



• Quote for the Week •

“If you really want to succeed, form the habit of doing things that failures don't like to do”

Anonymous

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Insurance Industry

Panel on Insurance Bill to hold more consultations - The Indian Express

The Select Committee of the Rajya Sabha on the Insurance Laws (Amendment) Bill is set to meet for the second time on Friday and will hear representations from the finance ministry and general insurance companies.

According to sources, the panel has called top finance ministry officials including finance secretary Arvind Mayaram and financial services secretary GS Sandhu to give their comments on the Bill that seeks to hike the foreign investment limit in the insurance sector to 49 per cent.

The General Insurance Council (GIC), comprising private sector players and state-owned general insurers, as well as heads of the four public sector general insurers are also slated to attend the meeting. “We will be holding meetings on weekly basis. After this, we will call for views from the insurance regulator IRDA, life insurance companies as well as other stakeholders,” said a member of the panel.

Earlier this week, the committee had also called for public comments on the Bill, the deadline for which is September 20. The first meeting of the panel was held in New Delhi on September 4 and further meetings are slated for September 19 and 26.

Source

The Select Committee is expected to submit its report to the Parliament during the Winter Session. It is chaired by BJP MP Chandan Mitra and comprises 15 members.

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Common services centres fail to draw insurance firms - Business Standard

In 2013, the Insurance Regulatory & Development Authority (Irda) allowed insurance companies to use common services centres (CSCs) as a distribution network to sell life and general insurance policies in rural areas. However, a year down the line, this channel remains untapped, as insurers are yet to launch specific products to sell through this channel and there is a lack of trained personnel to sell these products.

“Insurance agents need to undergo specific training. The CSC channels have just begun operations and it is difficult to get personnel who are aware of insurance products. Hence, insurance companies are not in a rush to tie-up,” said the head of distribution of private life insurance firm.

CSCs, set up under the National e-Governance Plan, seek to facilitate a platform for government and private-sector organisations to take the benefits of information and communication tools to rural India. On September 12, 2013, Irda gave e-Governance Services India Limited, a CSC, the licence to operate as an authorised intermediary to market specifically-approved insurance products and services.

According to Irda regulations, CSCs that want to sell insurance products should appoint rural authorised persons (RAPs), who have undergone 20 hours of theoretical training from a recognised institution and, subsequently, cleared an examination. This is because RAPs are supposed to assist customers in selecting policies according to their needs.

Irda's licences to CSCs is valid for three years, after which these can be renewed for another three years. Insurance companies wanting to sell through the CSC channel should file specific products, approved by Irda. According to the company executives, while basic general insurance products such as simple health plans and simple motor third-party plans can be offered through this channel, endowment and investment type products will be difficult to sell.

"While the regulator has made it clear there will be separate products for this channel, companies are still analysing with their actuaries which products would work for this market," said the head of actuary at a mid-sized life insurance company.

"Though the regulator has encouraged us to take advantage of this new distribution channel, we are going slow on this channel. We are yet to formally tie-up," said an official of a state-owned insurance company. Insurers are also concerned about anti-money laundering norms, as CSCs will largely deal with cash. "Before entering into any tie-ups, we need to be doubly sure of how the anti-money laundering practices are being standardised in the CSCs," said the chief financial officer of a private general insurance company.

According to Irda's guidelines, these products cannot have a sum assured exceeding Rs 2 lakh (except motor insurance), per life or risk. The Centre plans to roll out about 100,000 CSCs across the country, with a focus on rural areas. The CSCs will offer web-enabled e-governance services in rural areas. These can offer application forms, certificates, and utility payments such as electricity, telephone, and water bills.

Source

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Insurance funds pile up for want of bank a/c - The Times of India

Life insurers are seeing policyholder funds pile up unclaimed following the regulator's diktat that all maturity benefits should be directly transferred to a bank account. Insurers are now hoping that universal bank accounts under the Jan Dhan Yojana will help address the issue.

While a large number of pending payments are in respect of small accounts, there are some chunky payouts where the policyholder has not provided his account number. Insurers feel that these could be cases of undeclared income as there is no rationale for large policyholders to not share their account number.

"Although it is only since April that it has become mandatory to make payments through electronic transfer, the amounts have been piling up," said the CEO of a private life insurance company.

Data released by the government in response to a Parliament query shows that as much as Rs 5,848 crore is lying unclaimed with insurance companies. Of this, the Life Insurance Corporation accounts for Rs 1,548 crore while Reliance Life Insurance has Rs 1,502 crore.

In addition to the PM's Jan Dhan Yojana, another move that would reduce the number of unclaimed deposits with insurance companies is the regulator's plan to introduce an insurance repository.

"In the Insurance Repository System, an electronic Insurance Account (eIA) holder can maintain all his policies in a unique account and can access the same at the click of a button. Bank details are a pre-requisite whilst opening an eIA, which entails seamless settlements on maturity.

Further, in case of eventualities, the authorized representative of the eIA holder facilitates the claims as per policy level nominations," said Pandula Sreelakshmi, chief operating officer, SHCIL Projects (SHCIL IR). She added that these measures would curb the unclaimed policy monies significantly and benefit policyholders as it is free and would provide them notifications through email and SMS.

The head of another private life insurance company said, "We had considered making it mandatory that all premium payments should be made by cheque, but we had second thoughts as there was an opinion that this would amount to refusing legal tender." He added that in many of the policies that are sold under the regulator's social sector requirement, the premium was collected in cash from the insured.

Source

The prime minister's Jan Dhan Yojana is aimed at opening bank accounts for most of the unbanked families in the country.

Cos can Now Get Insurance Tailor-made for Their Risks - The Economic Times (Delhi)

The insurance regulator is poised to scrap the decade-old standardised general insurance policy format covering fire and accidents, leaving customers free to pick what kind of risk they need protection against, marking a big step forward in the evolution of the industry.

The move could lead to reduced premiums for companies that want fewer events covered and vice versa. The Insurance Regulatory and Development Authority (IRDA) is expected to notify the changes as early as this week after a committee it appointed in March suggested the amendment, said a person familiar with the plans. "This will change the way corporate buy insurance, and insurance companies price products. Certain risks will come in line with the need of the market," said an industry source familiar with the development.

"This is the evolution from risk based pricing to risk-based coverage. Smaller companies can avail of customized products as per their needs." The business is ailing, with the size of the insurance industry having declined to 3.96% of GDP in 2012-13 from 5.2% in 2009-10, according to IRDA data. General insurance comprises 0.78% of GDP.

The current general insurance cover of -

Rs 2,500 crore and above — referred to as 'large risk' or 'mega risk' — for any company for a single location adopts a 'one size fits all' approach. It's an all-risk policy that insures against perils such as flood, earthquake, landslide and explosion.

Once changes are implemented, companies can choose the risk they want to insure against, say a power plant located in a desert state could seek cover against fire and explosion, but exclude flood. Meanwhile, factories near a river or located in low-lying areas could seek flood cover.

The move will bring certainty and transparency for insurance clients. Products could be customized to suit the need of clients and supported by reinsurance that insures against perils such as flood, earthquake, landslide and explosion. Once changes are implemented, companies can choose the risk they want to insure against, say a power plant to a power plant located in a desert state could seek cover against fire and explosion, but exclude flood. Meanwhile, factories near a river or located in low-lying areas could seek flood cover.

The move will bring certainty and transparency for insurance clients. Products could be customized to suit the need of clients and supported by reinsurance, experts said. "Corporate customers have been demanding policy wordings tailor-made for their risks for a long time at par with other international markets," said Sanjay Kedia, country head and CEO, Marsh India Insurance Brokers. "Freedom in wording or even the reduction in sum insured requirement to, say Rs 1,000 crore from the present Rs 2,500 crore, at single location for 'large risk' would allow more corporate to benefit in managing their risks better."

This could be a game changer for general insurers as previous reforms have been piecemeal without leading to much incremental growth, experts said. The first phase of liberalization took place in 2007 when prices were de-tariffed, or companies allowed setting their own rates. Later in 2009, while freezing the basic wording, IRDA allowed companies to write in add-ons.

The latest proposal, once implemented, will constitute the third phase of liberalization, and a long-awaited one. After the freeing up of prices, the industry saw undercutting in most lines of business. To guard against this happening again, insurers should invest in actuarial capabilities to underwrite risk and price it accordingly.

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Insurers meet Parliament select panel - Business Standard

Moving expeditiously on the controversial Insurance Bill, the Parliament's select committee on Friday heard views of LIC and other public sector insurers, and decided to meet every Friday to fast-track the scrutiny report. "Secretaries in the different departments of the government and representatives of insurance companies made representations before the committee," sources said.

They further said the views of different parties on the key economic Bill would be known only during the discussion after stakeholder consultations. It was the second meeting of the panel. It would meet again on September 19 and 26 to expedite firming up report.

After first meeting of the panel earlier this month, committee chairman Chandan Mitra had said: "We will try to submit our report on the Insurance Bill by the third week of November". The 15-member panel headed by the senior BJP leader also recorded "oral evidence" of representatives of General Insurance Council, a body set up by insurance regulator IRDA.

Besides, top officials of ministries of Corporate Affairs, Finance, Law and Justice Ministry and Commerce presented their views on the bill. The bill, which proposes to hike the FDI limit in the insurance sector to 49 per cent, has been caught in a logjam with the Congress-led opposition insisting that it be referred to a select committee. Bowing to opposition pressure, the government had agreed to refer the controversial bill to the committee. The committee members would also be visiting Mumbai and Chennai to meet stakeholders to understand and record their views on the Bill.

The members of the committee are Mukhtar Abbas Naqvi and Jagat Prakash Nadda (all BJP), Anand Sharma, B K Hariprasad and JD Seelam (all Cong), Satish Chandra Misra (BSP), K C Tyagi (JD-U), Derek O'Brien (TMC), V Maitreyan (AIADMK), Naresh Gujral (SAD), Ram Gopal Yadav (SP), Kalpataru Das (BJD), P Rajiv (CPI-M) and Rajiv Chandrasekhar (Ind). The Insurance Laws (Amendment) Bill 2008 seeks to amend the Insurance Act, 1938, the General Insurance Business (Nationalisation) Act, 1972 and the Insurance Regulatory and Development Authority Act, 1999.

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Jammu and Kashmir floods: IRDA asks life insurers to settle claims fast - The Financial Express

In view of massive floods resulting in loss of lives and belongings in Jammu and Kashmir, the Insurance Regulatory Authority of India (IRDA) has asked life insurers to take immediate steps for expeditious settlement of claims. "In order to extend every possible facilitation in quick and timely settlement of life insurance claims to the affected people of the state of Jammu & Kashmir...initiate immediate action to ensure that all initial claims are registered and eligible claims are settled expeditiously," said an IRDA communique to CEOs of all life insurers.

The sector regulator has also asked the life insurance companies to nominate a senior officer who would act as the nodal officer in the state for coordinating or expediting settlement of all the claims that are reported. "Convey the contact particulars of the nodal officer so nominated to the chief secretary and officer concerned of the government of Jammu & Kashmir who would be overseeing the efforts being made to mitigate the suffering and loss of the victims of the floods," it said.

The nominated nodal officers may be also advised to contact the chief secretary or officer concerned of the state of Jammu & Kashmir to discuss facilitation measures, IRDA added. It has also asked companies to follow the process exercised during Uttarakhand floods last year in case difficulty is arising in obtaining a death certificate due to non-recovery of the body.

Source

Further, IRDA has asked the life insurers to submit a progress report on the claims settled on a weekly basis. Life insurers have also been asked to provide services such as dedicated toll free number, a dedicated e-mail ID and contact address of the local offices.

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IRDA Regulation

IRDA puts free pricing of third-party motor insurance on backburner - The Hindu Business Line

The Insurance Regulatory and Development Authority (IRDA) has put its plans of de-tariffing third-party motor insurance on the backburner. This is due to opposition from public sector general insurers who fear they may be forced to take on most of the burden.

A senior official from IRDA said that while the regulator was working on a roadmap for making third-party motor insurance market-driven, many insurers expressed fears that there may be supply-side issues as private insurers may charge exorbitant premium for high-risk vehicles.

Two components

Motor insurance in India has two components: own damage cover and third-party cover.

While own damage is a profitable portfolio for insurance companies, third-party insurance, which is mandatory for every vehicle in India, is highly unprofitable as the liability for insurers is unlimited and the premium is fixed by the insurance regulator.

So, at present, due to the high claims ratio of around 140 per cent from third-party motor insurance, insurance companies provide them cover from a common declined pool and not from their own books.

IRDA fixes tariffs for third-party motor insurance premiums to ensure that there are no supply-side constraints, that is, vehicles considered high-risk are not denied cover.

A senior official from a public sector general insurance company said that the insurance market is currently not ready for free-pricing as the size of the declined pool is still substantial at around Rs. 400 crore.

Amendment to the Act

Meanwhile, general insurers have pitched for an amendment to the Motor Vehicles Act to reduce the overall losses in the industry.

Source

Ritesh Kumar, MD and CEO of HDFC Ergo, said that currently there are a lot of leakages in third-party motor insurance because of unlimited liability on claims, no time bar and jurisdiction limitation. Kumar said that an amendment to the Motor Vehicles Act will help resolve this issue.

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Nod for insurers to buy infra bonds - Business Standard

Insurance Regulatory and Development Authority (Irda) has allowed insurers to invest in Long Term Bonds for financing infrastructure and affordable housing issued by banks.

In July 2014, the Reserve Bank of India (RBI) permitted banks to issue long term bonds for financing infrastructure and affordable housing.

The insurance regulator said that it has examined the RBI circular and will permit Insurers to reckon such Investments in the Long Term Bonds issued by Banks towards mandatory 'Infrastructure & Housing sector' exposure requirements in case of life insurers.

In case of general insurers, it will be under 'Infrastructure or Housing sector'. Irda has said that these Investments will continue to be governed by exposure limits of BFSI. The rating requirements will qualify as 'Approved Investment' as per existing Investment Regulations.

The regulator said that since the banks issue Long Term Bonds towards the dual purpose i.e. Financing Infrastructure and Affordable Housing, Investment Committee of insurers shall ensure to have robust mechanism on classification of such investment to qualify as Infrastructure or Housing Sector exposure considering predominant objectives of the offer.

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Health Insurance

Common third-party administrator for health insurers likely by April next - The Hindu Business Line

The common third-party administrator, Health Insurance TPA of India, floated by the four public sector general insurers and the national re-insurer for processing health insurance claims, is likely to be operational by April, 2015.

The promoters of the TPA are — New India Assurance, Oriental Insurance, United India Insurance, National Insurance and General Insurance Corporation (the national re-insurer). Insurance companies use a third-party administrator to manage claims processing, provide networks and facilitate cashless service at the time of hospitalisation.

Health Insurance TPA received licence from the insurance regulator recently and is looking to recruit people for various positions, said a senior official of the company. While the external third-party administrators that service the four public sector general insurers will continue to do so, Health Insurance TPA will start off with a small portion of the insurers' overall business.

The four insurers control 70 per cent of the over ₹15,000 crore health insurance market. But they are making underwriting losses as the claims ratio is around 120 per cent, particularly in the group health portfolio.

Currently, insurers outsource the claims settlement process to third-party administrators. However, their experience in this regard has been unsatisfactory. Insurers feel that the move to settle claims through their own administrator will enable them to check fraudulent claims, resolve disputes and settle claims faster. Each of the four state-owned insurers has contributed to the total seed capital of ₹200 crore.

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General Insurance

General insurance wage talks tomorrow; many ready to join New Pension Scheme - The Economic Times

Ahead of the second round of wage negotiations beginning tomorrow in New Delhi, state-owned general insurers have written to the government expressing the readiness of a section of their employees to join the new pension scheme which they had rejected twice in the past.

"We have written to the government on the NPS issue, and sought its approval," New India Assurance Chairman-cum Managing Director G Srinivasan, who is also the Chairman of the General Insurance (Public Sector) Association (GIPSA), which is holding the wage talks, told PTI. The four public sector non-life insurers have around 70,000 employees, of which around 50,000 had already moved on to the New Pension Scheme (NPS).

Around 20,000 employees, working at the four state-owned general insurance firms, will be benefited in case the third option of pension is offered to them as they did not opt for it when the second pension scheme was offered to them falling in line with the banking industry in 2008, he said.

The Monday's wage negotiations will be the second round on the issue, as the first round had already taken place earlier during the year. All the heads of the four state-owned general insurance companies are likely to attend the meeting which will be held by the GIPSA. The unions are seeking a hefty 40 per cent hike in net salary and if allowed it will benefit 70,000 employees.

"Majority employees of PSU general insurance firms had not opted for it when the option for pension was offered to them for two times in past as the interest rate on deposit was comparatively high with the banks those days," Bharatiya Veema Karamachari Sena (BVKS) general secretary Prasad Samant said.

"In fact, when the new pension option was offered to us for the second time, we were not given enough time to give our consent and hence a majority of us opted out and hence we want it now," BVKS working president Amrish Sinha said.

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Insurers gear up to assess losses in Jammu and Kashmir - The Indian Express

Insurance companies are gearing up to assess claims from flood-ravaged Jammu and Kashmir but point out that the state has low penetration of general insurance. "Insurers will do their best. The details of insured property and assessment of such claims will start once the flood waters recede and communication links are restored. However, data suggests that insurance penetration in the state is less than 1 per cent of the market share," said R Chandrasekhar, secretary-general, General Insurance Council of India.

According to latest data available with the council, the state had a general insurance penetration of just 0.53 per cent as against the national average of 0.73 per cent in 2012-13. This is much lower compared to states like Chandigarh where non-life insurance penetration is 1.49 per cent and Maharashtra with 1.07 per cent.

The density of general insurance, which is the ratio of total insurance premia to the total population in Jammu and Kashmir is also just Rs 320 as against the national average of Rs 568. But Chandrasekhar warned that the data could be under-representative as some companies may have chosen to buy the policy from the head office of the insurer, which would be out of the state.

Most of the claims in the non-life sector are likely from property, motor and health insurance. In life insurance sector, the penetration is slightly higher at 0.59 per cent in 2012-13, almost on the lines of the All India average of 0.66 per cent. But even in the life insurance sector, penetration is significantly higher in states like West Bengal (0.85 per cent) and Delhi (0.91 per cent).

“We are ready to handle all insurance claims from the state,” said an official from Life Insurance Corporation of India. Over 200 people are feared to be dead in the state, where incessant rains in the past week have led to many parts being completely submerged.

The finance ministry too is getting into action to ensure that all insurance claims are processed swiftly. “The policyholders will not suffer in any way. Facilities such as relaxation in documentation and camps to ensure swift processing of claims will be provided,” said an official, adding that similar facilities were also provided after the Uttarakhand floods.

PNB MetLife announced last week that it would set up dedicated claim processing camps in the valley to support the victims. “The camps aim to ensure hassle-free claim settlement for the customers across the valley. In view of the grim situation, the claim process has been simplified and requires minimal documentation,” it said in a statement.

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Insurers may be allowed to roll out pilot products - The Hindu Business Line

General insurance companies will soon be able to launch commercial products on pilot basis for a limited period, according to the recommendations by a working group set up by the insurance regulator. Under the existing file-and-use system, insurers have to file and get approval from the Insurance Regulatory and Development Authority before launching the products.

In order to respond to customer requirements faster, insurers have been demanding a use-and-file system for certain products to co-exist with the file-and-use system.

Limited period

According to the working group’s report, insurers can launch pilot products for a short period of time in a defined pilot area with defined exposure limits after informing the IRDA”.

After gauging the performance of the product, they can finalise and take it through the approval process.

The working group notes that developing innovative products requires experimentation, testing, refinement and finalisation. However, the current system does not afford the freedom of testing and refinement; it jumps from experimentation to finalisation.

With the average consumer not possessing a grasp of the complexities of insurance, the group has suggested that there be just two classes of products — retail and commercial.

The working group has recommended a use-and-file system for commercial products, while retail products will continue to be governed by the file-and-use system.

Commercial category

“Most of the products of specialist mono-line companies should fall in the commercial category and hence would follow the use-and-file system of product approval. However, for retail products of these companies, if any, they will need to follow the file-and-use system,” said the report.

According to the report, all the insurance policies either under file-and-use or use-and-file will be approved by the insurer’s product management committee, which will include, among others, the CEO, appointed actuary and chief underwriter.

Source

The working group has also recommended that pricing flexibility be allowed by the appointed actuary to the extent of acquisition cost and profit margin built in the product.

Survey & Reports

Insurance sector: On brink of tech-related change - Business Standard

The insurance sector is on the brink of a major technology-driven change, according to a research report on insurance and technology by the Stanley and Boston Consulting Group (BCG). The report says technology-driven change creates exciting opportunities for insurers keen to embrace it, but poses significant risks for laggards. The research report, 'Insurance and Technology: Evolution and Revolution in a Digital World', estimates technology could reduce the combined ratio as much as 21 per cent. Compared to a baseline insurer with a combined ratio of 99 per cent, the combined ratio of a digitally born insurer will be 78-82 per cent, it says.

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IRDA Circular

Source

IRDA issued a circular regarding Issue of Long Term Bonds by Banks – Financing of Infrastructure and Affordable Housing to the CEOs of all Insurers.

Source

IRDA issued circular regarding Insurance Claims of victims of Jammu & Kashmir Flood Disaster to all the CEOs of the Life Insurance companies

Source

IRDA uploaded the approved list of Web Aggregators.

Source

The IRDA uploaded the report of the working group on F&U guidelines for General Insurance products. The comments may be forwarded within 21 days.

Source

Special dispensation to Insurers under Section 64UM (2) of the Insurance Act, 1938 CEOs of general insurance.

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Global News

China: Full premium liberalisation may take another 5 years - EY - Asia Insurance Review

Full price liberalisation in the Chinese insurance market may occur after five years, according to international consulting firm, EY, in a new EY report, "Future Directions for Foreign Insurance Companies in Mainland China 2014". However, most foreign insurers surveyed by EY gave timelines of up to 10 years for the industry to achieve this goal. In August 2013, the Chinese Insurance Regulatory Commission (CIRC) raised the maximum guarantee yield on traditional insurance products from 2.5% to 3.5%. The CIRC's ultimate goal is probably full price liberalisation, said EY.

The international advisory, tax and accounting firm said that mainland China's ongoing financial reform offers significant opportunities for foreign insurers through price liberalisation, product development, the internationalisation of the Chinese currency, the creation of free trade zones and new distribution channels. However, EY added that the the operating environment remains relatively challenging, so it is important foreign insurers stay up-to-date with regulatory and other developments and opportunities.

This report draws on interviews with 27 seasoned foreign insurance companies' CEOs and senior executives operating in mainland China. The participants in this survey predicted annual premium growth of over 20% for life insurance companies, and 10% to 15% for property and casualty companies. These forecasts point to a healthy and robust future. In comparison, the industry regulator, China Insurance Regulatory Commission, is predicting an average annual growth rate of 17% in premiums in China over the next seven years.

Even though mainland China represents a challenging market for foreign insurers, almost 50 companies have entered the market as joint ventures or wholly foreign-owned subsidiaries and a wide variety of international insurers have also set up representative offices.

Source

Foreign insurers though are only slowly expanding their footprints in mainland China. Foreign life insurers increased their market share from 4% in 2011 to 5.6% in 2013, but it is still considerably below the peak of 8.9% in 2005. The property and casualty insurers have failed to maintain the 1.3% market share reached in 2005 and ended 2013 at only 1.28%.

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Japan: Insurers to cut duration of disaster covers - Asia Insurance Review

The increased costs resulting from typhoons and torrential rain have prompted Japan's non-life insurance companies to do a radical rethink on the length of policy coverage they will offer. The insurers, for example, plan to shorten the maximum period for fire insurance policies from the current 36 years to 10 years starting in October next year. That means insurance premiums will rise for policyholders who will then have to renew every 10 years, reported the Asahi Shimbun.

The General Insurance Rating Organization of Japan provides reference loss rates on fire insurance based on data collected from member companies. It stopped calculating rates in July for policies longer than 10 years, citing "an increase in natural disasters and the uncertainty of forecasting future events." The move led non-life insurance companies to stop selling policies with a duration exceeding 10 years. The companies said, though, they will continue to honor contracts that have been signed.

At Sompo Japan Nipponkoa Insurance, the nation's largest nonlife insurer, the premium for a Tokyo condominium with a coverage limit of JPY10 million (US\$93,400) is JPY100,910 for a 30-year policy, or JPY38,130 for a 10-year policy. Simply multiplying by three, the 10-year contract is 13% more expensive. According to the General Insurance Rating Organization, insurance policies with a tenure longer than 10 years accounted for about 5% of the total number that were written in 2012 and comprising about 35% of all insurance premiums during that period.

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Indonesia: Life insurance agents to number 500,000 by next year - Asia Insurance Review

Indonesia's current army of 300,000 life insurance agents is expected to expand to 500,000 by next year, according to Mr Hendrisman Rahim, Chairman of the Indonesian Life Insurance Association (AAJI). He said that so far, life insurance agents in the country are complying with the association's code of ethics as evidenced by the fact that to date no Indonesian life insurance agency had seen its licence revoked by AAJI, according to a report by the Jakarta Post.

"We revoke the licence of any insurance agent who violates our code of ethics. Of all 300,000 insurance agents operating in Indonesia, none of them have had their license revoked, said Mr Hendrisman. He added that he hoped that the insurance agents would continue to improve their professionalism in order to maintain the growth of Indonesia's insurance industry. "The agents need to present themselves in a truly professional way. The AAJI feels that it is also the association's responsibility to help boost agent professionalism," he added.

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China: Clean-up of insurance intermediaries enters 2nd phase - Asia Insurance Review

The months-long drive by the regulatory authorities to clean up the Chinese insurance intermediary market is entering its second phase, with the China Insurance Regulatory Commission directing that with effect from September, reviews, inspections and audits are to be carried out for a large number of intermediaries.

Shanghai Securities News, citing authoritative sources, said that enforcement action is being stepped up as the insurance intermediary market is in a risk-prone period, and preventing and defusing risks have become a more onerous task.

Regulatory officials describe the first phase of checks on the sector, that lasted from April to August, as one in which officials seek to "find out the base", that is, the extent of problems faced in the sector. Those guilty of malpractices are encouraged to admit to any wrongdoing. They would be warned but not penalised.

The second stage, to last four months as well, will involve audits and examinations. Those found guilty of violations will be penalised including having their business licences revoked, being barred from accepting new business or their executives stripped of their posts.

Source

At present, there are more than 200,000 insurance agencies and 2,500 professional insurance intermediaries in China. They account for 80% of total insurance premiums in the country. In recent years, due to the rapid changes in the economy, financial markets and information technology such as the Internet, malpractices in the intermediary sector are surfacing. They include unauthorised funds, misappropriation of funds and mis-selling, with the amounts involved growing larger.

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Global: Reinsurers need to stop "Me too" approach & be different - Asia Insurance Review

Analysis undertaken by international consulting firm PwC has found that as much as 40% of the global reinsurance market by capacity needs to differentiate itself and stop following a 'me too' strategy, if reinsurers are to avoid becoming targets for consolidation. PwC's latest report, titled "Reinsurance 2020: Taking control of your destiny", suggests that reinsurers which fail to differentiate could find themselves at risk. The sector as a whole is ripe for a wave of cost-cutting and consolidation, warned PwC, meaning that standing out through a differentiated strategy has become even more important.

Reinsurance buyers are demanding ever more specialised and targeted solutions from their reinsurance panel, said PwC, which suggests that those reinsurers who cannot live up to expectations will risk being cut from panels or find their capacity simply used as a convenient source of cover to top up programmes. The combined forces of a continued low-interest rate environment, limited growth in traditional insurance and reinsurance markets, falling margins, competition from the capital markets and insurance-linked securities (ILS), low investment returns and soft market conditions mean that reinsurers need to work harder than ever before to attract new business, PwC explained.

Mr Bryan Joseph, global actuarial leader at PwC, explained further; "Many reinsurers need a radical re-think of where and how to compete. With prices low and direct competition from ILS, clients can afford to gravitate to a select panel of higher rated, often larger, reinsurers. This is leaving some of the smaller and less well rated counterparts in the margins." PwC forecasts that the mid-sized generalist reinsurers may be the ones who feel the most pressure first, finding it particularly hard to sustain investment and their competitive relevance in the current environment. PwC says that to perform reinsurers will require a clear strategy and answers to the following questions; "Where am I going to compete, what is our distinct proposition, what are we in business to do and what does our resulting operating model look like?"

"Fighting over the commoditised crumbs or hunkering down in the hope of a more favourable rating environment is not a viable strategy for survival in the current market. Unless the undifferentiated generalists change tack, it's only a matter of time before they're absorbed or squeezed out of the market altogether," Mr Joseph continued.

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China: Regulator to lobby for lower tax burden for insurers - Asia Insurance Review

The Chinese insurance regulator has said that it will make efforts to cut taxes in the insurance sector to free up funds that can be used. Mr Xiang Junbo, Chairman of the China Insurance Regulatory Commission, in a recent article in a local newspaper, "Study Times", said that China's insurance industry faces high tax rates while tax incentives are narrow. He added that the regulator would continue to increase communication and coordination with the tax authorities to lobby for a reduction in the insurance industry's tax burden.

Mr Xiang said that over the next 20 years, the insurance industry can provide cumulative funds of CNY24 trillion (US\$3.91 trillion) for infrastructure and real estate development. These funds, together with bonds and other forms of investments, can provide a total capital of about CNY80 trillion for urbanisation.

Source

In fact, the Finance Ministry has already started looking to include the insurance and other financial service sectors into a tax reform programme which replaces business tax with value-added tax. The plan is for insurance, banking, securities and trust sectors to have their own tax regimes.

The tax authorities are considering the potential impact on the insurance industry of the proposed tax reform, the level of tax rates, the extent of tax deductibles, and the extent of tax increases or decreases that will result from the reform.

Solvency II drives European runoff deals - www.reactionsnet.com

The arrival of Solvency II is driving a sixth year of growth in the European run-off market according to a new survey released today by Price Waterhouse Cooper (PwC). PwC's 8th Survey on discontinued insurance business was released today at the Monte Carlo Reinsurance Rendez-vous, reveals that the European run-off market is now worth €242bn, an increase of €7bn from 2013.

The survey said that the majority of this increase has come from German and Swiss run-off books, as focus on run-off business continues. PwC predicts that transactions will peak during the coming year as Solvency II drives a renewed focus on core business and leads to organisations deciding to exit non-core lines.

The report, which is based on responses from more than 200 organisations, reveals that two thirds are increasing their focus on dealing with underperforming lines of business due to Solvency II. Of companies who have considered an exit for their run-off, nearly 60% have considered a sale according to the survey.

PwC says that the UK and Germany are expected to be the most active territories for disposal transactions in the coming year. Over eight in 10 respondents are anticipating five or more disposals to occur in the next two years. Most people expect that likely portfolio sizes to be disposed of will be less than €100m.

"It has been another busy year in the insurance run-off sector and we expect this activity to continue. The market has grown to €242bn this year and we expect it to grow further as a result of the impact of Solvency II," said Dan Schwarzmann, head of PwC's solutions for discontinued insurance business. "There is likely to be a steady flow of companies attempting to dispose of, or exit from, legacy business that will not be capital effective in their post Solvency II balance sheets. Our survey also highlights that balancing reputation with the desire for exit remains a key concern amongst Continental European Insurers.

"Despite the positive outlook for deals activity in the market the Survey highlights that there remains some unease about how Regulators across Europe will treat exit activity. The stakeholders in the run-off industry need to continue to work together to provide policyholders with optimum benefits."

Source**Disclaimer:**

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