



Weekly e-Newsletter

Insurance Institute of India

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Newsletter

13th – 19th April 2012

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Health Insurance

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| News | Simplify policy documents in healthcare sector: Irda |
| Newspaper | The Financial Express |
| Source | http://www.financialexpress.com/news/simplify-policy-documents-in-healthcare-sector-irda/936097/0 |

Insurance Regulatory and Development Authority (Irda) has asked the Life Insurance Council and industry trade bodies such as CII and Ficci to come out with recommendations to simplify policy documents in the health insurance sector. To bring in more clarity, the regulator has suggested simplification of terms to bridge the gap in communication levels between insurers and the service providers.

"Communication in health insurance has to become simpler and understandable by the policyholders,. We have suggested to the Council and other stakeholders to come out with recommendations for simpler communication in the policy documents" J Hari Narayana, chairman, Irda, said. Due to complexities of the language, it is also fuelling in increasing number of frauds. Owing to poor understanding levels by the policy holders, the insurance regulator may also soon be making easy communication norms mandatory as opposed to those jargons, which are presently in use in the policy documents.

Speaking at the first meeting of newlyformed Health Insurance Forum, he said about 37% of total complaints in general insurance were from health insurance. "Perhaps, this is due to lack of understanding of policy related aspects by the policyholders," he said.

"While the tariffs in the industry is deregulated, language is still not deregulated," he added. It is believed that the existing standard form of documents are sometimes confusing and misleading thus resulting in high claim levels.

On its part, Irda has standardised 20 common terms on health insurance policies, defined 10 critical illness and pre-authorisation forms, standardised claim forms, discharge forms and billing formats. "We have already standardised some of the processes in claiming the health insurance such as claim forms, discharge summary. We are yet to standardise the billing format." Nandakumar Jairam, co-chairman, health services committee, said.

The forum is also discussing on some of the key issues concerning the healthcare providers such as communication between insurer and service providers, tariff and price regulated insurance and non-standardisation of medical procedures.

Irda had set up a health insurance forum that would eventually become a self-regulatory organisation in order to help promote health insurance. The forum would help in evolving policies and processes for the health insurance sector. The members of the forum would include CEOs of health insurance companies, life insurers, third party administrators (TPAs), officials from labour and health ministries and representatives of health service providers. Irda will act as a consultative agency between insurance companies and other stakeholders.

According to a TPA claims data from Irda, the regulator has received 3,641,585 during 2010-11 against 3,365,940 in 2009-10.

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| News | <i>ESIC enhances dependents' pension</i> |
| Newspaper | <i>The Indian Express</i> |
| Source | <i>http://www.indianexpress.com/news/esic-enhances-dependents-pension/936254/</i> |

In a step the Employees State Insurance Corporation (ESIC) said was in tandem with the rising costs of commodities, the minimum monthly pension for dependents of insured workers who pass away as a result of employment injury or occupational disease has been enhanced.

The minimum monthly amount payable to dependents will henceforth be Rs 1,200, as per a Ministry of Labour and Employment notification.

The enhanced pension came into force from March 1, 2012.

"This step has been taken to provide an appropriate amount to dependents due to price rise," an ESIC statement said.

The monthly pension will be given to eligible dependents of an insured person who dies as a result of an employment injury or occupational disease.

The ESIC provides a social and economic cover for insured workers and their dependents.

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| News | <i>Irda for state-backed health insurance scheme</i> |
| Newspaper | <i>Business Standard</i> |
| Source | <i>http://www.business-standard.com/india/news/irda-for-state-backed-health-insurance-scheme/471202/</i> |

The Insurance Regulatory and Development Authority (Irda) has strongly come out in support of an upcoming government-backed health insurance policy aimed at providing health cover to a large population of the country.

"Why not have a state-backed health insurance coverage for people when practically all the governments in the world have similar coverage for their citizens," asked Irda chairman J Hari Narayan. He was referring to a meeting of a group of experts in the Planning Commission today on the new health insurance scheme which is in the works.

Stating the cover could be on the lines of the Rashtriya Swasthya Bima Yojana, he said Irda had to see the contours of the scheme once it was ready. A government-backed health scheme involved risks, too. "One such could be that the pricing may go up," he said, while addressing the launch of Health Forum, a self-regulatory body that Irda constituted to address the issues of the health insurance sector.

According to the Irda chairman, government-sponsored health insurance schemes provide cover at various levels to 189 million people, while the non-government sector covers 22 million people under group schemes. Seven million people are covered under individual policies. Per capita pricing of these policies stands at Rs 110 in government schemes, Rs 219 in group health insurance schemes and Rs 5,500 in individual policies.

Though the per capita price is lower in government schemes, they are more efficient in terms of loss ratio, especially those underwritten by public sector health insurance companies. The health insurance sector in the country is growing at 45 per cent annually, and would soon touch Rs 35,000 crore in business this year, Narayan added.

Irda will notify a comprehensive health insurance regulation after taking into account the issues of non-standardisation of procedures, coverage of patients with HIV/AIDS and mental illnesses and the prospect of the bringing Ayush (alternative medical systems) into health insurance. "We will bring the regulation after the Health Forum takes a look at it, and comes up with its recommendations," the chairman said.

The consultative body includes General Insurance Council (non-life), Life Insurance Council, multistake holder groups of Federation of Indian Chambers of Commerce and Industry and the Confederation of Indian Industry, besides the Health Forum formed with the representatives of health insurance companies, third-party administrators, hospitals and other stakeholders. Narayan came down heavily on unviable methods adopted by companies, especially in group schemes, saying nothing prevented Irda from taking action against such practices. "So far, we have maintained a restraint, which will not last forever," he said, stating the regulator might prohibit companies from marketing such products.

Referring to rising complaints from policyholders in the health insurance sector, he said unhealthy pricing practices had been putting a lot of stress on the management of the companies, leading sometimes to refusal of the claims. However, he ruled out prescribing the pricing either of policies or of healthcare services -- and said it was up to the companies and the self-regulatory body to handle the issue.

The loss ratio in group health insurance schemes ranges from 94 per cent to 112 per cent, while Irda maintains the ideal loss ratio should be around 75 per cent. Individual policies that command a per-capita premium of Rs 5,500 has a loss ratio of just 40 per cent.

Life Insurance

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| News | <i>Life insurers to have similar application forms</i> |
| Newspaper | <i>Business Standards</i> |
| Source | <i>http://www.business-standard.com/india/news/life-insurers-to-have-similar-application-forms-/471861/</i> |

The Insurance Regulatory and Development Authority (Irda) has asked life insurers to have a standard format in application forms that clients have to fill in before purchasing a product.

The regulator issued an exposure draft on April 16, proposing regulations relating to prescription of a standard proposal form for individual policies in life insurance.

Irda has suggested a proforma of the proposal form in the draft and has asked life insurers to include a section on need analysis and soundness of the agent's recommendation to help customers with need-based buying.

Irda floated the idea of a standard application form to address mis-selling, so that it ensures all customer needs are known to the insurance company before issuing a policy.

This draft is in continuation of the exposure draft that was issued to insurers on January 31. In the initial draft, the regulator had suggested insurers have their own forms, which could include the need analysis section. But the current draft suggests all life insurers have to follow a standard proposal form divided into four main categories.

According to Irda's prescribed format, details of the prospect, needs of the prospect and agent's recommendation are the three mandatory categories in the form. Specialised information category is mandatory but can be modified by the insurer as required. The draft document released by Irda states that it is not being prescriptive about any particular matrix or model, but regulations envisage requiring insurers to have in place a process and system to assess the needs analysis carried out for each and every proposal received and the soundness of a recommendation about a particular product being made.

Life insurers have been asked to send their feedback on these draft regulations by May 15.

S B Mathur, secretary general, Life Insurance Council, says, "The move is in the right direction. But implementing this in villages and other backward regions will be a task, as the form demands intricacies of lifestyle which may be difficult for those people to absorb."

Once it gets approved, all agents and brokers will have to be trained on the new standard proposal form and needs analysis category. Guidelines, once notified, will be effective from September 1, 2012.

Insurance Regulations

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| News | <i>Insurance policies may be available in demat form soon</i> |
| Newspaper | <i>The Hindu Business Line</i> |
| Source | <i>http://www.financialexpress.com/news/simplify-policy-documents-in-healthcare-sector-irda/936097/0</i> |

Insurance policies will soon carry an option of being available in dematerialised form.

"Work is currently on and technical verifications on data-repositories will commence soon," Mr J. Hari Narayan, Chairman, Insurance Regulatory and Development Authority, told Business Line here.

The regulator has already short-listed five data repositories including National Securities Depository Ltd and Karvy for the purpose.

Insurance repositories will maintain electronic data pertaining to insurance policies and allow easy access to them with the click of a mouse.

The actual launching of demat policies might happen in about five months from now.

OPTIONAL

The regulator, however, does not have any plans to make demat policies compulsory.

"We want to give an option to policyholders to go for dematerialised policies because of legal and operational aspects," he said. The basic contract documents of the policy will continue to be available in physical form, he added. The Life Insurance Council has also discussed the issues arising out of demat policies with the insurers.

"There are many advantages with demat policies. There will be no question of losing the policy document. You can also have a constant update on policy account instantly," Mr Hari Narayan said.

The demat option is thus expected to make a big difference to policyholders, according to the regulator. As of February 2012, the total number of policies stood at a little over 35.10 crore, according to IRDA data.

IRDA Circulars

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| News | Net Written/Earned premium data of General Insurance industry |
| Source | http://www.irda.gov.in/ADMINCMS/cms/Circulars_Layout.aspx?page=PageNo1677 |

Data of the General Insurance industry with regard to Net Written/Earned premium, Management Expenses/Investment can be viewed at

http://gicouncil.in/stats_gii.htm

With regard to the above the IRDA has issued a circular dt 12/4/12, giving their observations of the divergent practices being followed while submitting the statement and also giving the clarifications of the correct procedure in order to bring about uniformity in all the companies.

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| News | Updated list of TPAs |
| Source | http://www.irda.gov.in/ADMINCMS/cms/NormalData_Layout.aspx?page=PageNo646 |

Updated list of TPAs as on 31.3.12

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| News | Draft regulations for standard proposal form for life insurance |
| Source | http://www.irda.gov.in/ADMINCMS/cms/frmGeneral_Layout.aspx?page=PageNo1682 |

Based on the feedback from various stakeholders IRDA has framed the Regulations to introduce a standard proposal form to bring in uniformity in information sought and also take into consideration all relevant questions that are required to understand the need for a particular product and make a recommendation to the prospect that is based on 'suitability' in a simple and straightforward manner bringing in transparency and thereby protecting his/her interests.

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| News | first year premium of Life Insurance Companies |
| Source | http://www.irda.gov.in/ADMINCMS/cms/NormalData_Layout.aspx?page=PageNo1684 |

For first year premium of Life Insurance Companies please follow the link

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| News | Flash figure for and upto the month March 2012 for Non Life Insurers |
| Source | http://www.irda.gov.in/ADMINCMS/cms/NormalData_Layout.aspx?page=PageNo1685 |

Flash figure for and upto the month March 2012 for Non Life Insurers

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| News | List of Brokers |
| Source | http://www.irda.gov.in/ADMINCMS/cms/NormalData_Layout.aspx?page=PageNo1323 |

List of Brokers updated as on 31.3.12

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| News | <i>Nepal: Regulator acts to reduce conflict of interest in insurance companies</i> |
| Newspaper | <i>Air e-daily Asia Insurance Review</i> |
| Source | <i>http://www.asiainsurancereview.com/pages/e-Weekly.asp?country=10</i> |

Nepal's Insurance Board (IB) has drafted a directive on corporate governance that bars insurance companies from conducting business with firms affiliated to their promoters, specifies minimum qualifications required to become promoters and chief executive and prevents insurers from parking incomes or acquiring loans from financial institutions linked to their promoters. According to the Myrepublica news website, the draft also explicitly states that insurance companies should not maintain business relationships with clients whose financial interests are directly or indirectly linked to insurers' promoters or chief executives. This provision is expected to affect at least half a dozen insurance companies such as United, Sagarmatha, Everest, Prudential, Himalayan General and Shikhar, which generate significant chunks of business from firms with ties to their promoters.

The draft also says promoters and chief executives of insurance companies should not conduct business with their kin or firms in which they hold the position of managing agent. The same applies to shareholders who own more than a 1% stake in nonlife insurance companies. Insurers are also barred from parking revenues in accounts of banks and financial institutions promoted by the promoter or kin of the promoter of the insurance company. "Insurers are also not allowed to take any form of credit from such institutions," the draft says.

Among others, the draft directive prevents promoters of an insurance company from intervening in the day-to-day operations of the company and from holding any position in the company. "They are also barred from promoting other insurance companies or surveyors' companies, and from working as third-party mediators or insurance agents," says the draft, which also bars promoters from running a firm that has been appointed corporate agent of their insurance company.

The draft also says founders of insurance companies should at least hold a bachelor's degree. With regard to chief executive, the person, among others, should at least be a college graduate with at least 15 years of experience in any organised company or at least 10 years of experience in the insurance sector, or should hold a master's degree with five years of experience in banking or insurance sector.

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| News | <i>Global: Supply chain insurance products emerging in market</i> |
| Newspaper | <i>Air e-daily Asia Insurance Review</i> |
| Source | <i>http://www.asiainsurancereview.com/pages/e-Weekly.asp?country=10</i> |

Risk managers are encouraged to become more familiar with emerging supply chain insurance products, which are considerably broader than traditional contingent business interruption (CBI) and contingent extra expense (CEE) products on which risk managers have previously relied, says global insurance broking and risk management firm, Marsh, in the report, "Supply Chain Resiliency: How Prepared Is Your Organization?".

"The CBI and CEE products that risk managers have historically looked to do not cover the increasingly frequent disruptions that many organizations face, which are not related to physical damage," says Mr Ben Tucker, a Senior Vice President in Marsh's Property Practice and an author of the report. "For example, the eruptions in 2010 and 2011 of the Eyjafjallajokull volcano in Iceland caused little physical damage to insured property, but still led to significant disruptions and delays in the transport of goods and services into and out of Europe."

In addition to indemnifying for business interruption and extra expenses resulting from physical damage to suppliers, supply chain insurance products also offer the insured protection against non-physical interruptions to their supply chains. These can include strikes, riots, ingress/egress, service interruption, and pandemics.

Marsh finds that despite a number of wake-up calls from last year's catastrophic events, many organisations still lack complete visibility into their supply chains and remain vulnerable to the next disaster. Last year's devastating earthquake, tsunami, and nuclear event in Japan and devastating floods in Thailand resulted in significant business interruption losses. Yet, many risk managers are also still not adequately familiar with the tools that are available to help them mitigate their supply chain risk and improve resiliency, including insurance options.

Mr Gary Lynch, Global Leader of Marsh Risk Consulting's Supply Chain Risk and Resiliency Solutions Practice, and another author of the report, says: "Many organisations also continue to suffer from a lack of collaboration between business leaders and risk managers, adding unnecessary complexity and sophistication to supply chains."

Middle East

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| News | <i>Bahrain: Trust Group's travel assistance unit set up multimedia contact centre</i> |
| Newspaper | <i>e-Weekly Middle East Insurance Review</i> |
| Source | <i>http://www.asiainsurancereview.com/pages/e-Weekly.asp?country=8</i> |

Afro Asian Assistance, the travel assistance unit of reinsurance major Trust Group, has launched a multimedia contact centre dedicated to travel assistance and travel insurance in Bahrain.

The contact centre is powered by the Altitude uCI solution which provides Afro Asian Assistance with a wealth of advanced IP contact features such as dialler, voice recording, unified centralised monitoring system, queuing, routing and reporting service. Mr Omar-Javier Baba Quiros, Managing Director at Afro Asian Assistance, said: "Selecting Altitude Software as a key component of our contact centre operations reaffirms our commitment to incorporating the best technology available to service our customers and ultimately, drive our Assistance Services business to new heights. Our Bahrain-based contact centre is today critical to providing us with a competitive advantage in the travel assistance and travel insurance industry across the MENA region."

In addition to providing a centralised platform for its roadside and travel assistance operations, Afro Asian Assistance said its contact centre is also ready to provide customised CRM solutions to fill the specific needs of customer-oriented businesses. Afro Asian Assistance, which laid its groundwork in 2008 and has had a presence in Bahrain since early 2010, offers and provides services such as travel assistance, roadside assistance, car replacement and home assistance.

Takaful

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| News | <i>Takaful seeks to improve competitiveness amid top line growth</i> |
| Newspaper | <i>e-Weekly Middle East Takaful</i> |
| Source | <i>http://www.asiainsurancereview.com/pages/e-Weekly.asp?country=9</i> |

Takaful companies should continue to improve its overall competitiveness in order to sustain itself in the long term and remain viable to investors, said several participants at the 7th Annual World Takaful Conference in Dubai.

While the takaful sector continues to grow, it also has to contend with increasing competition from within the sector as well as the conventional insurance space.

Dr Saleh Malaikah, Chief Executive Officer SALAMA Group said many takaful operators have improved on their underwriting approach. However, increased competition has led to a reduction in "premium safety margins" for the industry. Still, he welcomed healthy competition in the market so long as "pricing is risk-adequate". In light of the challenges to profit margins, takaful operators should be mindful of maintaining a competitive cost base, he adds.

Mr Iqbal Mankani, Chief Operating Officer AMAN reminded the sector to focus on the quality of business in their book rather than mere quantity.

Etiqa Insurance & Takaful Chief Executive Hans De Cuyper noted that on average, the inferior return on equity (RoE) of takaful companies compared to their conventional counterparts is a key issue to be looked at when addressing the competitiveness of takaful companies. In the case of Malaysia, the RoE for takaful companies stood at 4% while that of conventional companies was 17% in 2011.

He felt that some of the factors leading to the low RoE were the competitive pressures in the market, as well as the capital regimes of some takaful companies who have not priced in the cost of capital adequately into their products.

Mr Ismail Mahbob, Chief Executive MNRB Retakaful felt that takaful companies can still be attractive to potential investors if they are able to have a greater impact in writing commercial risks.

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| News | Insurance fraud rose 23% in 2011: Experian |
| Newspaper | Insurance Times, UK |
| Source | http://www.insurancetimes.co.uk/insurance-fraud-rose-23-in-2011-experian/1395956.article |

Detected insurance fraud rose 23% in 2011 when compared to 2010, according to a new fraud index published by Experian.

Almost 11 applications and claims out of 10,000 were fraudulent last year, compared to 8.89 out of every 10,000 the year before.

Experian UK & Ireland director of identity & fraud Nick Mothershaw said: "About 70% of financial services application fraud in the UK fraud is down to first parties misrepresenting their circumstances, and the products such as mortgages and insurance that have seen fraud soar over the last year have a significant first party fraud element to them. This kind of fraud tends to originate from financially stressed segments of society."

Experian's fraud index uses information from National Hunter and Insurance Hunter fraud prevention software, which flags up potential fraud to users.

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