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Weekly e-Newsletter

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INSIDE THIS ISSUE:

IRDA Regulation

Stepping into the regulatory role – Mint

When he retires next month, J. Hari Narayan will, unfortunately, go down as the regulator who may have taken the life out of the life insurance industry. This industry has enjoyed double-digit growth in the good times, exclude Life Insurance Corp. of India and the growth was near triple digits, and managed to sustain growth even during the not-so-good-times. So when it reported a negative business growth in FY12, seemingly due to harsh regulatory interventions, it evoked sympathy.

Insurers see this downfall as a direct fallout of reforms overdrive that the regulator has been on since 2009. Unfair as these allegations are, they are not completely devoid of reason. Ever since the capital markets regulator, Securities and Exchange Board of India (Sebi), lay claim to the market-linked insurance product and threatened the turf of the Insurance Regulatory and Development Authority (Irda), the insurance regulator has been on a hyperactive mode. In the last four years, Irda ushered in a spate of consumer-friendly reforms, but the initiatives went a little off track as the industry, bombarded with too many reforms that went through frequent changes, found it difficult to cope with the narrow deadlines and was left flummoxed. In fact, the latest industry joke is to hire a CIO, or chief interpretation officer, having the sole mandate of tracking reforms and keeping pace with the alterations to these reforms.

Sure these reforms came at a breakneck speed and yes there is a better way of cleaning up the mess, but to let the process overshadow the outcome would be a huge error. It is indisputable that the reforms have placed the focus on consumers and have transformed Irda from being just a developer for the sector to also being its regulator.

It is also unfair to attribute negative growth squarely on reforms when the genesis of these reforms lies in large-scale mis-selling—that got insurers their double-digit growth in the first place—and knotty products that not only made investments very expensive but also licked the investor dry in case of an exit. This negative growth then is the price that the industry has had to pay for being driven by greed and showing complete callousness to investors.

The regulator has attacked the very foundation on which the edifice of life insurance industry was built in India. It targeted mis-selling and product design, among other things. To that effect, these reforms should serve as a beacon for the years ahead. Haphazard ways notwithstanding, here is how the last four years have pushed the life insurance industry several notches closer to being consumer friendly.

The changes

Costs: Costs in the most popular product, unit-linked insurance plan (Ulip), have been capped. So despite a law that allows commissions to distributors up to 40% of the premiums in the first year, commissions have dropped significantly. According to Irda's annual report for FY12, commissions have come down to almost 10% of the premiums. Seven years back, this would have been unthinkable since a 40% commission was usually the norm. This stark drop in commissions has led to an exodus of agents. In the long run, this is good for the industry which has largely got rid of "hit-and-run" agents, who like the insurers focused on fresh sales.

Sales practices of agents: What is left is a pool of serious agents who like the insurer, that has begun to shift its focus on renewal premiums, will work hard to make the consumers stay in the policy for the long term and by doing that get a steady stream of income through renewal commissions.

Also by clipping the exit costs to the bare minimum, the regulator has forced insurers to focus on renewal premiums or persistency of insurance policies.

Until 2010, the insurer could lay claim to all your investments as exit cost. But, this did not discourage you from exiting early because you either were sold a 15-year policy as a three-year product, the maximum lock-in until then, or realizing you were mis-sold a plan, chose to cut your losses. For the insurer, exorbitant exit costs only added to its profits.

Not anymore. Though insurers still have a chunk of profits coming from lapsed policies, they will have to now look for other ways to sustain these profits since the pool of profits from lapsed policies will fade away gradually. In the long term, they will need to focus on persistency, a key indicator of an insurer's health, which has got into focus only recently.

What's in the offing? These changes have largely been in Ulips, but seeing the obvious shift of the insurance industry to traditional plans, the regulator is writing new rules for that category of products as well. These guidelines should be out anytime.

Endnote: To wrap up, not only did the regulator enforce consumer-friendly guidelines, it also penalized defaulting companies dearly. For an industry which so far has enjoyed a soft regulator and penalties seldom going beyond Rs.5 lakh, it was a shock and a first when a private insurer got slapped a penalty of Rs.1.47 crore last year for deficiency in claim settlement and for overpaying their intermediaries. Not only has Irda made the fine bite, it has gone after faulting insurers with a vengeance. In 2012 alone, as many as 13 insurers were penalized, mostly for overpaying their distributors.

Irda has transitioned from being a developmental authority to being a regulatory authority. The regulator has already got the momentum going for the year ahead. Let's wait for the new regulator to keep this momentum going, hopefully in a more organized manner.

Source –
http://www.livemint.com/Money/xDAzqDqNspDhKJbdFl1qtJ/Stepping-into-the-regulatory-role.html

Insurers to get more freedom in choosing investment avenues – The Hindu Business Line

The insurance regulator plans to give insurance companies more headroom to invest in 'AA' rated corporate bonds. This move could boost investments in corporate debt, especially instruments issued by infrastructure companies.

CLUBBED LIMITS
The proposed changes to the investment regulations will allow insurers, both in life and non-life segments, to put up to 15 per cent of their investments in the debt market in 'AA' rated corporate instruments.

The headroom for investments in the 'AA' rated corporate bonds will be created by clubbing the investment limits in Government securities along with 'AAA' rated corporate bonds. The composite investment limit for these instruments could be set at 75 per cent. Extant regulations require insurance companies to put 75 per cent of their debt market investments in AAA-rated instruments excluding government securities.

The Insurance Regulatory and Development Authority (IRDA) is considering changes to its investment regulations following inter-regulatory meetings under the aegis of the Financial Stability and Development Council (FSDC), said an insurance company official.

"This move would release almost a quarter of the funds available with insurance companies for investment in AA rated corporate bonds," said the CEO of a private life insurance company, requesting anonymity.

BOOSTING INVESTMENTS IN INFRASTRUCTURE
The regulator is also reducing the minimum tenure for investments in infrastructure bonds to five years from the present ten years. Insurers may also be allowed to invest in Special Purpose Vehicles (SPVs) in the infrastructure sector to increase the flow of long-term funds.

Moreover, with the Reserve Bank of India allowing insurers to participate in the Credit Default Swaps (CDS) market, insurers will be encouraged to invest in listed corporate bonds and unlisted bonds of infrastructure companies as they can now hedge their risks.

Source –
http://www.thehindubusinessline.com/industry-and-economy/banking/insurers-to-get-more-freedom-in-choosing-investment-avenues/article4295152.ece

Irda sets up working groups on product standardization – Mint

The Insurance Regulatory and Development Authority (Irda) has constituted four working groups to standardise products offered by life insurance companies.

The groups would look at unit-liked investment plans, linked variable insurance plans, non-linked variable insurance plans and other non-linked plans. Each group would have six members from life insurance companies, along with an Irda representative.

The groups would focus on bringing uniformity in the designs of the products, determining relevant parameters for each product and ensuring these parameters are consistent with Irda regulations.

They would also determine the numerical range within which the parameters could be permitted.

Irda has asked the groups to submit a report on the standardisation of products within three months.

Source –
http://www.business-standard.com/india/news/irda-setsworking-groupsproduct-standardisation/498958/

Insurance Industry

Govt lines up tax breaks for insurance – Mint

There could be a big cheer for India's insurers in the national budget as the government plans to reduce service tax on premiums, protect existing policies from future tax changes, and relax rules on tax deducted at source to encourage households into buying more insurance cover.

It is also likely to propose additional tax breaks for pension products, in addition to the current Rs.1 lakh savings cap, when finance minister P. Chidambaram presents the budget for 2013-14 on 28 February.

The revenue department has accepted most of the proposals the insurance industry suggested during their meeting with Chidambaram a couple of months ago, according to a finance ministry official.

"Most of the demands do not have a large revenue implication. But they will provide a huge push to the insurance sector in terms of cost savings and making administration easier," the official said, requesting anonymity. "The revenue department has agreed to most of them."

These steps will be a part of the government's efforts to funnel household savings into long-term savings instruments such as insurance and mutual funds. In September, the government held a series of discussions with life and general insurance companies and the insurance regulator to suggest steps to revive the industry.

"Grandfathering of an insurance policy is important to retain the confidence of the policyholders. It should not happen that because of changes in tax laws they have to pay tax on the maturity of the insurance policy, when at the time of buying the policy there was no such tax," said Kamalji Sahay, former managing director and chief executive of Star Union Daiichi Life Insurance Co. Ltd. "Creation of a separate window for insurance policies will channelize long-term funds into the insurance industry and provide a big boost to the sector."

Under section 80(C) of India's income-tax law, investments into provident fund and insurance premiums, among others, are eligible for tax deductions up to a limit of Rs.1 lakh. The insurance industry wanted an additional relaxation to encourage purchase of long-term insurance policies. The government is looking at creation of a separate window for pension products, including the National Pension Scheme and those issued by insurance companies.

The industry had demanded a reduction in service tax on first-year regular premium as well as single premium policies, and a complete waiver in social security insurance schemes such as the Aam Admi Bima Yojana. In addition, it had asked for grandfathering of all insurance policies and relaxation in the clause that insurance companies have to deduct tax at source on payment of agent commission above Rs.20,000.

It is likely that now insurance companies will have to deduct tax deducted at source only if cumulative payments exceed a particular amount. "These are small administrative issues, but will help in reducing costs for the insurance companies," said the finance ministry official.

The insurance industry was hit by large-scale changes in rules that govern unit-linked insurance plans that were brought about by the country's Insurance Regulatory and Development Authority in September 2010. Stricter norms for pension products have also made the unit-linked pension market virtually non-existent.

Source-
http://www.livemint.com/Politics/7cY6UEnq3N4lp0JXA9Ar1J/Govt-lines-up-tax-breaks-for-insurance.html

Life Insurance

Life cover now with minimum death, surrender value – The Hindu Business Line

Traditional life insurance products now come with a mandatory higher minimum death benefit and surrender value.

"The board has approved minimum death benefit and minimum surrender value and the traditional plans have also been aligned with the pension products on some aspects of the benefits," J. Hari Narayan, Chairman, IRDA, told Business Line.
The objective was to enhance customer protection keeping in view the long-term nature of life insurance products, he added.
Last year, IRDA had circulated draft guidelines on the proposed changes in life insurance products.

GUARANTEED VALUE
For customers below 45 years, according to the draft, the minimum sum assured should be higher by 10 times (as against the existing five times) the annual premium or 0.5 times the annual premium multiplied by the term of the policy or 105 per cent the premium paid as on the date of the policyholder's death.

There is also a minimum guaranteed surrender value of 50 per cent of the total premiums paid, if the policy is surrendered in the second or third year while the same would be 75 per cent for the fourth year, and goes progressively upward. As of now, if policies are surrendered before three years, mostly no return is offered.

NOT ENOUGH TIME
Life insurers have been given time to withdraw group and individual policies before March 31 and June 30 respectively and have to file for product approvals afresh in line with the new guidelines.

The industry is not too happy with the new norms. "Most of the insurers will have to refile their products as we will fall short of the margin of 105 per cent of the minimum death benefit by a small margin," said Sanjeev Pujari, Appointed Actuary, SBI Life.
"By and large, products would have to be refiled. It will pose a huge challenge for the industry and the IRDA as well. The industry would request for more time to meet the deadlines," said G.V. Nageswara Rao, MD & CEO, IDBI Federal Life.

On the implications for insurance buyers, T.K. Banerjee,Vice-Chairman, Shriram Life Insurance Company, said, it would pay to buy insurance while one is young.

"I also expect that there could be dip in those who wish to buy insurance after 45 or 50 as premium could be higher," he added.

Source –
http://www.thehindubusinessline.com/industry-and-economy/banking/life-cover-now-with-minimum-death-surrender-value/article4295179.ece

Equity assets of life insurers' AUM witness 13% growth - Financial Chronicle

Life insurance companies have witnessed a growth of 12.87 per cent in their total assets under management (AUM) in equity portion. According to data from Life Insurance Council, the industry body for all life insurers, market value of equity-based assets stood at Rs 5,00,421 crore as on September 2012, compared with Rs 4,43,360 crore on September 30, 2011.

Total AUM increased by 16.8 per cent to Rs 17,20,444 crore till September 2012, compared with Rs 14,73,043 crore till last September. However, portion of equity-based assets fell to 29 per cent of total assets in September 2012, against 30 per cent in previous period.

Value of fixed income assets has increased by 19.34 per cent in September 2012. Book value of fixed income assets stood at Rs 11,90,410 crore, against Rs 9,97,502 till September 2011.

"Equity portion of total asset is predominantly from unit-linked business for private insurers, however, that is not the case for Life Insurance Corporation of India (LIC). So around 40-45 per cent of the total amount is from traditional policies. Moreover, the growth in AUM is primarily due to good returns in equity market over the past one year," said Abhijit Gulanikar, chief investment officer at SBI Life Insurance.

Insurance experts feel that only 5-10 per cent of fixed income asset is from unit-linked business.

Although insurance companies witnessed a growth of 63 per cent in renewal premium, there was a drop of 21.46 per cent in renewal business from linked portfolio. Total renewal collection stood at Rs 1,20,222 crore till September 2012, compared with Rs 73,576 crore till September 2011.

Life insurers paid total commission of Rs 6,965 crore to distributors, which is 4.16 per cent of total premium collection of Rs 1,67,184.81 crore till September 2012, against Rs 7,208 crore commission till September 2011, which was 5.87 per cent of total premium collection of Rs 1,22,622.01 crore.

Insurance companies have also witnessed a drop of 8.84 per cent in number of individual agents. Total individual agents employed by life insurers stood at 22,36,727 till September 2012, compared with 24,53,613 till September 2011.
Life insurer paid a total of Rs 78,782 crore to their policyholders including Rs 5,935 as death benefit till September 2012, against with Rs 67,064 crore till September 2011, which included Rs 5,451 crore of death benefits towards nominee of policyholders.

Life insurers also shut down around 5.31 per cent branches in order to cut costs, while insurers operated 10,838 till September 2012, they operated 11,446 till September 2011.

Source –
http://www.mydigitalfc.com/insurance/equity-assets-life-insurers%E2%80%99-aum-witness-13-growth-998

Health Insurance

PSU insurers to promote own 3rd party administrators – The Hindu Business Line

The public sector insurers plan to join forces to set up a common third-party administrator (TPA) to settle medical insurance claims. Earlier, these insurers were mulling in-house TPA with a foreign partner, but it was shelved as they failed to identify a suitable partner.

The promoters of the proposed TPA will be: the four general insurers — New India Assurance, Oriental Insurance, United India Insurance, and National Insurance; General Insurance Corporation (the national re-insurer); and Life Insurance Corporation of India.

The TPA is expected to be operational by October, said G. Srinivasan, CMD of New India Assurance Company. This is aimed at eradicating fraudulent claims and lowering the claims ratio. It will also help boost profitability of the insurers.

BETTER CLAIM SETTLEMENT
"By coming together, the PSU general insurance companies, which account for 70 per cent of the health insurance premium, can leverage their strengths to negotiate better rates from hospitals, bring in better technology, and provide better services to customers. "If there is better claims management, ultimately the benefits will be passed on to the customer," said Srinivasan.

The PSU general insurers currently outsource the claims settlement process to different TPAs. However, their experience in this regard has been unsatisfactory. Most private insurance companies such as ICICI Lombard, Future Generali and Bajaj Allianz General Insurance have already shifted to in-house settlement of claims as they feel it enables them to have faster dispute resolutions and ensures that they have a direct connect with their customers.

The PSU general insurers, which control a chunk of the Rs 55,000 crore health insurance market, are making losses with claims ratio over 120 per cent, particularly in the group health portfolio. The insurers admitted that setting up an in-house TPA will result in higher administrative costs, arising from insurance companies having to undertake huge groundwork, entering into tie-ups with hospitals, and maintaining a 24x7 helpline, among other things. However, the cost involved in setting up the TPA can be recovered as the claims drop.

Source –
http://www.thehindubusinessline.com/industry-and-economy/psu-insurers-to-promote-own-3rd-party-administrators/article4302155.ece

Health-insurance terms to be standardized – The Hindu Business Line

Your health-insurance policy will soon be more transparent and clearer.

The Insurance Regulatory and Development Authority will standardise important aspects of health insurance including key definitions of ailments and nature of medical treatments which are covered or not covered under a policy contract.

The regulator released an exposure draft on Friday and sought feedback from all stakeholders within 10 days.

"Health insurance addresses a major area of public concern. Although it is rapidly growing sector, access to health insurance still remains limited and add to it complaints, especially due to variable interpretations of key policy terms, are enormous," a circular from the regulator said.

The Authority intends to standardise or streamline important aspects triggering health-insurance complaints.

The proposed initiatives on standardisation would be mandated across all industry players to build common understanding, it added.

Source –
http://www.thehindubusinessline.com/industry-and-economy/banking/healthinsurance-terms-to-be-standardised/article4298732.ece

Irda prescribes standardised practices in health cover – Business Standard

In order to make health insurance more customer-friendly, the Insurance Regulatory and Development Authority (Irda) today released an exposure draft on standardisation in health insurance. It attempts to bring uniformity in health coverage practices, including the exclusion of disease conditions and charges across the policies.

"In order to address the expectation of public more effectively, the authority intends to standardise/streamline important aspects triggering health insurance complaints," the regulator said on the initiatives proposed in the exposure draft.

A standard nomenclature for critical illnesses has been proposed for both hospitals and insurers to follow, so that customers do not face any difficulty while taking a policy. Cancer, coma, first heart attack, kidney failure and organ transplant are some of the diseases mentioned in critical illness category. The regulator has allowed certain exclusions of disease conditions and procedures in 11 critical illnesses including skin cancer and HIV induced diseases.

Customer also face problems while hospitalisation, since they are not aware of the expenses excluded in such indemnity policies. To curb this anomaly, Irda has proposed that a standard list of exclusions in such hospitalisation indemnity including areas like baby food, internet charges, diaper charges.

The regulator, however, has allowed the companies to include the excluded items of payment based on product design or as part of hospital expenses. While defining hospital the regulator mandated that a facility should have at least 10 inpatient beds in towns having population less than 1 million and 15 inpatient beds in towns and cities having population above 1 million to treat the patients under health coverage.

The exposure draft called for standardising billing formats and enabling mapping of hospital information systems to specific data requirements of the Insurance companies for faster claim processing and enhanced analysis of data. This is based on the recommendations of the committee constituted by FICCI with purpose of looking at standardizing the billing procedures in various hospitals to avoid any ambiguity between the health insurance stakeholders.

The committee had representatives from all stakeholders including insurers, third party administrators (TPAs), providers and consultancy companies and was headed by S L Mohan, Secretary General, General Insurance Council. The committee has suggested that the bill is expected to be in two formats, one would be the summary bill and the detailed breakup of the bills.

It suggested that the summary bill the provider has to mention the service tax number in case they charge service tax to the insurance company/TPA among others. Further, it suggested that in detailed breakup of bills, the date on which the service is rendered is to be mentioned in the bill. Some providers have outsourced the pharmacy to external vendors. For implementation, the committee has suggested that a central body for maintenance, dissemination and addition of billing codes should be formed.

In terms of TPAs, Irda has proposed that the TPA shall only process the claim to facilitate the insurer to take decision on claim settlement or claims rejection, as applicable. "Only the insurer shall have the right to settle or repudiate a claim," said Irda in the draft. It has called for TPAs to process all the claims applications to the extent possible within 2 working days after receipt of the complete set of claim documents.

The regulator will make these initiatives mandatory across the industry after receiving suggestions and comments from the stakeholders, who have been given 10 days to respond on the exposure draft.

Insurance player said that this would lead to a better user experience for customers. "Customers have been wary of the multiple charges and opaque policies issued in health insurance. These guidelines, once passed, would ensure that the policies are transparent for end-users," said the health insurance head of a non-life insurer.

Source –
http://www.business-standard.com/india/news/irda-prescribes-standardised-practices-in-health-cover/202458/on

IRDA proposes uniform definition of key terms in health ins – The Financial Express

IRDA has come out with standard definition of various key terms like critical illness with a view to bring in uniformity and promote health insurance.

"Health insurance addresses a major area of public concern. Although it is rapidly growing, access to health insurance still remains limited and add to it complaints especially due to variable interpretations of key policy terms are enormous," the exposure draft on standardisation in Health Insurance of IRDA said.

The Insurance Regulatory and Development Authority (IRDA) has defined 46 commonly used terms in health insurance and standardised 11 critical illness terms.

It said the standard terms would reduce ambiguity, enable all stakeholders to provide better services, IRDA said adding that insurers should give all the 46 definitions in the policy document.

"In view of resolving the differences in the definitions of terms on critical illnesses adopted by the different insurers which are creating confusion in the minds of consumers and the industry ..., 11 critical illness terms have been standardised to be adopted uniformly across industry," IRDA said.

As per the exposure draft, critical illness includes cancer, first heart attack, kidney failure, stroke, permanent paralysis of limbs, coma, organ transplant and multiple sclerosis.

Further, the IRDA has allowed insurers to exclude certain disease, including skin cancer and HIV induced diseases, from the 11 critical illnesses.

The exposure draft also listed 203 items, including diaper and internet charges, which are excluded from hospitalisation indemnity products. Further to streamline the claim process, the exposure draft has also suggested a standard agreement between Third Party Administrator (TPA) and insurer and hospital and insurer. It also suggested a common industry wide pre- authorisation and claim form.

The regulator has sought feedback from all stakeholders within 10 days, starting from January 11.

Source –
http://www.financialexpress.com/news/irda-proposes-uniform-definition-of-key-terms-in-health-ins/1059241/0

General Insurance

New norms will expedite nod for insurance products – Business Standard

New traditional product guidelines, which are expected in the next few days, will make the process of product approvals quicker.

According to J Hari Narayan, chairman of the Insurance Regulatory and Development Authority (Irda), approvals would now become faster, since the product structures would be clearly defined by the new regulations.

The Irda board has approved the product guidelines and these are expected to be published in the gazette within a week. The guidelines have proposed changes in the product structure, including the surrender charges and commission rates, in order to make traditional products more transparent.

"On an average, we have been approving 20 products a month. Post the issuance of the guidelines, we are hoping it would lead to quicker approvals for traditional products," said the Irda chief.

He added this would be due to the fact that the products would be clearer in their features. Usually, product approvals may take time due to ongoing discussions between the insurance company and the regulator over clarity in a particular product. Narayan explained that this was seen in the unit-linked insurance (Ulip) products after the new guidelines were issued. After the September 2010 norms were announced for Ulips, insurers could clearly understand what could be a product feature and what could not be. Hence, approvals came in at a much quicker pace for these Ulip products. "We hope there will be a similar case with traditional products, too, post new norms come out," he said.

Further, the Irda chief said not all products would have to be re-filed. If there were only one or two changes in the product feature, he said that a company could do it on their own. "A company can make those changes and issue a certificate saying those changes have been made, as per the new norms. They need not get any approvals from us for selling these products." The guidelines for traditional products of life insurers will have a deadline of April 1 for re-filing group products and July 1 for re-filing other traditional products.

The most recent draft on traditional product norms says policy holders will get back as much as 50 per cent of their premiums if a policy is active for three years, meaning the policy has a minimum guaranteed surrender value (GSV) of 50 per cent.

Minimum GSV is a sum of guaranteed surrender value and the surrender value of the any subsisting bonus already attached to the policy.

Source –
http://www.business-standard.com/india/news/new-norms-will-expedite-nod-for-insurance-products/498481/

Reports & Survey

Employers medical claim cost outpaces salary spends in 5 years: Report – The Economic Times

Employers' medical plan costs have increased at a faster rate than their salary-related expenditure over the last five years, according to a report.

The key factors that have negatively impacted employers' healthcare costs are medical inflation, room rent and associated charges, cost variations across key geographical locations and health risks, according to report published by Marsh India, a subsidiary of Marsh, the global leader in insurance broking and risk management.

The report found that 95 per cent employers rated the increase in treatment costs as the biggest challenge they faced when managing healthcare costs. Increased health risks are rated by 86 percent employers as among the top three causes for concern.

The study said the cost to employers for providing employee benefits continues to rise. A typical premium increase has been in the range of 16 per cent to 22 per cent in 2012.

In order to manage the rising cost of health care, more than 70 per cent of employers have made changes to plan designs in the last two years. Popular changes include the implementation of room rent restrictions (86 per cent) and cost sharing with employees on claims (32 per cent).

Companies also anticipate making plan design changes over the next three years to manage these rising costs: Nearly 60 per cent of the companies say that they will re-evaluate the employee contribution and 55 per cent plan to introduce preventive care going forward.

"Organisations need to understand the controllable and uncontrollable cost drivers that affect their plan if they are to maximise cost savings and improve the sustainability of their benefits plans," Marsh India CEO Sanjay Kedia said.

It is clear that medical inflation remains a concern for many employers, and with the significant ongoing investment in medical technologies, it is likely that in the longer term medical inflation will continue to outpace consumer price and earnings inflation, the report said.

Source –
http://articles.economictimes.indiatimes.com/2013-01-15/news/36353204_1_healthcare-costs-cost-savings-medical-inflation

IRDA Circular

The Insurance Regulatory and Development Authority of India (IRDA) has published a circular Ref.: IRDA/ACT/ORD/MISC/007/01/2013 dated 11th January regarding Standardization of the products aimed at bringing in uniformity in the products offered by the Life Insurance companies. For more information please visitwww.irda.gov.in

Source –
http://www.irda.gov.in/ADMINCMS/cms/frmOrders_Layout.aspx?page=PageNo1863

Global News

Hong Kong

Hong Kong: Exporters ask for more trade cover

Local exporters are urging export trade insurer Hong Kong Export Credit Insurance Corporation (ECIC) to do more to insure their business risks for contracts involving emerging markets, reports China Daily, citing a trade spokesman from the Federation of Hong Kong Industries (FHKI).

The report quotes Professor Chan Kei-biu, General Committee Member at FHKI, as saying: "As the European and US market prospects remain dim, the mainland export market can only remain stable this year, and therefore we envisage the global export market to remain challenging for local exporters in 2013."

Amid the sluggish US and European export markets, more local exporters are turning their focus to those high-growth regions such as ASEAN, Eastern Europe and Latin America.

However, local exporters complained that they are not receiving adequate assistance from the government.

Another local exporter representative, The Chinese Manufacturers' Association of Hong Kong (CMA) Executive Committee Member Aaron Shum has criticized the ECIC for not doing enough to help local exporters by insuring their business contracts involving various emerging markets.

"The ECIC should devote more resources to help local exporters to venture into emerging markets. Currently, emerging markets only occupy a very tiny portion of the ECIC's total business turnover," Mr Shum is quoted as saying.

According to the ECIC report, the US remained the ECIC's largest insured market, growing by 18% in 2011-2012 fiscal year from a year ago. It was followed by the UK and the mainland which declined 1.9% and increased 18.4%, respectively.

The statutory ECIC, formed in 1966, is fully guaranteed by the government to provide local exporters with trade insurance services.

But Ms Amy Yau, Deputy General Manager at ECIC is quoted as expressing “tremendous difficulties in undertaking trade insurance business involving emerging markets".

"It is extremely hard for us to gather and verify the trade and business information involving the trading partners of local exporters in those emerging markets. If we cannot do the verification job, we will be unable to conduct more trade credit business underwriting in these markets," Ms Yau adds, stressing that the ECIC in the future will dedicate more resources to explore the trade credit business in emerging markets.

Source –
http://www.asiainsurancereview.com/News/View-NewsLetter-Article/id/26790/type/eDaily/Hong-Kong-Exporters-ask-for-more-trade-cover

Indonesia

Indonesia: Industry calls for cap on foreign ownership

The General Insurance Association of Indonesia (AAUI) has asked lawmakers to limit foreign ownership of insurance business to boost participation of local investors, reports the Global Times, citing Mr Kornelius Simanjuntak, Chairman of the association.

The Chairman adds local investors should be prioritised for their participation in the industry, adding that the limit of the foreign ownership by up to 80% was appropriate, according to a local online news portal.

Mr Kornelius says Article 7 of the Draft Law on Insurance Business restricts investors' limits foreign ownership in an insurance company for a maximum of 80%, and the rest is owned by local investors. "But, in fact, foreign ownership could be close to 100% while locals only have 0.00001% due to dilution," he adds. He asked that the national interest is maintained so that Indonesian companies can be a "host in their own country".

Meanwhile, AAJI Director Hadi Purnomo says foreign businessmen must also be commited to empower local human resources, arguing that there needs to be a "transfer of technology or knowledge within a certain time".

Source-
http://www.asiainsurancereview.com/News/View-NewsLetter-Article/id/26782/type/eDaily/Indonesia-Industry-calls-for-cap-on-foreign-ownership