



Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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• Quote for the Week •

“The best way to predict the future is to study the past, or prognosticate.”

Robert Kiyosaki

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IRDAI to insurers: Don't depend on banks to sell cover - The Times of India - 18th April 2016

The insurance regulator has warned life companies against overdependence on banks for selling policies. Banks are now the dominant mode for distributing policies of private insurers, and the share of individual agents - the core agency force of the insurance industry - has declined.

The Insurance Regulatory and Development Authority of India (IRDAI) had called a meeting of CEOs of life companies last week and bancassurance was one of the issues raised there. The fear was that if there was any eventuality which compelled the RBI to prevent banks from selling insurance, companies dependent on banks would see their sales being hit.

Insurance officials, however, say the bancassurance model is line with the developed markets, and banks are the dominant channel for distribution of life products in Europe and they are growing their share in Asia. In India, banks have three models for the life insurance business. They are either promoters like ICICI Bank, HDFC Bank and State Bank of India. They are also joint venture partners, like Oriental Bank of Commerce, Andhra Bank or Federal Bank. There are banks which only distribute insurance products without a stake in the company. The RBI has prescriptions in terms of capital adequacy and maximum non-performing assets that can be tolerated for a bank to invest in a life company. However, at present there is absolutely no restriction on banks from selling insurance.

IRDAI also made it clear to the industry that they would not have the freedom to increase commission. Earlier, the regulator had said that it would focus on overall costs to the policyholder, leading many to believe that commission rates would be freed as long as they remain within the overall cost ceiling. On Friday, the regulator told life companies that the trend was towards lower commission across industry and the insurance sector could not be an exception.

IRDAI has also told companies that it would review guidelines on CEO pay. Even today, there is a ceiling on CEO salaries and a maximum of Rs 1.5 crore can be charged to the policy holders' fund.

The share of individual agents in insurance distribution has been consistently declining since 2010-11. Banks have, however, been growing their share. In 2012-13, agents brought in Rs 48,831 crore of premium, which dropped to Rs 41,246 crore in 2014-15.

In 2015-16, the total number of life insurance agents stood at 20.16 lakh, almost unchanged from the beginning of the year. But the high number is because of a large number of floating agent population, which has a low persistency. For instance, as against 6.6 lakh agents recruited during the year, 7.1 lakh agents dropped out from the overall pool.

Source

IRDAI Regulation

Irdai to take call on allowing reinsurance firms in 4 months - The Pioneer – 20th April 2016

Regulator Irdai on Tuesday said it will take a call within four months on granting licences to four reinsurance companies which have sought approval to start operations in the country.

Swiss Re, Lloyd's, Munich Re and Hannover from Germany have approached the Insurance Development and Regulatory Authority of India (IRDAI) for licences to open offices in the country, its Chairman T S Vijayan said.

"We have got applications from four companies to establish branches here (in India). We are processing it. I think it will take another 3-4 months... (in) the next board meeting we will decide," Vijayan told reporters on the sidelines of Irdai's 'Formation Day' celebrations.

Lloyd's, the global specialist insurance and reinsurance market, on April 1 announced its intention to apply for a licence for reinsurance branch based in Mumbai following Irdai's publication of regulations governing the reinsurance sector earlier that week.

Replying to query, he said growth in life and non-life segments was in double digit during last year while it is 30-35 per cent in case of health insurance.

Vijayan said the final figures for the total premium collected are yet to come and the growth would be better during the current year on the back of expected good monsoons.

Answering a query, he said the regulator has no role in determining the premium amounts. Earlier in his address, he advised the companies to focus on introducing simple products to suit the needs of the common man.

YV Reddy, chairman of the 14th Finance Commission, said the call centres set up by Irdai for creating awareness on insurance should act as a "query centre" and "purposive financial literacy centre on demand".

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India: Regulator warns of over-reliance on bancassurance – Asia Insurance Review

The insurance regulator has warned life companies against over-dependence on banks in distributing their products.

Banks are now the dominant mode for distribution for private-sector insurers, and the share of individual agents - the core agency force of the insurance industry - has declined.

IRDAI called a meeting of CEOs of life companies last week where bancassurance was one of the issues raised, reported the Times of India.

Insurance executives, however, say that the bancassurance model is line with the practice in developed markets. Banks are the dominant channel for the distribution of life products in Europe and they are growing their share in Asia.

The share of bancassurance in insurance distribution for privately-held insurers has been rising. In 2010-11, banks accounted for 33.2% of individual new business and by 2013-14, the proportion stood at 43.6%. Overall, the bancassurance market grew from INR95 billion (US\$1.4 billion) in FY2013-14 (individual segment) to over INR110 billion in FY2014-15 driven by large unit-linked insurance policy sales.

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India: Regulator moves to increase pool of actuaries – Asia Insurance Review

The insurance regulator, to groom actuarial expertise, is approving the appointment of actuaries who are fellow members of the Institute of Actuaries of India (IAI) but who lack the relevant experience and/or other requirements, provided they work under the supervision of an experienced actuary. The mentor has to guide the appointed actuaries, employed as full-time staff, on a day-to-day basis.

The move by IRDAI is to increase the supply of actuaries in the market. In the process, the young appointed actuaries will gain the practical experience necessary for taking up more responsible positions within the Industry in future, according to local media reports.

According to the new rules, the mentor should be an IAI Fellow. However, fellows of other Institutes with which the IAI has a mutual recognition agreement will also be considered provided the actuary declares his intention to obtain an IAI Fellowship within a year.

The upper age limit for the mentor will be 75 years. The regulator has said that the mentor should have at least 20 years of experience in the insurance field, of which at least 10 years should be post-qualification experience. From 1 July 2016, all hiring of appointed actuaries and their mentors are to be in compliance with these guidelines.

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Life Insurance

Insurance agents crashing out - Business Standard - 20th April 2016

The life insurance sector has faced a challenge of agents leaving the profession. Data from the Life Insurance Council show companies lost 51,278 agents in 2015-16. The Insurance Regulatory and Development Authority of India (Irdai), in an exposure draft on remuneration for insurance agents and intermediaries, has proposed higher commission for agents in the first year as also subsequent years to incentivise these distributors. Further, it has also said that insurance companies can give rewards over and above commissions. Data show that the public sector Life Insurance Corporation of India (LIC) saw 102,044 agents exit in 2015-16. Private life insurers, on the other hand, made an addition of 50,766 agents in 2015-16.

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India: Life market forecast to grow by 12-15% in FY2016-17 - Asia Insurance Review

The Indian life insurance industry is likely to see 12-15% growth in the current financial year ending 31 March 2017, according to a paper by credit rating agency ICRA that examined the performance of nine life insurance companies the country.

The insurers include the only government-owned life insurance company, LIC, and eight privately held insurers. They represent a combined 87% of the total annualised premium equivalent (APE) of the life insurance industry for the first nine months of FY2015-16 (i.e. April to December last year).

During the nine months, the industry APE grew by 6% year-on-year to INR373 billion (US\$5.6 billion) as against a contraction of 9% y-o-y to INR350 billion for the corresponding period of FY2014-15. The growth rate for private-sector companies was 13% y-o-y during the period. LIC witnessed an improvement in APE of 1% y-o-y during April-December 2015 from a contraction of 24% in the corresponding period in 2014.

The private-sector companies analysed were: ICICI Prudential Life Insurance, Bajaj Allianz Life Insurance, SBI Life Insurance, Birla Sunlife Insurance, Max Life Insurance, Reliance Life Insurance, Kotak Mahindra Old Mutual Life Insurance and HDFC Standard Life Insurance.

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Health Insurance

'Insurance hospitals for unorganised sectors too' - The Times of India - 21st April 2016

Union home minister Rajnath Singh on Wednesday dedicated the 100-bed ESI Hospital Trauma Centre to public and said the Centre would soon come up with Employees' State Insurance (ESI) hospitals for people from the unorganised sector too.

Union labour minister Bandaru Dattatreya who accompanied the Union minister took the opportunity to state that decision to put 50% cap on withdrawal of EPF was taken only after discussions with labour union leaders. "The idea was to create a sizeable bank balance for employees when they retired but when labourers didn't agree, there was no question of taking the decision further," said Dattatreya.

Source

Cashless insurance not trouble free for ESI beneficiaries - The Tribune – 20th April 2016

While there are a number of government-run insurance schemes for various categories, but technical flaws in most of them and absence of zeal to streamline the system often results in trouble for the insured and their families.

Even as the employees of various government and private organisations are beneficiaries of the Employees State Insurance Scheme in the city, they, too, find it difficult to get cashless treatment if they are suffering from any orthopaedic problem.

The ESI Hospital, Majitha Road, does not have an orthopaedic specialist for the past more than seven months. It also does not have any local private hospital which can treat orthopaedic patients on its list of empanelled private hospitals.

A local resident, Amanpreet Singh, said, “In case of an orthopaedic emergency, the ESI beneficiary cannot get treatment in the city.” He said even the Civil Hospital is reluctant to admit ESI beneficiaries.

The hospital had last operated an ESI beneficiary around six months ago. The reasons of the alleged ‘reluctance’ could be that the treatment expenses incurred by the hospital have not yet been paid by ESI Corporation to the Civil Hospital.

The Civil Hospital’s Senior Medical Officer, Dr Hardeep Singh Ghai, however, denied any ‘reluctance’ on their part. “We do not refuse any patient. We cannot do so,” he said. However, he admitted that the bills of the treatment are yet to be paid. The hospital has reportedly around Rs 20,000 pending against the treatment it had given to a patient around six months ago

Dr Ghai said they are not worried about the bills, as the Civil Hospital like the ESI is a government body.

However, a delay of around six months in delivering the benefits of the cashless health scheme to the treating hospital could be a good enough reason for the private hospitals to deny treatment to the beneficiaries of the government-run cashless health schemes.

Meanwhile, ESI Hospital’s Senior Medical Officer Dr Balbir Singh Dhillon admitted that a certain amount is pending. He said they have forwarded the case to senior ESI officials and it would be cleared as soon as the bill is cleared by the treasury.

Source

[Back](#)**General Insurance*****Crop insurance scheme a sham, SC told - The Tribune – 20th April 2016***

The crop insurance scheme meant for farmers is nothing but a sham as the affected people are unable to claim compensation for farm losses under the terms and conditions of the policy, the PIL petitioner on drought has informed the Supreme Court.

Arguing for the petitioner —NGO Swaraj Abhiyan, counsel Prashant Bhushan pleaded before a Bench comprising Justices MB Lokur and NV Ramana that farmers opting for crop insurance had to pay Rs 2,500 as premium for every hectare under cultivation.

Bhushan said under the compensation clause of the insurance policy, the affected farmers were entitled to a compensation of Rs25,000 per hectare. But this would be paid only if the shortage of rainfall was to the extent of 75 per cent which was improbable.

Even in the unlikely event of such a miserable failure of the monsoon, the hapless farmers would be paid the compensation only if the entire bloc of villages was affected, not just one or two villages. Every farmer took crop policies only to hedge his losses and that being so how the insurance companies were being allowed to link the compensation to the level of rainfall and farm output in a bloc of villages, he asked.

In case the farmers qualified for compensation by meeting the unreasonable conditions, the amount they would get is just about 50 per cent of the input costs estimated by the government at Rs40,000-45,000 for most of the crops.

Bhushan acknowledged that the government also paid a crop loss compensation of Rs13,500 for each hectare of irrigated land and Rs6,800 for un-irrigated land even if the farmers had no insurance. But the farmers stood to lose even if they got both compensations as the two together did not come close to the actual input cost, he said.

Farming had become an unprofitable proposition even in the best case scenario of monsoon bounty and bumper crop if one were to take into account the cost of labour. Almost all the family members of the community were engaged in the activity, the petitioner pointed out.

That was why farmers were doomed in the event of monsoon failure. This was borne out by the fact that 4,00,000 farmers had committed suicide in the past 15-20 years, Bhushan said yesterday.

In view of all this, the government should extend all welfare schemes such as employment under MNREGA, supply of foodgrains under the Food Security Act and other benefits under the National Disaster Management Act to the 12 states hit by drought in 2015. But the Centre had released just Rs 7,000 crore so far for implementing the employment guarantee scheme in 2016-17 against the lowest estimate of Rs 58,000 crore, half of which should have been made available by now under the MGNREGA Act, Bhushan said.

Arguing for the Centre, Additional Solicitor General PS Narasimha acknowledged that 33 crore people accounting for about 25 per cent of the country's population had been hit by drought in 254 districts.

Source

The Bench has slated the next hearing for April 26.

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General insurers' premium collection hits Rs 96,400 crore in FY16 - The Times of India - 17th April 2016

General insurance industry has missed the ambitious target of crossing the Rs 1 lakh-crore mark in premium collection by a small margin at Rs 96,401 crore, up almost 14 per cent in the just concluded fiscal.

In FY15, general insurance industry had clocked a premium income of Rs 84,715 crore.

The growth this fiscal was driven by motor and health insurance segments, which are traditionally the largest segments for the industry.

The four public sector players notched up a premium income of Rs 47,717 crore, while 18 private players garnered Rs 39,701 crore and the two specialised operators netted Rs 4,830 crore and health insurers added up with Rs 4,153 crore, a General Insurance Council data showed.

General insurance industry has 30 players with four state-run players, one state-owned reinsurer GIC Re, two specialised government-run entities -- Export Credit Guarantee Corporation (ECGC) and Agricultural Insurance Company -- five standalone health insurers and 18 private players.

"We have achieved total premium of Rs 96,400 crore in FY16, falling short of our ambitious target of Rs 1 lakh crore by a small margin," General Insurance Council general secretary R Chandrasekaran told PTI.

Blaming the late arrival of the relaxed norms on credit line insurance from the regulator IrDAI, which issued the norms in February. He, however, maintained that taking into account inward (reinsurance) business, the industry has already crossed gross written premium of Rs 1 lakh crore-mark.

The industry has done well in 2015-16 with a growth of 13.8 per cent, which is much higher than the previous year's 10 per cent, New India Assurance Chairman and Managing Director G Srinivasan said.

"We are targeting a total premium collection at Rs 20,500 crore in the current fiscal as against Rs 18,300 crore in FY16," he added.

Source

New India saw growth in all the segments -- retail sector (including personal line of business comprising health and motor insurance) has grown much faster than the corporate segments like fire & engineering and marine in 2015-16, Srinivasan added.

Pension

State-run insurers allowed to amortise pension liability - Financial Chronicle – 18th April 2016

In order to ease the burden of extended pension scheme on public sector general insurance companies, the Insurance and Regulatory Development Authority of India (Irdai) has permitted insurers to amortise the liability over five years.

The pension scheme 1995 has been extended to PSU officers and staff members who joined until March 31, 2010. Earlier, the pension scheme was applicable to officers and staff members who joined until March 31, 2004.

This will lead to an increase in the 'employee liability' on account of extension of pension scheme. The said provisions will impact the insurers' profitability significantly as they need to provide for the same in the financial year 2015-16. This will also cause a strain on their solvency as well as on their performance results, Irdai observed.

"In view of the above, the authority hereby permits the insurers to amortise the additional liability on account of extension of pension scheme (until March 31, 2010) over a period of five years starting from financial year 2015-16," it said. However, Irdai has put forward a few conditions for this provision.

The additional liability on account of pension provisions can be fully recognised and charged to revenue account/ or profit and loss account for the financial year 2015-16. However, the expenditure may, be amortised over a period of five years if a minimum of one-fifth of the total amount is involved every year.

The unamortised expenditure carried forward should not include any amounts relating to separated/retired employees.

The insurers also have to completely disclose the total amount of liability in the notes to accounts and the amount recognised to revenue/ profit and loss account.

"This is a welcome move by Irdai, especially in a year when some natural calamities have hit the balance sheet of the insurers. The outgo will depend upon the age profile of the employees, but it should be a significant amount for each PSU general insurer," said A V Girija Kumar, director and general manager of United India Insurance.

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Source

IRDAI Circular

Source

Updated list of corporate agents registered with the authority (as on 15.04.2016.) is available on IRDAI website.

Source

IRDAI issued terms and conditions of life products for F.Y. 2015-16

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Global News

China: CIRC cracks down on unauthorised online insurance platforms – Asia Insurance Review

The insurance regulator has started action to clean up online insurance as well as wealth management services. The crackdown exercise is expected to last a year.

The drive is headed by the Development and Reform Department of CIRC, with the participation of the Life Insurance Supervision Department, reported the local media.

Because of the cross-sector nature of the online services, the clampdown will involve areas covered by other regulators such as the People's Bank of China, the China Banking Regulatory Commission, and the China Securities Regulatory Commission. CIRC is taking joint action with these regulators. They are expected to release soon details of their probes into online insurance, payments, loans and collection of investment funds.

The main target of CIRC is third-party platforms that offer online insurance products without an insurance operating licence.

Earlier this month, CIRC warned consumers to be aware of non-insurance entities promoting insurance "mutuals" or "alliances" on online platforms. Such schemes involve a pool of members who pay a small premium

to join the pool and are promised significant payout amounts if the event (eg. critical illness, accident etc) for which they subscribe to the pool happens to them. Marketing is carried out largely on social media such as WeChat. These pools are not supervised by the regulator.

In addition, there is a proliferation of online sites touting what are called wealth management products. The market was rocked early this year by the Ezubao scandal in which more than 900,000 investors were cheated out of US\$7.6 billion. Ezubao had enticed them to place funds with it with promises of unrealistically high guaranteed returns on its investment products. Around 95% of the investment projects on Ezubao were reportedly fake.

Source

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China: CIRC drafts guidelines to allow insurers to list in OTC mart – Asia Insurance Review

The Chinese regulator has drafted guidelines allowing insurance companies to list on the Beijing-based National Equities Exchange and Quotations (NEEQ) platform, which is an over-the-counter equity market.

NEEQ, generally referred to as the “third board”, was launched in 2012 for the transfer of shares in unlisted companies, mainly small and medium-sized enterprises. Share transactions are carried out directly between participants rather than via an exchange.

In a circular seeking feedback on the proposed guidelines, CIRC said that insurance companies which seek to list on NEEQ “should comply with prudential regulatory standards and have not committed any major violations of the regulations in the most recent three years”. They need to obtain the regulator's approval prior to such a listing.

CIRC said that it is supporting a listing on NEEQ for insurers because the board would help insurance companies to discover their valuations, broaden market-driven avenues for raising funds, and improve corporate governance.

Any investor which acquires a stake in an insurer on NEEQ needs to observe CIRC regulations. The guidelines would also require an insurer listed on NEEQ to report to CIRC details of any acquisition of a stake of at least 5% in the insurer. If the CIRC deems the investor unsuitable, it has the authority to require the investor to relinquish the stake.

NEEQ is gaining more popularity because of less stringent requirements and the ease of listing on it, compared with the protracted approval process for floating on the country's main stock exchanges. Around 5,000 companies were listed on NEEQ at the end of last year, more than the combined number of 2,800 listed companies on the Shenzhen and Shanghai bourses.

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China: Risks Emerge from Chinese Insurers' Offshore Investments – Asia Insurance Review

Rapid growth in overseas investment by Chinese insurers could lead to rising risks in a number of areas, including asset-liability duration and currency mismatches, asset concentration risks and execution risks from M&A, said Fitch Ratings.

Chinese insurers' investments are predominantly in long-tenured, illiquid asset classes such as property, infrastructure projects and private equity. Rapid growth in these investments could lead to greater asset-liability duration mismatches if insurers rely mainly on premiums from short-tenured insurance products, such as universal life policies, to fund the offshore investments.

Currency risks will also increase alongside growing overseas portfolio assets as insurers mostly carry Chinese yuan-denominated liabilities. More Chinese insurers, including China Life, Ping An, and China Taiping, have issued offshore debt to mitigate some of this currency risk, said Fitch.

Asset concentration in certain sectors or regions may make Chinese insurers' capitalisation more vulnerable to potential impairments. Insurers with limited experience in investing overseas may also face execution risks as they significantly expand their portfolios or engage in M&A. Chinese insurers have thus far largely invested in real estate, including hotels or office buildings, or formed investment vehicles such as China Insurance Investment (CII) to target offshore infrastructure projects.

CII was launched in December 2015 by 46 Chinese corporate shareholders comprising 27 insurance companies, 15 insurance asset management companies and four other private companies with an initial capital of CNY1.2 billion (US\$185 million). Private equity investments have mainly targeted the acquisitions of controlling stakes of overseas insurance companies or financial institutions.

Chinese insurance companies ramped up their overseas investments after CIRC liberalised offshore investment regulations in October 2012. The rule change was aimed at boosting returns on insurers' portfolios and it allowed for a greater diversity of overseas investments, including in more products and destination markets.

Insurers are allowed to invest in 45 stipulated national or regional markets and in asset classes, including fixed income, equities, real estate and funds. Offshore and offshore emerging market investments must not exceed 15% and 10% of insurers' total assets in the previous year, respectively. Real estate investments abroad must be in mature commercial properties with stable incomes in central areas of the main cities of developed countries listed by the regulator.

Source

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