using secondary benefits that go beyond traditional perks - and employees seem to be loving it!

The lines between work and play, office and entertainment are blurring with an array of perks and activities lined up - because today's organizations believe that happy employees are productive employees. While freebies like telecommuting, work from home options, flexible work hours, free food, gym/club membership, company retreats, tuition fee reimbursement, management development programs, subsidised child care, stock options have been around for some time now, this article takes you through some of the most innovative perks being offered in organizations around the world.

Unlimited vacation days

A small but growing number of companies offer employees the benefit of unlimited vacation days. Under these policies, employees are encouraged to take as much vacation time as they like - within reason. When employees know they are trusted to take vacation when they need or want one, they're more willing and excited to produce better output while at office. Unlimited vacation is a good way to incentivize employees to take the break that could actually boost their work output.

One company mentions that they give a cash amount as vacation reimbursements for food, lodging and transportation to encourage employees to take vacations. Another company offers a fully paid vacation to their long time employees once a year to a location of their choice.

Luggage party

There is a law firm that holds an annual "luggage party draw" for which every employee is eligible. Employees who wish to participate bring in a packed bag to office on the day of the draw and four employees are randomly chosen and taken on an all-expenses paid weekend trip to Las Vegas.

Death Benefits

This is a benefit that extends into the afterlife. This company (no prizes for guessing which) provides a 50% pay check to the spouse of the employee who died in harness; for the next 10 years. Children also receive a monthly payment until they turn 19. Even more astonishing is the fact that there is no 'tenure requirement' to qualify for this benefit. The company points out that the reason they're doing these things for employees is not because it's important to the business, but simply because it's the right thing to do.

Concierge service

In today's time starved society, it just seems that there are not enough hours in the day to juggle personal and professional responsibilities. Realising this Corporate Inc is offering concierge services that will take care of errands like paying bills, a trip to the grocery store or getting a car's oil changed.

Corporates want to help their staff with the everyday, practical tasks of running a household. By providing a concierge, companies are not only providing a valuable tool for employee satisfaction and retention, but are alleviating the time burden that personal tasks place on the company's resources.

(Contd... 05)

Concierge and Personal assistant services include picking up an important gift, dropping off the car at the garage, car washing, holiday research and booking, finding plumbers, dry cleaning, organising the laundry, pet care and other personal errands. Some companies are even providing 'virtual personal assistance' where an employee comes to work, logs on to the company's virtual personal assistance website, inputs his personal to-do list, and have someone take care of everything. Concierges are undoubtedly appreciated by employees for the huge convenience they offer.

Bringing pets to work

Increasingly organisations are seeing pets as a positive addition to the workplace (the most favoured one being a dog). Employers in companies having "Bring your pet to work" policy report business-enhancing benefits such as improved morale, better interaction with colleagues, reduced employee stress and increased levity at work. Some companies are also banking on their pet policy to ramp up employees' workouts. Taking the dog out for a walk refreshes the mind and as well gives some exercise to the body. Employees can also sign up to look after another person's dog during meetings or take it for walks, just because they want to.

Though employees are able to bring their dogs, to the workplace, there are a set of rules that everyone must abide by – Employees have to get approval from their managers and work neighbours to make sure everyone's OK with it, the dog must always be on a leash and no entry into the lunch room and meeting areas.

Free chair massage

The number of companies that offer chair massage to lower stress and improve productivity is growing. Massage has been shown to reduce blood pressure, relieve arthritis, improve joint and muscle aches especially in painful areas of the neck and back. In addition, massage can play a very important role in preventing and treating the pain and numbness associated with excessive keyboard and mouse use.

Because chair massage is non-intrusive, it does not interfere with the daily work routine; only a small semi private place to set up chairs is required. Companies offering this perk firmly believe that massage can really make a difference in productivity, job satisfaction and health as it improves thinking and reduces fatigue.

Leave Banks

Some organisations have established a leave bank under which an employee may contribute unused accrued annual leave for use by a colleague who is experiencing a personal or family medical emergency and has exhausted his or her available paid leave. This facility ensures employees don't lose their salary, which they would otherwise.

Game Rooms

Game rooms have become sophisticated to woo in the twenty-something techies and nerds. While companies initially started off with tables for ping pong, billiards and caroms, today they have video games, darts, foosball, arcade games and even simulators. Some companies also have a large swimming pool, sand volley ball courts and rock climbing walls.

Conclusion

The recent years have seen many employer-driven "innovations" in secondary benefits. As we walk through 2015, we can anticipate this movement to continue as companies scramble to find better ways to enhance the employee experience.

driven health insurance is now being challenged through the defined contribution model.

Flexible Benefits

Flexible benefit schemes (also known as 'cafeteria benefits' or 'flex plans') allow employees to vary their pay and benefits package to suit their personal needs. Flexible benefits schemes can include a wide range of options for staff to select from including life insurance, medical insurance, provident fund, mutual funds, health screening, child care services, vehicle loan, house loan, retail vouchers, concierge service etc. For example, employees can opt for more tax-efficient benefits like ELSS, housing loan or make salary sacrifices to boost their pension.

Recent research by Towers Watson shows that a flexible benefits plan not only increases the value of employee reward, but also boosts employee engagement through personalisation of benefit packages. Facilitating choice and control gives a message that the company is taking an interest in their employees by recognising that they are individuals with different and changing needs.

Convergence of insurance and technology

With the purchase of insurance evolving from a paper environment to an online purchasing setting, insurance and technology may increasingly intersect. A new wave of technology may not only change how employee benefits are administered, but also how health conditions are diagnosed and care is accessed. Technology is slated to play a pivotal role in the how the employee benefit business model will evolve in the time to come.

CONCLUSION

Significant shifts are happening in workplace benefits which were completely unanticipated a decade ago.

Increasingly, workers are looking to the workplace for financial products and services as a result of the economic conditions of the past few years. As deductibles and co-pays have risen over the last few years, employees expect a flexible health model, one that tailors health plans more closely to the needs of each individual member.

A significant market waiting to be explored in India is the Retirement market. A Metlife Benefits study in India points out that though retirement looms as a source of financial worry, only one in four Indians has taken any steps to prepare for retirement and even fewer - one in six - have begun planning for it. The majority of Indian workers are starting to realize that they might not have sufficient funds for their 10+ years in retirement. Employers seeking to differentiate themselves and attract the most skilled workers could broaden their benefits offerings to include retirement planning services and financial education as a benefit option.

Throughout 2015, the overriding theme will continue to be creating and maintaining a culture of health within the work force and the evolution of technology.

Employee Engagement Strategies

Employee Engagement (EE) may have begun life as a corporate buzzword, but over the last decade, it's been widely acknowledged as a critical element in drawing out discretionary effort from workers. Full-time employees spend a large part of their day and the majority of their lives in the workplace, and how they emotionally connect to their organization is important.

What is EE?

To put in one sentence Employee Engagement is, "A set of positive attitudes and behaviours enabling high job performance of a kind which are in tune with the organisation's mission."

It is the commitment to and passion for one's work and role within a company. Engagement, as opposed to satisfaction, translates directly into discretionary effort - the willingness to do more than only meet job requirements and customer needs. Engaged employees are motivated to contribute to business success, and are willing to apply discretionary effort for achievement of stated business goals. They don't work just for a paycheck or just for the next promotion but work towards the organization's goals. It is a concept that places flexibility, change and continuous improvement at the heart of an organization in a twenty first century workplace.

Employee engagement is both a means and the end result.

Why EE?

Engaged Employees are:

- More productive, content and more likely to be loyal
- Willingly go the extra mile, work with passion & feel a profound connection to their company
- Drive innovation and move the business forward
- Bring in higher customer satisfaction, have lower turnover rates and outperform

Corporates that engage and empower their workforce are better positioned:

- to anticipate and adapt to changing market conditions
- to increase employee effort, organisational commitment and productivity
- to retain skills, and reduce turnover, absenteeism and training of new employees

Engaged employees lead to better business outcomes. It's essential for organizations and their leaders to have a clear understanding of what matters to employees, and why and how that affects their productivity and behavior at work.

Employee Engagement Strategies / Drivers



Ways to achieve it

- Provocative vision and values
- Create opportunities for personal and professional growth
- Help team members find the purpose in their work
- Introduce meaningful, memorable (and measurable) recognition
- Effectively managing through the ebbs and flows of engagement

Conclusion

There is no 'one size fits all' model of engagement that can be adopted by all organisations to address employee engagement. Bringing the business strategy in line with employees' passion is a win-win. Getting employees personally connected to the business success comes from connectivity, consistency, and continual improvement.

Organizations whose employees strongly believe, firmly belong and creatively contribute to improvement efforts have an operational advantage that cannot be easily offset by any other competitive element.

News Titbits

Govt notifies insurance FDI cap hike to 49 pct

Source: *The Financial Express*

Nearly 2 months after promulgating an ordinance to usher in long-stalled reforms in the insurance sector, the government notified the Indian Insurance Companies (Foreign Investment) Rules, 2015, on 19th February 2015, to raise the composite foreign investment ceiling in the sector from 26% to 49%. The rules also will ensure that ownership and control shall remain at all times in the hands of resident Indian entities, a finance ministry statement said. The 49% cap will also apply to insurance brokers, third party administrators, surveyors and loss assessors and other insurance intermediaries, it added. The ministry said though FDI proposals up to 26% of the total paid-up equity of the Indian insurance company shall be allowed on the automatic route, proposals which take the total foreign investment above 26% and up to 49% shall require FIPB approval.

Report Card - FY 2014-15

Gross premium underwritten by non life industry for and up to the month of March 2015*
(Rs. In crores)

INSURER	MARCH		F Y		Growth for F Y 2014-15
	2015	2014	2014-15	2013-14	
Private Sector	3517	3181	35149	31994	9.9%
Public Sector	4447	4003	42514	38608	10.1%
Stand-alone Health	452	301	2946	2251	30.8%
Specialised	542	393	4104	4688	-12.4%
Grand Total	8957	7877	84714	77541	9.3%

*Source : General Insurance Council

- The non-life industry has registered a growth rate of 9.3% with premium collections of Rs. 84714 crores for FY 2014-15.
- The PSU's (excluding specialized insurers) have registered a growth rate of 10.1% during the same period while the private players (excluding stand-alone health insurers) have registered a growth rate of 9.9% during this period.
- The stand-alone health insurers have registered a remarkable growth of 30.8% during this period while the specialized insurers (ECGC & AIC) have registered a de-growth of (12.4%).

Interview Contd. # 4

The present health insurance premiums are high and do not differentiate between people living in urban and rural areas where the costs of medical care are different. Thus the present policy is less attractive to poor and rural segment of population. The tax benefit provided for the health insurance premium is also going largely to the rich who are the taxpayers.

The future health insurance policies have to improve upon the shortcoming of the existing policies and sight should not be lost of the fact that vast multitude of our population that subsists below the poverty line is currently getting the benefit of coverage under Govt. sponsored Rashriya Swasthya Beema Yojana or similar insurances. This cover may need to be also further improved vis a vis the sum insured limitation as currently stipulated.

Policy Shift:

- Policy formulation for health sector and implementation.
- Larger resource allocation for health sector, particularly for infrastructure development.
- Improve the capacity and credibility of the government health care system to deliver good quality care over the years.
- Effective monitoring and incentive to provide good quality service by government sector.
- Regulations/ Regulating Authority for healthcare providers.
- Encourage the development of health insurance in keeping with the social realities and national objective for health care.
- Proper understanding of the health situation in India and application of the principles of insurance.

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

News Titbits

Insurers allowed to set up offices in SEZs

Source: The Economic Times

Domestic and foreign insurance companies have been allowed to set up IFSC Insurance Office in special economic zones if they meet certain conditions. IRDAI's International Financial Service Centre Guidelines, 2015 state that all the Indian and foreign insurers who fulfill the conditions are eligible to set up IFSC Insurance Office (IIO) in special economic zones (SEZs). They must obtain prior approval of IRDAI. The firm must be in continuous operation for at least five years, and must have a satisfactory track record in respect of regulatory or supervisory compliance, say the guidelines.

AXA bags India's approval to raise stake in insurance joint ventures

Source: International Business Times

AXA, Europe's second biggest insurer, has bagged the Indian government's approval to raise its stake in two insurance joint ventures with Bharti Enterprises to 49%. AXA owns 26% each in Bharti AXA Life Insurance and Bharti AXA General Insurance.

News Titbits

Lloyd's hopes to start operation in India in next one year

Source: The Economic Times

Encouraged by the government's decision to push insurance sector reforms, Lloyd's said it expects to start operations in India in next one year. "I think it would depend on discussion with IRDA, they are going well. Starting operation takes time because we have to get various regulatory approvals including management structure ... it will take a little while," Lloyd's Chairman John Nelson told. "What is important is the forward movement. The moment is going good and I don't think anything in 2015 but thereafter it will pick up," he said.

Insurer cannot refuse third party insurance: IRDAI

Source: The Economic Times

The IRDAI said that no insurer can refuse to underwrite third party insurance. "The regulations (of Insurance Laws (Amendment) Ordinance, 2014) stipulate just the minimum obligation of the insurer in respect of motor third party insurance business," IRDAI said in an exposure draft. "Notwithstanding this, at no instance the insurer shall refuse to underwrite the 'liability only' motor policy covering motor third party insurance risk coming to its office," it said.

PM Narendra Modi launches three mega social security schemes - 2 on insurance, 1 on pension

Source: Times of India

Prime Minister Narendra Modi launched three ambitious social security schemes on 9th May 2015, relating to the insurance and pension sector and intended at widening the process of financial inclusion viz the "Pradhan Mantri Suraksha Bima Yojana" (accident insurance), "Pradhan Mantri Jeevan Jyoti Yojana" (life insurance) and "Atal Pension Yojana".

Green light to insurance marketing tie-ups

Source: The Business Standard

The IRDAI in its final guidelines on insurance marketing firms said they could solicit and procure insurance products of two life, two general and two health insurance companies at any point of time, after informing IRDAI. The insurance servicing activities of the insurance marketing firm (IMF) will include these undertaking back-office activities of insurers as allowed in the guidelines on outsourcing activities by insurance companies, becoming approved person of insurance repositories. They can also undertake survey and loss assessment work by employing on their rolls licensed surveyor & loss assessors.

BCCL buys out Religare's 44% stake in life insurance JV

Source: Livemint

Bennett Coleman & Co. Ltd (BCCL), the publisher of English daily The Times of India, will buy Religare Enterprises Ltd's entire 44% stake in life insurance joint venture Aegon Religare Life Insurance Co. Ltd, while foreign partner Aegon will increase its stake from 26% to 49%. The transaction, once completed, will mark the exit of Religare from the life insurance business in India.

'Burning Cost' – Panel Discussion

A Panel discussion by India Insure on Burning Cost

IRDAI had recently cracked down on general insurance companies that offered heavy discounts in the assets and health policies, well below the burning costs. In its guidelines on risk pricing, the regulator had said that industry-wise loss cost must be the starting point and should be considered for pricing a product.

To understand and analyse the impact of this on Corporate India, India Insure initiated a panel discussion on 6th Feb 2015, in Pune which was well attended by the leading Corporates in the city. The panel discussion highlighted the need for 'Burning cost' & its impact on the industry as a whole.



Key speakers at the event: (left to right)

- Mr. Sushant Sarin- Sr. Vice President, TATA AIG General
- Mr. Arif Hooda - General Manager, United India Insurance
- Mr. R K Hari - Sr. Vice President, HDFC ERGO General
- Mr. V. P. Sharma, Vice- President & Country Head of Fire, Engg. & Risk Mgmt., Bajaj Allianz General



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