Insurance Institute of India

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INSUNEWS

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INSIDE THE ISSUE

Source

Insurance Industry

First-year premium of life insurers up 6.6% in H1 - The Hindu Business Line

For the first time after three years, first-year premium of life insurers increased 6.6 per cent at Rs 59,057 crore in the first half of the current financial year ended September 30, 2014 compared with Rs 46,963 crore in the corresponding period of last year.

LIC TOPS

According to figures released by the Insurance Regulatory and Development Authority (IRDA), Life Insurance Corporation (LIC) led the growth with 7.25 per cent in the premium at Rs 37,906 crore followed by the private life insurers with 4.5 per cent increase at Rs 12,151 crore.

According to Sudhin Roy Choudhury, Member (Life), IRDA, the new product design norms for traditional products, which are being implemented, were helping the revival of new business besides greater business being done by agents and bancassurance channel.

STEEP FALL IN BIZ

The industry witnessed a steep fall in business after the introduction of new guidelines in September 2010 for unit-linked insurance plans, stipulating, among others, lower commission for agents and higher lock-in periods.

Back

Insurance benefit on EPF account - The Hindu Business Line

Besides a neat retirement corpus and some monthly pension after you retire, being part of the Employees' Provident Fund (EPF) entitles you to an often unnoticed benefit — a life insurance cover. In the event of death while in service, the dependants get money from the cover. The benefit is provided under the Employees' Deposit Linked Insurance (EDLI) scheme.

Limited sum

Here's how the insurance cover is calculated. It is the higher of the following two numbers:

a) Twenty times the average monthly wages drawn (subject to maximum of Rs 6,500 per month) during the 12 months preceding the month of death;

b) the average balance in the EPF account in the preceding 12 months, fully up to Rs 50,000 plus 40 per cent of the balance in excess of Rs 50,000, the total amount not exceeding Rs 1,00,000.

So, if your monthly Basic and DA is Rs 6,500 or more, the maximum insurance cover you get is Rs 1,30,000 (Rs 6,500 multiplied by 20). If your monthly Basic and DA is less than Rs 6,500, the cover will be lower. For instance, at a monthly wage of Rs 5,000, the insurance cover is Rs 1,00,000 (Rs 5,000 multiplied by 20).

Now, consider a case where the monthly Basic and DA is Rs 4,500, and the average balance in the EPF account in the preceding 12 months is Rs 1,75,000. The insurance cover is Rs 1,00,000 - the higher of Rs 90,000 (20 times Rs 4,500) or Rs 50,000 plus Rs 50,000 (40 per cent of Rs 1,25,000). But if in the above example, the average balance in the EPF account is less than Rs 1,75,000, say Rs 1,70,000, then the insurance cover falls to Rs 98,000 – calculated as Rs 50,000 plus 40 per cent of Rs 1,20,000.

The good news is that you do not pay the premium towards the insurance; it is funded by your employer who contributes 0.5 per cent of your Basic and Dearness Allowance (DA) each month. The trouble is that the cover under the EDLI scheme is rather small – a maximum of Rs 1,30,000.

Group insurance better

With the maximum insurance amount rather low, employers have been given the choice of seeking exemption from the scheme and instead opting for insurance plans for employees from life insurance companies. But this is on condition that the benefits being offered by the insurance companies are better than that offered under the EDLI scheme. In either case, the employer has to pay the insurance premium, and the employee does not incur any expense.

Many employers do in fact choose group insurance plans from insurance companies over the EDLI scheme. This is because the plans of the insurance companies provide better life cover for employees at cheaper premiums. The premiums paid are also tax deductible expenses for employers.

Source

Back

General Insurance

General insurers want to use products before filing them - The Economic Times

General insurers in India are planning to break free from the custom of filing a product and then selling it to big corporates, as that cripples the freedom to tailor a product that would suit a company.

The General Insurance Council, a representative body of non-life insurers, including Reliance General and ICICI Lombard, is working with Insurance Regulatory and Development Authority (Irda) to ensure the hassle of filing and re-filing is done away with, and the practice does not lead to dubious sales pitch that may come back to haunt them.

"We have given a conceptual paper on use and file," said R Chandrasekaran, secretary-general at General Insurance Council. "We want Irda to accept the concept paper and rephrase the file and use guidelines for innovative products, which are mostly reinsurance driven." Irda's concern is policyholder's protection, said Chandrasekaran.

While price has been freed, wordings have not been freed, he said. Large insurance policies, which are reinsurance driven, can be tested in the market and later filed with the regulator. This will reduce the hassle of filing the policy, waiting for approval and then going back to the regulator with changes made by the company. On an average, the insurance regulator takes 3-6 months to approve a product.

Source

Back

Insurers seek hike in travel premium on rupee fall - Business Standard

General insurance companies have sought approval from the Insurance Regulatory and Development Authority (Irda) to increase the travel insurance premium due to the fall in the rupee, industry sources said.

The premium of marine insurance is also likely to be increased on the back of the rupee fall, they said.

The travel insurance segment has seen a rise in claim pricing as the majority of the claims are settled in dollars.

"As the rupee has depreciated more than 15 per cent against the dollar since April, claim cost has increased for insurers as most of the claims are settled in dollars," an official from a large private insurer said.

According to insurance officials, around 80 per cent of insurance claims come from health-related issues of travellers overseas, and the rise in premium is inevitable.

Referring to the quantum of price rise, they said as the claim costs have risen by over 10 per cent, the premium rise is likely to be in the similar proportion.

Source

Back

Survey & Reports

Non-life insurance to grow 18% in FY14, says report - The Financial Express

The non-life (general) insurance industry is likely to grow at 17-18 % in FY14 with premium collection expected to touch R80,000 crore, according to a report by India Insure, an insurance broking agency. The report says the middle class will necessarily contribute to the growth, particularly in the health segment. The Union government's initiatives will help propel the growth and premium collection in the health insurance space is likely to touch R20,000 crore by FY15, it says. Agriculture insurance in India is an area to be watched closely and is predicted to exceed R4,500 crore by end of FY14.

Source

Back

Global news

2% of A, A- rated reinsurers struggle – AM Best - www.reactionsnet.com

Rating agency AM Best said nearly 2% of re/insurers it rates at A or A- still run into trouble, the firm's CEO for EMEA and Asia Pacific, told SIRC delegates at the Singapore International Reinsurance Conference (SIRC). "1.93% of A and A- rated insurers and reinsurers can expect to get into financial stress or require regulatory intervention within a five year time horizon," said Sellek, speaking in Singapore. The figure rises to 10% of B++ or B+ rated reinsurers over a ten year period, noted the rating agency, and 19% of B or B- rated firms over the same time span. Sellek also said AM Best was anticipating opening a Singapore office in the first half of 2014, with Asian demand for ratings high, although regulators are also increasing their scrutiny of raters. "Come another month, come another country that wants to regulate credit ratings," said Sellek.

Source

Back

China: Country's first-ever critical-illness incidence table published – Asia Insurance Review

The China Association of Actuaries has released the country's first critical-illness incidence table, detailling incidence rates for major illnesses like cancer, stroke, and heart disease. The table is touted as helpful to the development of critical illness insurance in the country. Insurance companies are expected to use the table with effect from 31 December 2013 to design products.

The insurance regulator, China Regulatory Insurance Commission, says that it will use the table to assess insurers' reserves and evaluate their critical illness insurance products. Before the publication of the table, the Chinese insurance industry has relied on data offered by reinsurers gathered from critical illness experience from overseas.

The release of the table comes amidst a drive by the Chinese government to promote critical illness insurance. In August last year, the government announced a decision to expand the coverage of the country's healthcare insurance system to include the treatment of critical illnesses, aiming to prevent patients from being reduced to poverty by healthcare costs. The focus of medical insurance in rural areas this year is on 20 serious diseases, including cancer and hemophilia.

Source